

**Temple University —
Of The Commonwealth System of
Higher Education and its Subsidiaries**

**Consolidated Financial Statements and Supplemental
Schedules as of and for the Years Ended June 30, 2020
and 2019, and Independent Auditors' Report**



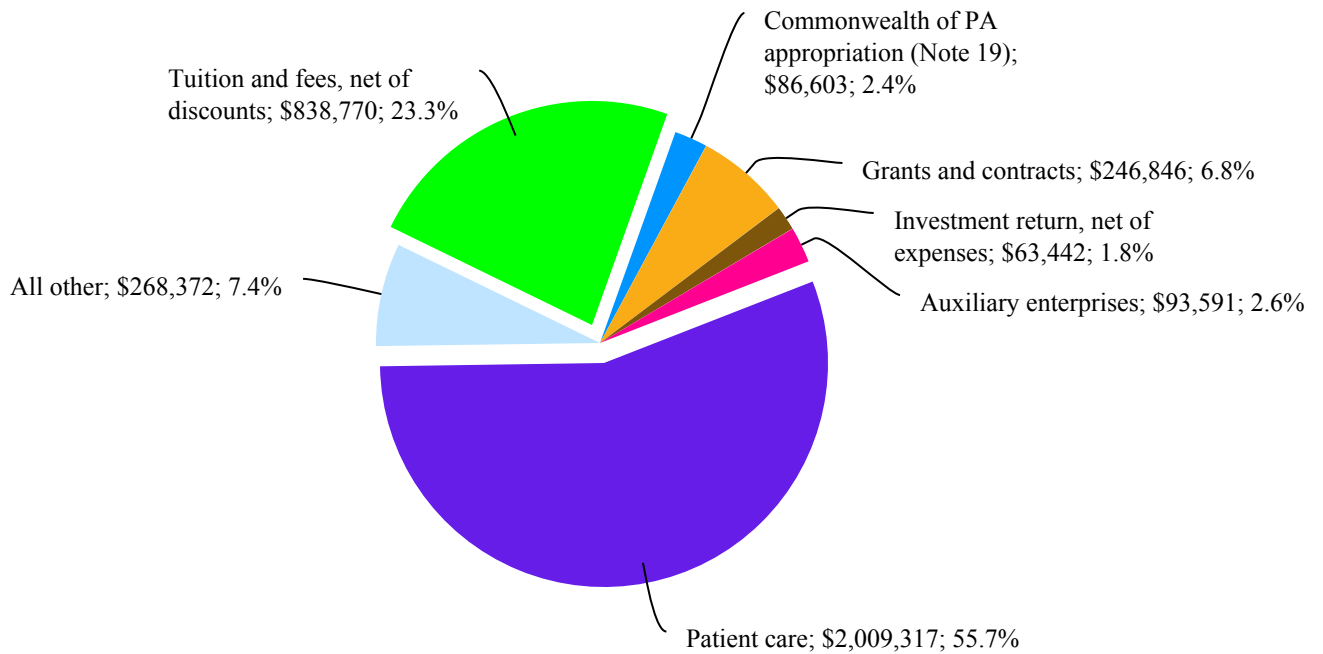
**TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES**

Table of Contents

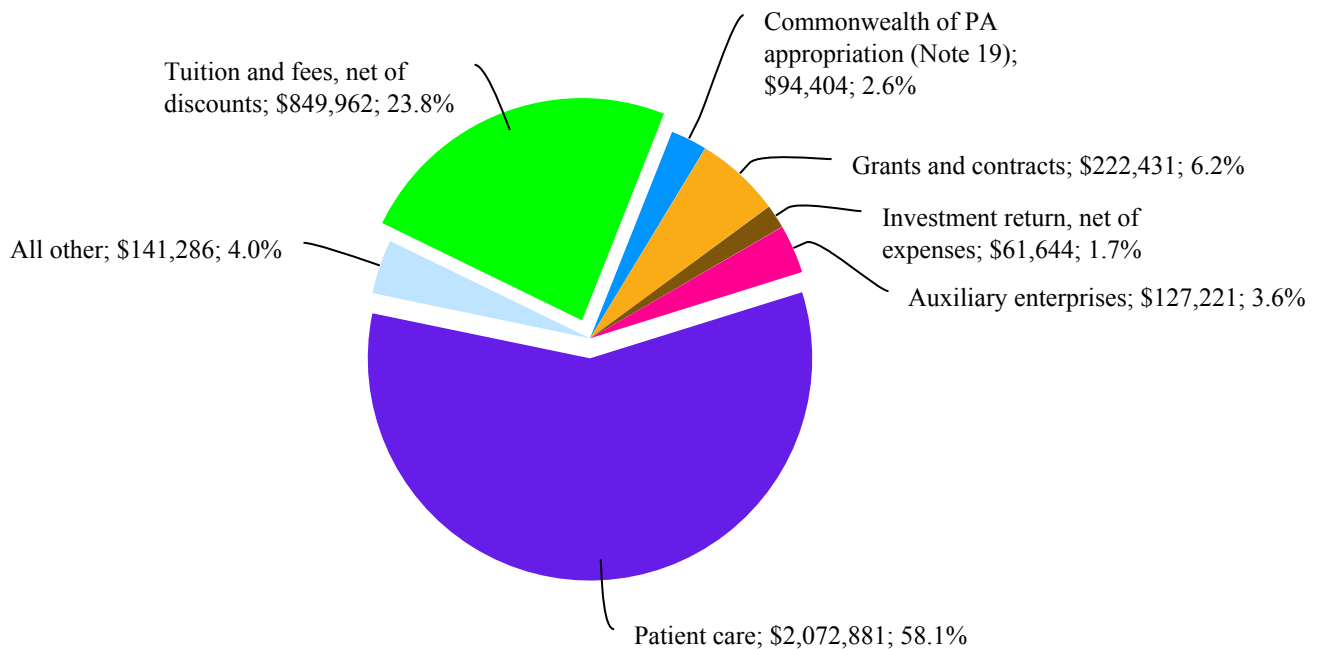
	Page
Summary of Consolidated Statements of Activities, Years Ended June 30, 2020 and 2019	
Consolidated Operating Revenues Without Donor Restrictions by Source	<u>i</u>
Consolidated Operating Expenses by Function and Natural Expense Type	<u>ii</u>
Independent Auditors' Report	<u>1</u>
Consolidated Financial Statements:	
Consolidated Balance Sheets, June 30, 2020 and 2019	<u>3</u>
Consolidated Statement of Activities, Year Ended June 30, 2020	<u>4</u>
Consolidated Statement of Activities, Year Ended June 30, 2019	<u>5</u>
Consolidated Statements of Cash Flows, Years Ended June 30, 2020 and 2019	<u>6</u>
Notes to Consolidated Financial Statements	<u>7</u>
Supplemental Schedules:	
Changes in Net Assets Without Donor Restrictions, Year Ended June 30, 2020	<u>S-1</u>
Changes in Net Assets Without Donor Restrictions, Year Ended June 30, 2019	<u>S-2</u>
Subsidiary Organizations, June 30, 2020	<u>S-3</u>

**Temple University —
Of The Commonwealth System of Higher Education and its Subsidiaries
Summary of Financial Statements
(dollars in thousands)**

Fiscal 2020 Operating Revenues Without Donor Restrictions by Source: \$3,606,941

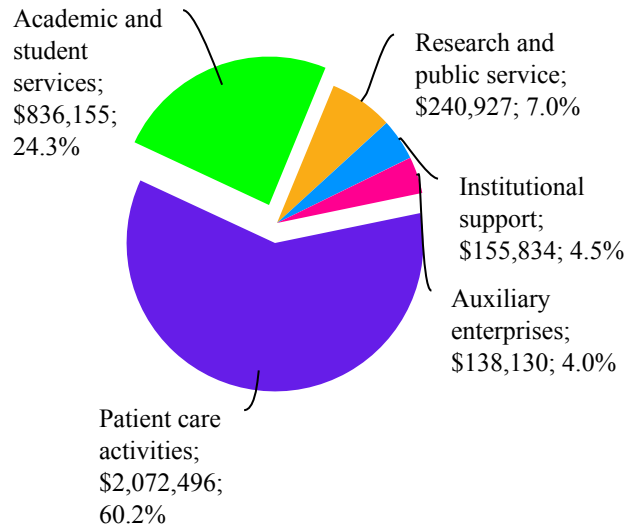


Fiscal 2019 Operating Revenues Without Donor Restrictions by Source: \$3,569,829

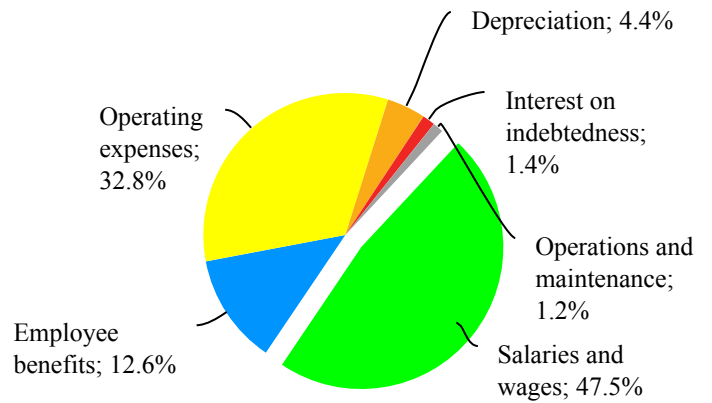


Temple University —
 Of The Commonwealth System of Higher Education and its Subsidiaries
 Summary of Financial Statements
 (dollars in thousands)

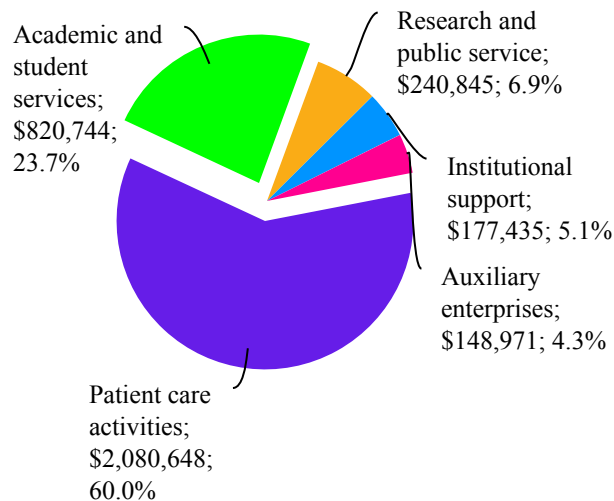
Fiscal 2020 Operating Expenses by Function: \$3,443,542



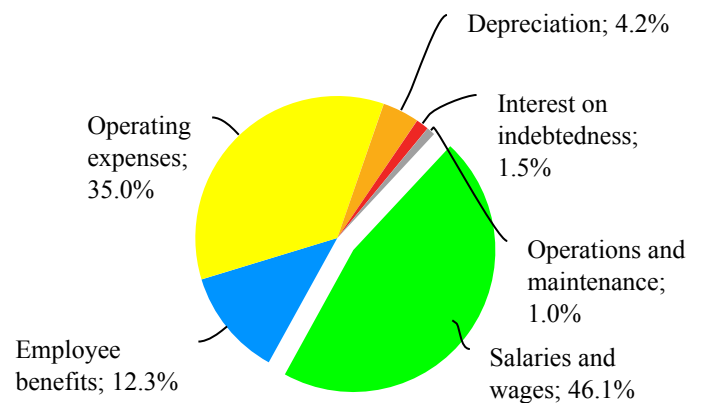
Fiscal 2020 Operating Expenses by Natural Expense Type (Excluding Recoveries)



Fiscal 2019 Operating Expenses by Function: \$3,468,643



Fiscal 2019 Operating Expenses by Natural Expense Type (Excluding Recoveries)



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Temple University — Of The Commonwealth System of Higher Education
Philadelphia, Pennsylvania

We have audited the accompanying consolidated financial statements of Temple University — Of The Commonwealth System of Higher Education and its subsidiaries ("Temple"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Temple's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Temple's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Temple University — Of The Commonwealth System of Higher Education and its subsidiaries as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Schedules

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages S-1 through S-3 are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the changes in its net assets of the individual entities, budgetary categories, and operations, and is not a required part of the consolidated financial statements. These supplemental schedules are the responsibility of Temple's management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Deloitte & Touche LLP

October 28, 2020

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES
Consolidated Balance Sheets
(in thousands)

	June 30, 2020	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 930,384	\$ 343,524
Investments and self-insurance trust funds	870,404	861,954
Accounts, loans, and contributions receivable, net	449,210	543,201
Inventories and other assets	64,129	55,442
Deposits with trustees	17,454	21,760
Total current assets	2,331,581	1,825,881
Non-current assets:		
Accounts, loans, and contributions receivable, net	122,636	151,322
Endowment, investments, and self-insurance trust funds	830,944	830,013
Deposits with trustees	51,609	50,159
Other assets	87,582	68,034
Property, plant, and equipment, net	1,870,854	1,915,178
Goodwill and other intangible assets, net	3,574	16,976
Funds held in trust by others	154,559	161,354
Total non-current assets	3,121,758	3,193,036
Total assets	\$ 5,453,339	\$ 5,018,917
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 563,335	\$ 426,203
Deferred revenue	71,295	59,880
Short-term debt	100,000	—
Current portion of long-term debt	43,934	41,953
Current portion of accrued pensions and postretirement benefits	450	466
Total current liabilities	779,014	528,502
Non-current liabilities:		
Accrued expenses and other liabilities	289,087	252,739
Deferred revenue	13,866	16,024
Long-term debt	1,093,361	1,132,976
Refundable federal student loans	45,717	53,276
Accrued pensions and postretirement benefits	90,102	47,797
Total non-current liabilities	1,532,133	1,502,812
Total liabilities	2,311,147	2,031,314
Net assets:		
Without donor restrictions	2,512,662	2,219,495
With donor restrictions	629,530	768,108
Total net assets	3,142,192	2,987,603
Total liabilities and net assets	\$ 5,453,339	\$ 5,018,917

See accompanying notes to the consolidated financial statements.

TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Consolidated Statement of Activities

For the Year Ended June 30, 2020

(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Tuition and fees, net of discounts of \$152,840	\$ 838,770	\$ —	\$ 838,770
Commonwealth of Pennsylvania appropriation (Note 19)	86,603	—	86,603
Grants and contracts (federal, state, local, and private)	246,846	—	246,846
Contributions for operations and endowments	25,620	32,002	57,622
Investment return, net of expenses	63,442	3,357	66,799
Sales of educational activities	9,069	—	9,069
Auxiliary enterprises	93,591	—	93,591
Patient care activities	2,009,317	—	2,009,317
Other sources	220,212	—	220,212
Net assets released from restrictions	13,471	(13,471)	—
Total revenues	3,606,941	21,888	3,628,829
Expenses:			
Educational and general:			
Academic and student services	836,155	—	836,155
Research and public service	240,927	—	240,927
Institutional support	155,834	—	155,834
Total educational and general	1,232,916	—	1,232,916
Auxiliary enterprises	138,130	—	138,130
Patient care activities	2,072,496	—	2,072,496
Total expenses	3,443,542	—	3,443,542
Excess of revenues over expenses	163,399	21,888	185,287
Other changes in net assets:			
Investment return, net of expenses	17,142	(19,607)	(2,465)
Commonwealth grants for property, plant, and equipment (PP&E)	—	459	459
Contributions for PP&E	449	900	1,349
Gain on extinguishment of debt	3,136	—	3,136
Loss on disposal of PP&E, net	(1,242)	—	(1,242)
Actuarial change in accrued pensions and postretirement benefits	(43,072)	—	(43,072)
Other components of net periodic benefit cost	10,912	—	10,912
Currency translation adjustment and foreign exchange realized gain, net	225	—	225
Net assets released from restrictions for PP&E	142,218	(142,218)	—
Total other changes in net assets	129,768	(160,466)	(30,698)
Change in net assets	293,167	(138,578)	154,589
Net assets, beginning of year	2,219,495	768,108	2,987,603
Net assets, end of year	\$ 2,512,662	\$ 629,530	\$ 3,142,192

See accompanying notes to the consolidated financial statements.

**TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES**

Consolidated Statement of Activities

For the Year Ended June 30, 2019

(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Tuition and fees, net of discounts of \$147,600	\$ 849,962	\$ —	\$ 849,962
Commonwealth of Pennsylvania appropriation (Note 19)	94,404	—	94,404
Grants and contracts (federal, state, local, and private)	222,431	—	222,431
Contributions for operations and endowments	25,412	27,456	52,868
Investment return, net of expenses	61,644	3,375	65,019
Sales of educational activities	11,489	—	11,489
Auxiliary enterprises	127,221	—	127,221
Patient care activities	2,072,881	—	2,072,881
Other sources	87,187	—	87,187
Net assets released from restrictions	17,198	(17,198)	—
Total revenues	3,569,829	13,633	3,583,462
Expenses:			
Educational and general:			
Academic and student services	820,744	—	820,744
Research and public service	240,845	—	240,845
Institutional support	177,435	—	177,435
Total educational and general	1,239,024	—	1,239,024
Auxiliary enterprises	148,971	—	148,971
Patient care activities	2,080,648	—	2,080,648
Total expenses	3,468,643	—	3,468,643
Excess of revenues over expenses	101,186	13,633	114,819
Other changes in net assets:			
Investment return, net of expenses	23,367	(6,172)	17,195
Commonwealth grants for property, plant, and equipment (PP&E)	—	49,412	49,412
Contributions for PP&E	1,166	193	1,359
Gain on disposal of PP&E, net	484	—	484
Actuarial change in accrued pensions and postretirement benefits	(30,217)	—	(30,217)
Other components of net periodic benefit cost	16,374	—	16,374
Currency translation adjustment and foreign exchange realized loss, net	(170)	—	(170)
Net assets released from restrictions for PP&E	3,780	(3,780)	—
Total other changes in net assets	14,784	39,653	54,437
Change in net assets	115,970	53,286	169,256
Net assets, beginning of year	2,103,525	714,822	2,818,347
Net assets, end of year	\$ 2,219,495	\$ 768,108	\$ 2,987,603

See accompanying notes to the consolidated financial statements.

**TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES**

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 154,589	\$ 169,256
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Currency translation adjustment and foreign exchange realized (gain) loss, net	(225)	170
Provision for bad debts	2,980	25,766
Depreciation	151,796	145,736
Amortization and accretion	(2,290)	(4,770)
Impairment of intangibles	13,071	834
Realized and unrealized gain on investments, net	(25,295)	(43,502)
Actuarial change in accrued pensions and postretirement benefits	43,072	30,217
Gain on extinguishment of debt	3,136	—
Loss (gain) on disposal of property, plant, and equipment (PP&E) and assets held for sale, net	1,242	(484)
Noncash contributions received	(8,265)	(6,189)
Proceeds from sale of noncash contributions	8,265	6,189
Contributions, grants, and investment income restricted for PP&E and long-term investment	(21,481)	(67,221)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	101,475	(104,847)
Inventories and other assets	(30,169)	(28,041)
Accounts payable and accrued expenses	186,212	11,396
Deferred revenue	7,495	2,170
Accrued pensions and postretirement benefits	5,155	(7,849)
Net cash provided by operating activities	<u>590,763</u>	<u>128,831</u>
Cash flows from investing activities:		
Purchases of investments, deposits with trustees, and self-insurance trust funds	(904,336)	(905,421)
Sales and maturities of investments, deposits with trustees, and self-insurance trust funds	1,128,430	828,700
Net change in short-term investments	(212,813)	71,004
Purchases of PP&E	(105,711)	(178,294)
Proceeds from sales of PP&E and assets held for sale	595	4,006
Loans to students	(4,211)	(2,120)
Proceeds from collections on student loans	9,043	9,504
Net cash used in investing activities	<u>(89,003)</u>	<u>(172,621)</u>
Cash flows from financing activities:		
Proceeds from contributions, grants, and investment income restricted for PP&E and long-term investment	21,481	66,887
Refundable federal student loans	(7,559)	953
Change in split interest agreements	(485)	151
Proceeds from long-term debt, net of bond issuance cost of \$1,035 and \$0, respectively	180,091	11,331
Repayment of long-term debt	(218,479)	(39,779)
Proceeds from short-term borrowings (line of credit)	280,000	—
Repayment of short-term borrowings (line of credit)	(180,000)	—
Net cash provided by financing activities	<u>75,049</u>	<u>39,543</u>
Effect of exchange rate changes on cash and cash equivalents	77	236
Net change in cash, cash equivalents, and restricted cash	576,886	(4,011)
Cash, cash equivalents, and restricted cash, beginning of the year	371,052	375,063
Cash, cash equivalents, and restricted cash, end of the year	<u>\$ 947,938</u>	<u>\$ 371,052</u>
Cash and cash equivalents	\$ 930,384	\$ 343,524
Restricted cash included in investments and self-insurance trust funds	17,554	27,528
Total cash, cash equivalents, and restricted cash	<u>\$ 947,938</u>	<u>\$ 371,052</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 55,568	\$ 56,657
PP&E acquired through capital leases	3,021	2,274
Amounts accrued related to PP&E	8,185	14,565

See accompanying notes to the consolidated financial statements.

**TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(dollars in thousands)

1. Description of Business and Operations

Founded in 1884, Temple University — Of The Commonwealth System of Higher Education (the “University”) is a comprehensive state-related research university with its headquarters and largest campus located in Philadelphia, Pennsylvania. The University provides education and training services to approximately 40,000 students at the undergraduate, graduate, and postdoctoral/professional levels, and performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, including federal, state, and local sponsors. The University offers more than 500 academic programs in 17 schools and colleges, including programs in art; business; education; engineering; law; liberal arts; media and communications; music and dance; science and technology; social work; sport, tourism, and hospitality management; theater, film, and media arts; and various health professions, including dentistry; medicine; pharmacy; podiatric medicine; and public health. The University has eight campuses; including six campuses across Pennsylvania and international campuses in Rome (Italy) and Tokyo (Japan), and offers study abroad programs in various locations. The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

As a state-related institution, the University receives annual operating and capital non-preferred appropriations from the Commonwealth of Pennsylvania (the “Commonwealth”). Non-preferred appropriations require a two-thirds vote of each chamber of the Commonwealth's General Assembly for passage. The General Assembly is not obligated to appropriate funds to the University, and there is no guarantee that funding from the Commonwealth will continue consistent with historical levels or at levels requested by the University. The annual operating and capital appropriations from the Commonwealth were \$158,206 and \$46,000, respectively, in 2020 and \$155,104 and \$46,000, respectively, in 2019. In addition to the annual appropriations, the Commonwealth also provides funding for patient care activities and sponsored programs (see Notes 19 and 21).

The University is the sole member of its subsidiary Temple University Health System, Inc. (“TUHS”). The University and TUHS are collectively referred to herein as “Temple”. See the accompanying supplemental schedule for a complete listing of Temple’s subsidiary organizations. A summary of Temple’s active and recently active subsidiaries and clinical faculty practice plan is as follows:

Temple’s Active Subsidiaries as of June 30, 2020	
Temple University Health System, Inc. (“TUHS”)	A Pennsylvania nonprofit corporation dedicated to providing access to quality patient care and supporting excellence in medical education and research, of which the University is the sole member. TUHS was incorporated in August 1995 and serves principally to coordinate the activities and plans of its health care subsidiaries in Philadelphia and the surrounding area. TUHS’ subsidiaries and affiliates include a network of hospitals and outpatient centers, a comprehensive physician network of primary care and specialty practices, ambulatory services, various research entities, a foundation to support the health-care related activities of TUHS, and a captive insurance company established to reinsure the professional liability claims of certain subsidiaries of TUHS. See the accompanying supplemental schedules for a complete listing of TUHS’ subsidiaries.
Temple Educational Support Services, Ltd. (“TESS”)	A limited liability company organized and incorporated under the laws of Japan. TESS was established in December 1995 to operate the University’s Japan campus and is a wholly-owned subsidiary of the University.
Temple University School of Podiatric Medicine, Inc. (“TUSPM”)	A Pennsylvania nonprofit corporation that holds the real estate associated with the University's School of Podiatric Medicine.

Temple’s Recently Active Subsidiaries and its Clinical Faculty Practice Plan that were Active During a Portion of the Years Presented, but are Inactive as of June 30, 2020

Good Samaritan Insurance Co. Ltd. (“GSIC”)	A captive insurance company domiciled in Bermuda that through June 30, 2019 reinsured the professional liability risk of the University’s clinical faculty practice plan. GSIC was established in August 1989 and is a wholly-owned subsidiary of the University. Effective July 1, 2019, net assets held by GSIC were transferred to TUHS’ Bermuda domiciled wholly-owned professional liability insurance captive TUHS Insurance Co., Ltd. (“TUHIC”); and all reinsurance rights, interest, duties, obligations, responsibilities, and liabilities previously reinsured by GSIC were assumed by TUHIC. GSIC is inactive.
TUMP Offices, Inc. (“TUMP”)	A Pennsylvania nonprofit corporation that was established by the University in 1997 to hold title to certain assets for the benefit of the University and was a partner in a physicians medical office building on the Jeanes Hospital Campus of Temple University Hospital. Effective November 12, 2019, TUMP assigned its rights, title, interest, obligations, and duties in the physicians medical office building to Temple Faculty Practice Plan, Inc. (“TFPP”), a subsidiary of TUHS. Subsequent to November 12, 2019, TUMP is inactive.
Temple University Physicians (“TUP”)	An unincorporated clinical faculty practice plan within the Lewis Katz School of Medicine at Temple University (“LKSOM”) that was responsible for the management and administration of LKSOM’s clinical practices. Membership of TUP was comprised of clinical faculty/physicians employed by the University at LKSOM. TUP was established in July 1986 in connection with the implementation of Temple’s policy relating to the use and disposition of funds received for medical services rendered to TUP patients within TUP, TUHS, and in other facilities. Effective July 1, 2019, the University transitioned its physician practice plan to TFPP, a subsidiary of TUHS.

Effective July 1, 2019, in order to consolidate and better coordinate the clinical activities of Temple’s healthcare enterprise, the University transitioned its physician practice plan to TFPP, a subsidiary of TUHS. During the year ended June 30, 2019, the University’s physician practice plan had revenues of \$203,777 and operating expenses and transfers of \$208,152. At June 30, 2019, the University’s physician practice plan had assets (primarily comprised of patient activity receivables, professional liability insurance recoveries, and PP&E) totaling \$72,010 and liabilities (primarily comprised of accrued salary expenses and professional liability reserves) totaling \$101,707. On July 1, 2019, the assets and liabilities of the University’s physician practice plan were transferred to TFPP, with the transfer occurring at the carrying value of the assets and liabilities at June 30, 2019. Effective July 1, 2019, all activities related to the physician practice plan were assumed by TFPP and all activities related to the physician practice plan are fully consolidated into TUHS.

Also effective July 1, 2019, the assets and liabilities in the University’s wholly-owned professional liability insurance captive GSIC were transferred to TUHS’ wholly-owned professional liability insurance captive TUHIC, with the transfer occurring at the carrying value of the assets and liabilities at June 30, 2019. At June 30, 2019, GSIC assets (primarily comprised of cash, cash equivalents, and investments) totaled \$41,222 and liabilities (primarily comprised of professional liability claim reserves) totaled \$26,531. On July 1, 2019, all reinsurance rights, interest, duties, obligations, responsibilities, and liabilities previously reinsured by GSIC were assumed by TUHIC.

As part of the asset transfer agreement related to the TUP and GSIC transactions, the University transferred cash proceeds to TUHS in an amount equal to the June 30, 2019 combined net deficit of TUP and GSIC. GSIC and TUP assets and liabilities transferred totaled \$101,084 and \$128,238 respectively, and additional cash payments to TUHS for unfunded liabilities totaled \$27,154 (Note: GSIC’s assets included \$984 of undesignated cash and cash equivalents that were included in the assets transferred). Patient care activities in fiscal 2020 consist primarily of patient activities provided by the Temple University School of Podiatric Medicine.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation — The consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. The accompanying consolidated financial statements include the accounts of Temple and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Temple is required to classify its net assets into two categories based on the existence or absence of donor-imposed restrictions: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions. Descriptions of the two net asset categories are as follows:

Net Assets without Donor Restrictions — Net assets not subject to donor-imposed restrictions. These net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties. Temple reports donor-restricted support whose restrictions are met in the same reporting period as support within *Net assets without donor restrictions*. All expenses from operations are reported as a reduction of *Net assets without donor restrictions*, since the use of restricted contributions in accordance with donors’ stipulations results in the release of the restriction.

Net Assets with Donor Restrictions — Net assets subject to donor-imposed restrictions, which are donor stipulations that specify a use for a contributed asset that is more specific than broad limits resulting from the following: a) the nature of the not-for-profit entity, b) the environment in which it operates and c) the purposes specified in its articles of incorporation or bylaws or comparable documents. Net assets subject to donor-imposed restrictions include contributions for which donor-imposed restrictions have not been met (primarily future capital projects), donor restricted endowment funds, charitable remainder unitrusts, pooled income funds, gift annuities, and pledges receivable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to *Net assets without donor restrictions* and reported in the consolidated statements of activities as *Net assets released from restrictions*.

Cash and Cash Equivalents — Temple considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Temple maintains cash balances in financial institutions, which exceed federal depository insurance limits. Management believes that credit risks related to these deposits are minimal. Cash equivalents that are not traded on an active exchange are carried at cost, which approximates fair value.

Endowment and Investments — Endowment and investments (collectively referred to as “investments”) are comprised of the assets of Temple’s endowment, certain donor restricted funds, funds designated by the board of trustees to be invested as endowments, certain funds set aside to retire long-term debt, other plant-related funds, and other funds without donor restrictions held for operating purposes. These investments vary as to their level of liquidity, with differing requirements for notice prior to redemption or withdrawal. Investments established for donor and board-designated endowments, investments pledged as collateral, and certain investments set aside to retire long-term debt are classified as non-current assets. All other investments are classified as current assets (see Notes 3, 10, 11, and 20).

Temple reports investments including debt and equity securities at fair value. Temple also invests in various limited partnerships, hedge funds, and other investment funds whose fair value is measured at net asset value per share as determined by the respective fund managers and financial information provided by the

investment entities. This financial information includes assumptions and methods that are reviewed by Temple. Because these investments are not readily marketable, the estimated fair values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material.

Temple has adopted, for endowments and funds designated by the board of trustees to be invested as endowments, a spending rule based on a percentage of the fair value of such investments, computed as a moving average over the past twelve quarters. For these investments, the spending rule amount is reported as *Investment return* in revenues with the excess or shortfall of total return over the spending rule amount reported as *Investment return* in *Other changes in net assets* in the consolidated statements of activities. For all other investments, interest and dividend income is reported as *Investment return* in revenues and realized and unrealized gains or losses are reported as *Investment return* in *Other changes in net assets* in the consolidated statements of activities (see Notes 3 and 11).

Investment return, net of external and direct internal investment expenses, is reported as increases to net assets without donor restrictions or assets with donor restrictions based upon the existence or absence of donor-imposed restrictions.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Derivatives — The University enters into derivative financial instruments, principally futures contracts, to manage equity price risk. Futures contracts are recorded as contractual commitments on a trade-date basis and are carried at the fair value based on closing exchange quotations. The fair value of derivative financial instruments at the reporting date generally reflects the amount the University would receive or pay to terminate the contract at the reporting date. Changes in fair value are recorded as *Investment return* in *Other changes in net assets*. The University does not designate any derivative instruments as hedging instruments (see Note 3).

Self-Insurance Trust Funds — Temple self-insures or maintains deductibles under its various insurance policies for property, casualty, automobile, general liability, medical malpractice, workers' compensation, certain health and welfare, and other claims. Self-insurance trust funds include assets that are designated for payments of workers' compensation risk retained by Temple. Provisions are made for estimated losses (claims made and claims incurred but not reported) generally based on actuarial methods, which include discounting of certain loss provisions (see Note 3).

Accounts, Loans, and Contributions Receivable — Accounts, loans, and contributions receivable are reported at their net realizable value. The allowance for doubtful accounts is based upon management's judgment including such factors as historical collection history, type of receivable, and periodic assessment of individual accounts. Temple writes-off receivables when they are determined to be uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The University does not accrue interest on these amounts (see Note 4).

Inventories and Other Assets— Inventories are stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out, or average cost method. Inventories at June 30, 2020 and 2019, totaled \$35,539 and \$31,031, respectively, and are included in *Inventories and other assets* in the consolidated balance sheets.

Deposits with Trustees — Deposits with trustees include assets held in escrow by designated bond trustees for debt service payments and construction or enhancement of property, plant, and equipment (see Note 6).

Property, Plant, and Equipment — Property, plant, and equipment are recorded at cost less accumulated depreciation. Property, plant, and equipment gifted to Temple are recorded at the fair value at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Leasehold improvements are depreciated over the shorter of the estimated useful life of the leasehold improvements or the lease term. Land is not depreciated. Depreciation for equipment commences once it is placed in service and depreciation for buildings and leasehold improvements commences once they are ready for their intended use (see Note 7).

Estimated useful lives of property, plant, and equipment are as follows:

	Useful Life
Land improvements	8 - 20 years
Buildings	20 - 40 years
Building improvements	15 - 40 years
Furniture, fixtures, and equipment	3 - 20 years
Library books	10 years

In fiscal year 2020, the University prospectively changed its accounting policy for library books, whereas, at the end of the useful life of the library book (10 years), the capitalized cost and related accumulated depreciation are written-off. The change in accounting policy results in an equal amount of gross capitalized cost and accumulated depreciation being removed from the asset balance, with no impact to net property plant, and equipment.

Cost of maintenance and repairs is charged to expense as incurred. Upon retirement or other disposition, the cost of the asset and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of activities.

Long-Lived Assets — Temple reviews long-lived assets, such as property, plant, and equipment, for impairment whenever events or changes indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their expected undiscounted future cash flows. If such assets are considered to be impaired, the impairment is measured by the amount the carrying value exceeds the fair value of the assets. In 2020, TUHS recognized impairments on long-lived assets of \$1,448. No impairment of long-lived assets occurred in 2019 .

Assets Held for Sale — Temple classifies assets (“disposal group”) as held for sale when management, having the authority to approve the action, commits to a plan to sell the disposal group, the sale is probable within one year, and the disposal group is available for immediate sale in its present condition. Temple also considers whether an active program to locate a buyer has been initiated, whether the disposal group is marketed actively for sale at a price that is reasonable in relation to its current value, and whether actions required to complete the plan indicate it is unlikely that significant changes to the plan will be made, or that the plan will be withdrawn. The disposal group is measured at the lower of its carrying amount (cost less accumulated depreciation) or fair value less cost to sell. Long-lived assets within the disposal group are not depreciated while classified as held for sale.

At June 30, 2018, it was determined that a parcel of property located at the Northeast corner of North Broad and West Thompson streets (“Thompson”) met the criteria to be classified as assets held for sale. At June 30, 2018, the net carrying value of Thompson was \$1,298, which was less than the respective disposal group’s estimated fair value less cost to sell. During 2019, Thompson was sold for net proceeds totaling \$2,991, resulting in a gain of \$1,693, which is recorded in *Gain on disposal of PP&E, net* in the 2019 consolidated statement of activities. At June 30, 2020 and 2019, Temple did not have any assets held for sale.

Goodwill and Other Intangibles — Goodwill and indefinite-lived intangible assets are not amortized, but are evaluated for impairment annually, or when indicators of a potential impairment are present. Temple’s annual impairment assessment date is June 30. The annual assessment for impairment of goodwill and indefinite-lived intangible assets is based on valuation models that incorporate assumptions and internal projections of expected future cash flows and operating plans. In 2020, based on the results of Temple’s assessment, impairments of indefinite-lived intangible assets totaled \$13,000. In 2019, there were no indicators of potential impairment of Temple’s goodwill and indefinite-lived intangible assets.

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis over the estimated periods benefited. Intangibles with contractual terms are generally amortized over their respective legal or contractual lives. When certain events or changes in operating conditions occur, an impairment assessment is performed and the lives of intangible assets with determinable lives may be adjusted and impairment charges recorded. Based upon Temple’s annual impairment tests completed as of June 30, 2020 and 2019, Temple recorded impairment write-downs of \$0 and \$108, respectively, related to physician contract intangible assets associated with its community-based primary care practices; and \$71 and \$726, respectively, related to intellectual property. The impairment charges are included in *Patient care activities* expense in the consolidated statements of activities (see Note 23).

Funds Held in Trust by Others — Temple is the irrevocable beneficiary of the income from certain perpetual trusts administered by third parties. Temple’s beneficial interest is reported at the fair value of the underlying trust assets. Because the trusts are perpetual and the original corpus cannot be used, these funds are reported as donor-restricted net assets. As Temple does not have the ability to redeem funds held in trust by others, these assets are categorized as Level 3 assets (see Note 10).

Asset Retirement Obligations — Temple recognizes the fair value of an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. When the liability is initially recorded, Temple capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Changes in the obligation due to revised estimates of the amount or timing of cash flows required to settle the future liability are recognized by increasing or decreasing the carrying amount of the asset retirement obligation liability. Changes due solely to the passage of time (accretion of the discounted liability) are recognized as an increase in the carrying amount of the liability and as an operating expense in the statement of activities. The capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of activities (see Notes 8 and 16).

Defined Benefit Pension and Other Postretirement Plans — Temple recognizes the over-funded or under-funded status of its defined benefit pension and other postretirement plans as an asset or liability in its balance sheets and recognizes changes in the funded status of the plans that arise during the period, but are not recognized as components of net periodic benefit cost, as *Actuarial change in accrued pensions and postretirement benefits* in the consolidated statements of activities (see Note 5).

Fair Value Measurements — Temple categorizes its assets and liabilities measured at fair value into a three-level hierarchy, based on the priority of the inputs to the respective valuation techniques, with assets that are measured using the net asset value per share practical expedient being excluded from the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset's or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. Temple's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels (see Note 10).

The carrying values of short-term assets and liabilities, including cash equivalents (not traded on an active exchange), accounts receivable, and accounts payable, approximate their fair values. Investments, self-insurance trust funds, and deposits with trustees are carried at their estimated fair value (see Notes 3 and 10). The fair value of long-term debt is estimated based upon discounted cash flows at current market rates for instruments with similar remaining terms, which Temple considers Level 2 inputs (see Notes 9 and 10). Contribution receivables are recorded at the present value of expected future cash flows (see Note 4). Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amounts at which these instruments could be purchased, sold, or settled.

A reasonable estimate of the fair value of loans receivable from students under government loan programs and refundable federal student loans could not be made because the loans are not readily salable. These loans are recorded at cost, less an allowance for doubtful accounts (see Note 4).

Revenue Recognition — Temple's revenues primarily consist of tuition and fees, auxiliary enterprises, Commonwealth appropriations, grants and contracts, contributions, and patient care activities. Revenue recognition accounting policies for Temple's primary revenue sources are as follows (see Note 21 for additional revenue disclosures):

Tuition and Fees — Tuition and fees are recognized ratably on a daily straight-line basis over the academic period as the University satisfies its performance obligation (e.g. as instruction is provided to students). The University's transaction price is determined based on established fixed tuition rates for the category of student (in-state vs. out-of-state) and the school or college in which they enroll, net of financial assistance provided directly by the University. Such financial assistance is recorded as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Financial assistance provided to students was \$152,840 in 2020 and \$147,600 in 2019.

Auxiliary Enterprises — Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as essentially self-supporting activities. Revenues from auxiliary enterprises include revenues from contracts with customers to provide student housing and dining facilities, ticket sales for athletic and community events, other athletic department revenues, parking services, and other miscellaneous activities.

The University's transaction price for housing and meal plans is determined based on established fixed rates based on the dorms students chose to live in (i.e. residence halls and room type) and the meal plan type they elect. Payments for housing services are due approximately two weeks subsequent to the start of the academic term (consistent with tuition). Performance obligations for housing and dining services are

delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. For ticket sales, revenue is recognized after the event occurs and for other auxiliary services (e.g. event parking, programs, merchandise, concessions) revenue is recognized at a point in time.

Commonwealth of Pennsylvania Appropriation — The University receives annual operating and capital appropriations from the Commonwealth. Operating appropriations are provided to support the general operations of the University, which allows for a reduction in tuition rates for Pennsylvania resident students. Funds are required to be spent in accordance with applicable laws and revenue is recognized ratably over the fiscal year as the funds are expended. Capital appropriations are provided to fund certain approved capital projects in support of the University’s mission. Revenue from Commonwealth capital funding is recognized on an expense reimbursement basis and is classified as “with donor restrictions” until the capital project is completed and placed in service, at such time the net assets are released from restrictions.

Strategic Support Assessment — Commencing on July 1, 2019, on an annual basis, the University charges TUHS a strategic support assessment (“SSA”) in support of LKSOM for its mission of research and education, and the associated benefit to TUHS and the patients it serves. The amount of the SSA and payment terms are determined annually as part of the annual budget process. The revenue, recorded by the University, and the equal expense, recorded by TUHS, are eliminated in consolidation.

Grants, Contracts, and Contributions — Temple receives sponsored program funding from various governmental, corporate, and private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of Temple, the funding organization’s mission, or the public at large.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in some cases are as related costs are incurred. Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied. In addition, Temple has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Funds received in advance (for an exchange transaction prior to the performance obligation being satisfied; or for a contribution non-exchange transaction, prior to the condition being achieved) are recorded as *Deferred revenue* on the consolidated balance sheets.

In 2020 and 2019, sponsored programs revenue earned from federal, state, local, and private sources totaled \$246,846 and \$222,431, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. Temple negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. Funds received from federal sources are subject to audit in accordance with compliance standards.

Patient Care Activities — Patient care activities provided by Temple are invoiced daily, from which revenue is recognized at a point in time as patient services are provided. *Patient care activities* include revenues from TUHS as well as clinical activities provided by the University. *Patient care activities* provided by the

University include revenues from the clinical activities of its practice plan (which was transferred to TUHS on July 1, 2019, see Note 1) and its Schools of Podiatric Medicine and Dentistry.

Patient care activities revenue is recognized at the amount that reflects the consideration to which Temple expects to be entitled in exchange for providing patient care. These amounts are due from Medicare and Medicaid, managed care health plans, commercial payors, patients, and others. Reimbursement is primarily based on the payment terms of contractual arrangements, such as predetermined rates per visit or procedure, per diem rates, or discounted fee-for-service rates. Generally, Temple bills the patients and third-party payers several days after the services are performed and/or the patient is discharged. In addition, Temple receives medical assistance payments for the reimbursement of services for charity and uncompensated care services. The federal funding of such costs is subject to an upper payment limit and retrospective settlement.

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Temple recognizes revenues for performance obligations satisfied over a period of time based on actual charges incurred in relation to total expected (or actual) charges. Temple believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in TUHS receiving inpatient acute care services. TUHS measures performance obligations from admission to the point where there are no further services required for the patient, which is generally the time of discharge. Temple recognizes revenues for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, when: (a) services are provided; and (b) Temple does not believe the patient requires additional services. The patient care activities provided by the University are for outpatient type services. The University recognizes revenues for performance obligations satisfied at a point in time, which generally relates to patients receiving outpatient services, when services are provided.

Temple estimates the transaction price for patients based on gross charges for services provided, reduced by explicit price concessions which include contractual adjustments provided to third-party payers and discounts provided to uninsured patients in accordance with Temple's policy. Temple determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical collection experience. Revenues are also adjusted for implicit price concessions. Implicit price concessions are determined based on historical collection experience. The implicit price concessions included in estimating the transaction price represent the difference between amounts remaining to be paid and the amounts Temple generally expects to collect based on its historical experience. Subsequent changes to the estimate of transaction price are generally recorded as adjustments to patient service revenue in the period of change and are accrued on an estimated basis in the period the related services are rendered. Adjustments may also occur in future periods as final settlements are determined.

Because Temple's patient service obligations generally relate to contracts with duration of less than one year, Temple has elected to apply the optional exemption and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Generally, patients who are covered by third-party payors are responsible for related co-payments, coinsurance and deductibles, which vary in amount. Temple also provides services to uninsured patients and offers uninsured patients a discount from standard charges. Temple estimates the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under Temple's uninsured discount programs, the

discount offered to certain uninsured patients is recognized as a contractual discount, which reduces net operating revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual discounts recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to *Patient care activities* revenue in the period of the change.

Consistent with Temple's mission, care is provided to patients regardless of their ability to pay. Temple provides care without charge, or at a standard rate discounted for uninsured patients that is not related to published charges, to patients who meet certain criteria under Temple's charity care policy. Some patients qualify for charity care based on federal poverty guidelines or their financial condition being such that requiring payment would impose a hardship on the patient. Because Temple does not pursue collection of amounts determined to qualify as charity care, they are not reported as *Patient care activities* revenue. Temple has determined that it has provided sufficient explicit price concessions for these accounts (see Notes 17, 18, and 21).

In assessing collectability, Temple uses a combination of contract specific adjustments (such as high dollar and long length-of-stay accounts) as well as a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. This portfolio approach is being used as Temple has a large volume of similar contracts with similar classes of customers. Temple reasonably expects that the effect of applying a portfolio approach would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payer or group of payers will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

Amounts received under Medicare and Medicaid programs are subject to review and final determination by program intermediaries or their agents and the contracts Temple has with commercial payers typically provide for retroactive audit and review of claims. Revenue includes an estimate of variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered or when known by Temple and adjusted in future periods as final settlements or changes in estimates are determined. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Temple engages in various contracts with insurance companies where Temple is at risk for the total cost of care to an attributed patient population as well as contracts that provide for pay-for-performance incentives. The value of these agreements is estimated and included in net patient service revenue.

Advertising — Temple charges the costs of advertising to expense as incurred. Advertising expense was \$19,176 and \$19,794 in 2020 and 2019, respectively.

Other Changes in Net Assets — Temple considers all realized and unrealized gains and losses on investments, net of the endowment payout under Temple's spending formula, as *Other changes in net assets*. *Other changes in net assets* also includes interest and dividends on endowments and funds designated by the board of trustees to be invested as endowments; activity related to property, plant, and equipment (including grants and contributions, gains (losses) on disposals, and net assets released from restrictions); gains (losses)

on extinguishment of debt; actuarial changes in accrued pensions and postretirement benefits; other components of net periodic benefit cost (see Note 5); and foreign currency adjustments.

Income Taxes — With the exception of GSIC and TUHIC (Temple’s captive insurance companies domiciled in Bermuda), TESS (the University’s Japan campus), and certain inactive subsidiaries (see supplemental schedule), substantially all of the individual members of Temple are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Temple files U.S. federal, state, and local information returns and no returns are currently under examination. The statute of limitations on Temple’s U.S. federal information returns remains open for three years following the year they are filed.

U.S. GAAP requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. Temple does not believe its consolidated financial statements include any uncertain tax positions that would require disclosure.

Functional Expense Allocation — Temple’s operation and maintenance of plant expenses (“O&M”) and depreciation expense (excluding depreciation related to auxiliary and library books) are allocated to the functional expense classifications based upon the proportionate share of expenses (excluding O&M and depreciation) reported in each functional classification in the statement of activities. Depreciation related to auxiliary fixed assets (e.g. dormitories, parking garages, and athletics) is fully allocated to *Auxiliary enterprises expense* and depreciation related to library books is fully allocated to academic support expense included in *Academic and student services* in the statement of activities (see Note 22).

Use of Estimates — The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Temple’s critical estimates and assumptions include revenue recognition; adequacy of allowance for accounts, loans, and contribution receivable; the valuation of assets and liabilities recorded at fair value; valuation of claim based liabilities and conditional asset retirement obligations; useful lives for depreciation and amortization; impairment of goodwill and other intangible assets; estimated settlements with third-party payors; and accounting for pension and other postretirement benefits. Actual results could differ materially from these estimates.

Recently Issued Accounting Pronouncements — Recently issued accounting pronouncements that are applicable to Temple’s consolidated financial statements are as follows:

Standard	Description	Adoption
Standards that were adopted during fiscal years 2020 and 2019:		
Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ASU 2018-08 (Topic 958)	Clarifies and enhances current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. In addition, ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction and improves the framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Under ASU 2018-18 certain types of contributions that were previously accounted for as unconditional contributions (e.g. recognized when a contribution is received or made) are now accounted for as conditional contributions (e.g. recognized when the barriers to entitlement are overcome).	July 1, 2018 Modified prospective application

Standard	Description	Adoption
<p>Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Cost</p> <p>ASU 2017-07 (Topic 715)</p>	<p>Requires entities to (i) disaggregate the current-service-cost component from the other components of net periodic benefit cost (the “other components”) and present it with compensation costs for related employees in the statement of activities and (ii) present the other components elsewhere in the statement of activities and outside of income from operations. In addition, ASU 2017-07 requires entities to disclose the lines in the statement of activities that contain the other components if they are not presented on appropriately described separate lines. On July 1, 2019, Temple retrospectively adopted ASU 2017-07 and presented the other components of net periodic benefit cost within a separate line in <i>Other changes in net assets</i> in the statements of activities. See Note 5 for the components of net periodic benefit costs and the below “<i>Reclassifications</i>” required upon the adoption of ASU 2017-07.</p>	<p>July 1, 2019</p> <p>Retrospective application</p>
<p>Statement of Cash Flows (Topic 230): Restricted Cash</p> <p>ASU 2016-18 (Topic 230)</p>	<p>Addresses diversity in practice related to the classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity to include in its cash and cash-equivalent balances in the statement of cash flows those amounts that are deemed to be restricted cash and restricted cash equivalents. A reconciliation between the balance sheet and the statement of cash flows is required to be disclosed when the balance includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. Changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows. In addition, an entity with a material balance of amounts generally described as restricted cash and restricted cash equivalents must disclose information about the nature of the restrictions. On July 1, 2019, Temple retrospectively adopted ASU 2016-18.</p>	<p>July 1, 2019</p> <p>Retrospective application</p>
<p>Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments</p> <p>ASU 2016-15 (Topic 230)</p>	<p>In August 2016, the FASB issued ASU 2016-15, <i>Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments</i>. ASU 2016-15 amends the current guidance on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of ASU 2016-15 is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The sections applicable to Temple relate to (i) debt prepayment and extinguishment costs and (ii) proceeds from the settlement of insurance claims. ASU 2016-15 notes that cash payments for debt prepayment or debt extinguishment costs should be classified as cash outflows for financing activities and cash proceeds received from the settlement of insurance claims should be classified on the basis of the related insurance coverage (that is, the nature of the loss). For insurance proceeds that are received in a lump-sum settlement, an entity should determine the classification on the basis of the nature of each loss included in the settlement. The adoption of ASU 2016-15 did not have material impact on Temple’s consolidated financial statements.</p>	<p>July 1, 2019</p> <p>Retrospective application</p>

Standard	Description	Adoption
<p>Presentation of Financial Statements of Not-for-Profit Entities</p> <p>ASU 2016-14 (Topic 958)</p>	<p>Removes the requirement for a not-for-profit entity to distinguish between resources with temporary and permanent restrictions on the face of their financial statements, meaning a not-for-profit entity is now required to present two classes of net assets instead of three. ASU 2016-14 also requires expenses to be presented by their natural and functional classification, investment returns to be presented net of external and direct internal investment expenses, endowment funds with deficiencies to be recognized as a reduction in net assets with donor restrictions, and requires entities to provide more information about their available resources and liquidity. In addition, ASU 2016-14 requires contributions for the construction of long-lived assets to be classified as net assets with donor restrictions until the asset is placed in service. Under previous accounting standards, Commonwealth construction grant revenue was recognized as net assets without donor restriction as the revenue was recorded. Contributions of long-lived assets previously recorded in net assets without donor restrictions are related to the University’s new library, which was placed into service in fiscal 2020. ASU 2016-14 was retrospectively adopted in fiscal 2019. See Note 11 for endowment disclosure, Note 12 for liquidity and availability of resources disclosure, Note 15 for net asset disclosure, and Note 22 for natural expense classifications.</p>	<p>July 1, 2018</p> <p>Retrospective application</p>
<p>Financial Instruments – Overall</p> <p>Recognition and Measurement of Financial Assets and Financial Liabilities</p> <p>ASU 2016-01 (Subtopic 825-10)</p>	<p>Amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. ASU 2016-01 significantly revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments.</p> <p>The ASU requires entities to carry all investments in equity securities, including other ownership interests such as partnerships, unincorporated joint ventures, and limited liability companies, at fair value through net income. This requirement does not apply to investments that qualify for the equity method of accounting or to those that result in consolidation of the investee or for which the entity has elected the practicability exception to fair value measurement.</p> <p>The prior year Temple consolidated financial statements presented both realized and unrealized investment gains in the consolidated statement of activities and the related disclosures provided disaggregation of realized and unrealized investment activity. The adoption of ASU 2016-01 did not have a material impact on the consolidated financial statements.</p>	<p>July 1, 2019</p> <p>Prospective Application</p>
<p>Revenue from Contracts with Customers</p> <p>ASU 2014-09 (Topic 606)</p>	<p>Supersedes the existing revenue recognition guidance and provides a new five-step framework for recognizing revenue. The core principle of the standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The new standard also requires significantly more comprehensive disclosures than the previous standard. See Note 21 for additional revenue disclosures.</p>	<p>July 1, 2018</p> <p>Modified retrospective application</p>

Standard	Description	Adoption
Standards issued, but not yet adopted:		
Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets	Provides new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure rules for recognized contributed services. The amendments will not change the recognition and measurement requirements for those assets. Not-for-profits are required to present donated nonfinancial assets separately in the statement of activities from contributions of cash or other financial assets. A not-for-profit organization has to disclose more details about the donated nonfinancial asset it received by category in footnotes. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.	July 1, 2021 (annual periods) July 1, 2022 (interim periods) Retrospective application
ASU 2020-07 (Topic 958)		
Fair Value Measurement Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	Amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. ASU 2018-13 removes the following disclosure requirements from Topic 820: i) transfers between Level 1 and Level 2 of the fair value hierarchy, ii) policy for timing of transfers between levels of the fair value hierarchy, iii) valuation process for Level 3 fair value measurements, and iv) for nonpublic entities, changes in the unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. ASU 2018-13 modifies the following disclosure requirements in Topic 820: i) in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities, ii) for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee’s assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the reporting entity or announced the timing publicly. If the timing is unknown, the reporting entity shall disclose that fact, and iii) clarifies that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the uncertainty of the fair value measurement from the use of significant unobservable inputs, if those inputs reasonably could have been different at the reporting date, is required. Temple is currently in the process of assessing the impact the standard will have upon adoption on its ongoing financial reporting.	July 1, 2020 Prospective application for Changes in unrealized gains and losses, Level 3 inputs, and narrative description of measurement uncertainty. All other amendments are retrospective.
ASU 2018-13 (Topic 820)		
Leases	Establishes a new lease accounting model, which introduces the recognition of lease assets and liabilities for those leases classified as operating leases under previous U.S. GAAP. On June 3, 2020, the FASB issued ASU 2020-05, <i>Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)</i> which amends the effective date of ASC 842 to give immediate relief to certain entities as a result of the widespread adverse economic effects and business disruptions caused by the COVID-19 pandemic. Specifically, the Board deferred the effective dates of ASC 842 for private companies, private NFP entities, and public NFP entities. Temple elected the deferral option allowed under ASU 2020-05. Temple is currently in the process of implementing ASU 2016-02 for fiscal year 2021. Upon adoption, the standard will result in an increase in Temple’s assets and liabilities, primarily caused by the recognition of the “right to use” asset and corresponding liabilities related to Temple’s operating lease commitments.	July 1, 2020 Modified retrospective application
ASU 2016-02 (Topic 842)		

Reclassifications:

ASU 2017-07 — As discussed above, in 2020 Temple retrospectively adopted ASU 2017-07. The previously reported 2019 operating expenses and other changes in net assets have been reclassified to conform to the current presentation. The new presentation has no impact on the total change in net assets. The reclassifications required by the adoption of ASU 2017-07 were as follows:

Year Ended June 30, 2019	Adoption of ASU 2017-07		
	As Previously Presented	ASU 2017-07 Reclassification	As Currently Presented
Expenses:			
Educational and general:			
Academic and student services	\$ 810,595	\$ 10,149	\$ 820,744
Research and public service	239,046	1,799	240,845
Institutional support	175,429	2,006	177,435
Total educational and general	1,225,070	13,954	1,239,024
Auxiliary enterprises	148,411	560	148,971
Patient care activities	2,078,788	1,860	2,080,648
Total expenses	\$ 3,452,269	\$ 16,374	\$ 3,468,643
Other changes in net assets:			
Other components of net periodic benefit cost	\$ —	\$ 16,374	\$ 16,374

Health Partners Plans — Temple University Hospital and Episcopal Hospital, both TUHS subsidiaries, are participants and governing members in a Medicaid, Medicare, and Children’s Health Insurance Program (“CHIP”) HMO known as Health Partners Plans (“HPP”). Under certain of its contracts with HPP, TUHS is the beneficiary of, or is responsible for, allocated HPP gains and losses that are based primarily on the number of HPP members enrolled in TUHS’ primary care physicians’ network and other factors as approved by the HPP board. The net gains recorded during 2020 and 2019 were \$90,102 and \$39,683, respectively. The previously reported 2019 revenues from *Patient care activities* and *Other sources* have been reclassified to conform to the current presentation. The reclassification has no impact on the total change in net assets.

Year Ended June 30, 2019	Classification of HPP Net Gains		
	As Previously Presented	HPP Gains Reclassification	As Currently Presented
Revenues:			
Patient care activities	\$ 2,112,564	\$ (39,683)	\$ 2,072,881
Other sources	47,504	39,683	87,187

3. Endowment, Investments, and Self-Insurance Trust Funds

The carrying values of investments, including the endowment (see Note 11), at June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Investments (including endowment):		
Money market funds	\$ 29,761	\$ 51,987
Corporate bonds and notes	314,923	306,314
U.S. government and agency securities	372,445	384,473
Municipal bonds	5,433	4,763
Fixed income funds	54,104	51,053
Equity funds and securities	669,640	631,506
Futures contracts	1,117	780
Commodity funds	11,851	8,064
Private equity funds	13,826	6,937
Real estate funds	42,265	45,239
Multi-strategy hedge funds	163,472	178,492
Opportunistic funds	5,527	2,221
Other*	4,588	5,656
Total investments	\$ 1,688,952	\$ 1,677,485

* Other securities primarily consistent of international fixed income securities and equity method investments.

Beginning in 2018, the University utilizes an outsourced chief investment officer (“OCIO”) for its investment management responsibilities related to the University’s endowment, pension plans, and postretirement plan assets. The execution of this transition required the re-balancing of the invested assets to be in-line with the OCIO’s selected investment managers and asset allocations, which were approved by the University’s Board of Trustees. The private equity asset allocation, which has a target allocation of 15%, is expected to take approximately five to seven years from inception to fully execute, resulting in an overweight position in U.S. equities at June 30, 2020 and 2019.

The carrying values of self-insurance trust funds at June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
Self-insurance trust funds:		
Money market funds	\$ 466	\$ 278
Corporate bonds and notes	2,046	3,206
U.S. government securities	9,884	10,998
Total self-insurance trust funds	\$ 12,396	\$ 14,482

Investment return reported in the statements of activities for the years ended June 30, 2020 and 2019 is as follows:

	Year Ended June 30,	
	2020	2019
Investment income:		
Interest and dividends	\$ 39,124	\$ 38,920
Realized gains (losses), net	10,783	(307)
Change in unrealized gains, net	14,427	43,601
Total investment income	<u>\$ 64,334</u>	<u>\$ 82,214</u>

Derivatives:

Futures Contracts — A futures contract is a contractual agreement to make or take delivery of a standardized quantity of a type of commodity or financial instrument at a specified future date in accordance with the terms specified by a regulated futures exchange. The University uses equity index futures contracts to manage equity price risk. Losses in value may arise from changes in the value of the underlying instrument or if there is an illiquid secondary market for the futures contracts.

Upon entering into a futures contract, the University is required to deposit either cash or securities in an amount equal to a certain percentage of the nominal value of the contract (“initial margin”). Pursuant to the futures contract, the University agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contracts. Such receipts or payments are known as “variation margin” which are settled daily. Any variation margin unsettled at period-end is recorded as an unrealized gain (loss) in *Investment return in Other changes in net assets* in the statements of activities. The University recognizes a realized gain or loss when the contract is closed. Futures contracts expose the University to off-balance sheet market and liquidity risk. The University is exposed to market risk to the extent that adverse changes occur in the fair values of the underlying securities or indices. This market risk is in excess of the amount recognized in the statement of assets and liabilities. Liquidity risk represents the possibility that the University might not be able to rapidly adjust the size of its futures position in times of high volatility and financial stress at a reasonable price.

The University has credit risk associated with counterparty nonperformance. However, credit risk associated with exchange-traded contracts are typically perceived to be less because exchanges typically provide clearing house arrangements in which the collective credit of the managers of the exchange is pledged to support the financial integrity of the exchange. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading and further mitigate credit risk. All of the futures contracts held by the University at June 30, 2020 and 2019 were exchange traded contracts.

At June 30, 2020 and 2019, the University had the following open futures subject to equity price risk, for which U.S. Treasury notes were pledged as collateral (see Note 20):

June 30, 2020	Number of Contracts	Notional Amount	Variation Margin Unrealized Gain
Equity price futures contracts, not designated as hedging instruments, included in:			
Endowment	392	\$ 52,309	\$ 1,117
Postretirement benefits plan assets	156	20,202	430
Pension plans assets	39	6,278	15

June 30, 2019	Number of Contracts	Notional Amount	Variation Margin Unrealized Gain
Equity price futures contracts, not designated as hedging instruments, included in:			
Endowment	361	\$ 44,277	\$ 780
Postretirement benefits plan assets	132	19,176	302

4. Accounts, Loans, and Contributions Receivable

Accounts receivable, net of allowances are as follows:

	June 30, 2020	June 30, 2019
Students	\$ 66,491	\$ 71,561
Patients	216,335	242,774
Health care programs	63,542	129,659
Grants and contracts	57,924	63,529
Commonwealth construction	459	10,643
Recoveries from insurance providers	37,603	50,404
Pennsylvania Department of Welfare Access to Care	—	9,374
Other	46,626	34,674
Accounts receivable, gross	<u>488,980</u>	<u>612,618</u>
Less: Allowance for doubtful patient accounts	(4,218)	(12,524)
Less: Allowance for doubtful student and other accounts	<u>(29,615)</u>	<u>(31,225)</u>
Total accounts receivable, net	<u><u>\$ 455,147</u></u>	<u><u>\$ 568,869</u></u>

Loans to students are disbursed based on financial need and consist of loans granted by the University under federal government loan programs and loans granted from institutional resources. Upon the earlier of graduation or no longer having full-time student status, the students have a grace period, which varies by loan type, until repayment of loans is required.

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments on outstanding loans. At June 30, 2020 and 2019, funds advanced by the federal government totaled \$45,717 and \$53,276, respectively. Interest and fees collected are included in the revolving loan funds available for students. Federal loan funds are ultimately refundable to the government and are classified as liabilities in the consolidated balance sheets. Outstanding loans canceled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

Loans to students are shown net of allowances as follows:

	June 30, 2020	June 30, 2019
Federal government loan programs:		
Perkins loan program	\$ 30,519	\$ 36,952
Health professional and disadvantaged student loans	21,383	19,858
Nursing student loans	110	147
Federal government loan programs	52,012	56,957
Institutional loan programs	1,385	1,272
Student loans receivable, gross	53,397	58,229
Less: Allowance for doubtful federal government loan programs	(11,591)	(10,892)
Less: Allowance for doubtful institutional loan programs	(298)	(305)
Total student loans receivable, net	<u>\$ 41,508</u>	<u>\$ 47,032</u>

* On September 30, 2017, the Federal Perkins Loan program was not renewed in Congress, thus effectively ending the loan program. Previously loaned funds will continue to be collected, however, no new loans are being originated.

Student loans are considered past due when payment has not been received in over 30 days. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Further, the University does not evaluate the credit quality of the student loans receivable after the initial approval and calculation of the loans. Institutional loan balances are written off when they are deemed to be permanently uncollectible.

The aging of student loans receivable is as follows:

	June 30, 2020	June 30, 2019
30 days or less past due	\$ 37,397	\$ 40,156
31 through 89 days past due	1,474	2,804
90 days and greater past due	2,637	4,072
Total student loans receivable, net	<u>\$ 41,508</u>	<u>\$ 47,032</u>

Contributions receivable are unconditional promises to give, restricted by donors for scholarships, capital acquisitions, and other operating purposes. They are expected to be realized in the following periods:

	June 30, 2020	June 30, 2019
In one year or less	\$ 17,611	\$ 15,491
One to five years	25,161	31,010
Greater than five years	49,514	51,737
Contributions receivable, gross	92,286	98,238
Less: Allowance for doubtful contributions	(5,304)	(5,180)
Less: Present value discount	(11,791)	(14,436)
Total contributions receivable, net	75,191	78,622
Less: Current portion of contribution receivable, net	(19,804)	(13,215)
Non-current portion of contribution receivable, net	<u>\$ 55,387</u>	<u>\$ 65,407</u>

Changes to net contributions receivable during the years ended June 30, 2020 and 2019 are as follows:

	Year Ended June 30,	
	2020	2019
Balance, beginning of the year	\$ 78,622	\$ 82,301
New pledges	19,151	13,717
Collection of pledges	(20,009)	(14,701)
Pledges written off	(5,094)	(3,956)
Change in allowance	(124)	65
Change in discount to present value	2,645	1,196
Balance, end of the year	<u>\$ 75,191</u>	<u>\$ 78,622</u>

The discount rates used to calculate the present value discount are tied to U.S. Government treasury notes in effect at the time of contribution. Discount rates for durations between 1 and 30 years were between 0.16% and 1.41% for contributions made during the year ended June 30, 2020, 1.92% and 2.52% for contributions made during the year ended June 30, 2019, and 0.11% and 6.00% for contributions made during the years ended June 30, 2018 and prior.

Temple also receives bequest intentions and certain other conditional promises to give. These intentions and conditional promises to give are not included in the consolidated financial statements.

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5. Pensions and Postretirement Benefits

Temple sponsors various postretirement programs, which include nine defined benefit pension plans (three plans sponsored by the University and six plans sponsored by TUHS), three retiree health benefits pre-funding plans, referred to below as “postretirement benefits” (one plan sponsored by the University and two plans sponsored by TUHS), and defined contribution plans. Participation in these plans is based on prescribed eligibility requirements.

Temple makes contributions to its defined benefit pension plans that comply with the funding provisions of the Internal Revenue Code. Employees participating in the pension plans are eligible to begin receiving benefit payments upon retirement, provided age and service requirements have been met. In 2001, two of the University’s defined benefit pension plans were frozen, with no future accruals. The third pension plan sponsored by the University remains active for two collectively bargained groups of employees. In 2008, the remaining TUHS sponsored defined benefit plans were closed to new participants; only certain grandfathered employees are eligible to participate in the TUHS sponsored defined benefit pension plans.

The postretirement benefits plans are postretirement trusts established for the purpose of providing medical and prescription drug coverage to eligible retirees. Eligible active employees could elect to pre-pay a portion of their future medical costs. Contributions for a period of ten years were required in order to be eligible to retire and receive benefits on or after the age of 62. This plan had a series of sunset dates beginning in 1999 through June 30, 2003. No employees hired or rehired on or after the earlier of their respective sunset date or June 30, 2003 are eligible to participate in the postretirement benefits plan.

Defined contribution retirement plans are offered to all full-time faculty and staff, with the exception of the two collectively bargained groups that participate in the active defined benefit pension plan. Deposits to the defined contribution plans are provided through contributions made by Temple and its employees into participant managed accounts. Temple’s contributions to participants’ accounts are based on a defined percentage of the participants’ elected contributions, base wages, and length of service. Temple’s contributions to the defined contribution plans in 2020 and 2019 were \$78,507 and \$76,436, respectively.

Certain union employees are covered by multi-employer pension plans to which Temple contributes. A contributor to a multi-employer plan is liable, upon termination of the plan or its withdrawal from the plan, for its share of the plan’s unfunded vested liabilities. Until either event occurs, Temple’s share, if any, of the unfunded vested liabilities cannot be determined. At present, Temple has no plans to withdraw from the multi-employer pension plans. Pension expense for these plans was \$10,188 and \$10,947 in 2020 and 2019, respectively.

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The activity of the defined benefit pension and postretirement benefit plans for the years ended June 30, 2020 and 2019 is as follows:

	Pensions		Postretirement Benefits	
	2020	2019	2020	2019
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 238,271	\$ 219,957	\$ 338,844	\$ 335,201
Service cost	2,389	2,294	11,650	9,951
Interest cost	7,361	8,615	10,400	12,231
Plan participant contributions	190	212	1,750	1,857
Actuarial loss (gain)	19,401	18,651	15,896	(3,207)
Benefits paid	(11,008)	(9,827)	(15,115)	(17,189)
Plan expenses	(1,707)	(1,631)	—	—
Settlement	(85)	—	—	—
Benefit obligation, end of year	\$ 254,812	\$ 238,271	\$ 363,425	\$ 338,844
Change in plan assets:				
Fair value of plan assets, beginning of year	\$ 210,838	\$ 205,378	\$ 320,953	\$ 324,402
Actual return on plan assets	15,629	13,735	4,960	8,615
Employer contributions	2,568	2,972	3,289	3,268
Plan participant contributions	190	212	1,750	1,857
Benefits paid	(11,008)	(9,827)	(15,115)	(17,189)
Plan expenses	(1,707)	(1,631)	—	—
Fair value of plan assets, end of year	\$ 216,511	\$ 210,838	\$ 315,837	\$ 320,953
Net funded status:				
Funded status, end of year	\$ (38,301)	\$ (27,433)	\$ (47,588)	\$ (17,891)

The accumulated benefit obligation for the pension plans at June 30, 2020 and 2019 was \$252,684 and \$236,572, respectively.

	Pensions		Postretirement Benefits	
	2020	2019	2020	2019
The funded status recognized in the balance sheets:				
Assets, non-current	\$ 4,664	\$ 2,939	\$ —	\$ —
Liabilities, current	—	—	(450)	(466)
Liabilities, non-current	(42,965)	(30,372)	(47,138)	(17,425)
Net amount recognized, funded status	\$ (38,301)	\$ (27,433)	\$ (47,588)	\$ (17,891)

	Pensions		Postretirement Benefits	
	2020	2019	2020	2019
Accumulated amounts recognized in net assets without donor restrictions:				
Unrecognized net loss	\$ 103,649	\$ 93,604	\$ 815	\$ (32,437)
Net amount recognized	<u>\$ 103,649</u>	<u>\$ 93,604</u>	<u>\$ 815</u>	<u>\$ (32,437)</u>

The estimated net loss (gain) for the plans that will be amortized from net assets without donor restrictions into net periodic benefit cost during the following fiscal year are as follows:

	Pensions	Postretirement Benefits
Estimated amortization of net loss (gain)	\$5,156	\$170

	Pensions		Postretirement Benefits	
	2020	2019	2020	2019
Changes in plan assets and benefit obligations recognized in other changes in net assets:				
Actuarial loss	\$ 16,424	\$ 17,867	\$ 32,861	\$ 10,322
Amortization of net actuarial loss	(6,207)	(4,647)	391	6,774
Recognition of settlement loss	(172)	—	—	—
Total recognized in other changes in net assets	<u>\$ 10,045</u>	<u>\$ 13,220</u>	<u>\$ 33,252</u>	<u>\$ 17,096</u>

The amortization of any prior service cost and unrecognized net loss is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the pension plans or the expected average future service to retirement under the postretirement benefit plan.

Temple uses the full yield curve (or spot rate) approach to estimate the service and interest costs related to Temple's pensions and postretirement benefits plans. Such approach estimates service and interest costs by applying specific spot rates along the yield curve to determine the benefit obligation of relevant projected cash outflows (as opposed to applying an average rate). The full yield curve approach (compared to an average rate approach) provides a more precise measurement of service and interest costs by aligning the timing of the plans' liability cash flows to the corresponding spot rate on the yield curve.

	Pensions		Postretirement Benefits	
	2020	2019	2020	2019
Components of net periodic cost:				
Operating expenses:				
Service cost	\$ 2,389	\$ 2,294	\$ 11,650	\$ 9,951
Other changes in net assets:				
Interest cost	7,361	8,615	10,400	12,231
Expected return on plan assets	(12,736)	(12,949)	(21,925)	(22,144)
Amortization of net actuarial loss	6,207	4,647	(391)	(6,774)
Settlement	172	—	—	—
Net periodic cost (including settlement expense)	<u>\$ 3,394</u>	<u>\$ 2,606</u>	<u>\$ (266)</u>	<u>\$ (6,736)</u>

	Pensions		Postretirement Benefits	
	2020	2019	2020	2019
Weighted-average assumptions used to determine the benefit obligations at end of year:				
Discount rate(s)	2.46%-3.02%	3.31%-3.75%	2.88%	3.62%
Expected long-term rate of return on plan assets	4.50%-6.50%	5.50%-6.50%	7.00%	7.00%
Rate of compensation increase	2.50%-3.00%	2.50%-3.00%	N/A	N/A
Assumed health care cost trend rates (pre-65 / post-65):				
Health care cost trend rate assumed for next year	N/A	N/A	7.57% / 8.36%	6.92% / 5.62%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.46% / 4.46%	4.50% / 4.44%
Year that ultimate rate is reached	N/A	N/A	2020 / 2028	2026 / 2026

	Pensions		Postretirement Benefits	
	2020	2019	2020	2019
Weighted-average assumptions used to determine net periodic cost at beginning of year:				
Discount rate(s) for benefit obligations	3.30%-3.75%	4.16%-4.38%	3.62%	4.31%
Discount rate(s) for service cost	3.94%	4.20%-4.47%	3.64%	4.33%
Discount rate(s) for interest cost	2.88%-3.31%	3.79%-4.11%	3.07%	4.03%
Expected long-term rate of return on plan assets	5.50%-6.50%	6.00%-6.50%	7.00%	7.00%
Rate of compensation increase	2.50%-3.00%	2.50%-3.00%	N/A	N/A
Assumed health care cost trend rates (pre-65 / post-65):				
Health care cost trend rate assumed for current year	N/A	N/A	7.79% / 8.56%	7.26% / 0.48%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.46% / 4.46%	4.50% / 4.44%
Year that ultimate rate is reached	N/A	N/A	2030 / 2028	2026 / 2026

Assumed health care cost trend rates have a significant effect on amounts reported for the postretirement benefits plan. A one-percentage point change in the assumed health care trend rate would have the following effects on Temple's (including TUHS) net periodic benefits cost and benefit obligations as of and for the year ended June 30, 2020:

	Decrease	Increase
Incremental effect on service cost and interest cost components of net periodic postretirement benefits cost	\$ (2,337)	\$ 2,714
Percentage of incremental effect in relation to current year service cost and interest cost	(10.60)%	12.31 %
Incremental effect on benefit obligation, end of year	\$ (38,616)	\$ 45,446
Percentage of incremental effect in relation to current year benefit obligations, end of year	(10.63)%	12.50 %

Plan Assets and Expected Return — The long-term investment strategy for assets held in the pension and postretirement benefits plans is to meet present and future benefit obligations to all participants and beneficiaries; cover reasonable expenses incurred to provide such benefits; and provide a total return that maximizes the ratio of assets to liabilities by maximizing investment return at the appropriate level of risk. The expected return on plan assets equals a weighted-average of the individual expected returns for each asset category in the plans' portfolio. The target and actual asset allocation as of June 30, 2020 and 2019 is as follows (see Note 10 for plan asset fair value disclosures):

	Pensions			Postretirement Benefits		
	Target*	2020	2019	Target*	2020	2019
Asset class:						
Equity funds and securities	25%-93%	55 %	56 %	77%	79 %	79 %
Fixed income and cash	7%-75%	45 %	44 %	23%	21 %	21 %

* Target asset allocations exclude the impact of the portable alpha overlay strategies. The University's pension plans have an asset allocation target of 25% equity and 75% fixed income and the TUHS pension plans have an asset allocation target of 66%-93% equity and 7%-34% fixed income.

Expected Cash Flows — The following table shows expected cash flows (including cash flows for TUHS participants) of the pension and postretirement benefits plans:

	Pensions	Postretirement Benefits
Expected contributions for next fiscal year:		
Employer	\$ 3,250	\$ 450
Employee	N/A	1,700
Estimated future benefit payments reflecting expected future service for fiscal years ending June 30:		
2021	\$ 11,730	\$ 19,144
2022	12,218	19,768
2023	12,618	20,208
2024	12,911	20,800
2025	13,369	21,074
2026 through 2030	69,986	105,103

Other Plans — The actuarial present value of accumulated plan benefits related to a non-active group annuity pension plan has neither been determined nor included above because a guarantee of payment to the

plan's beneficiaries has been made by The Equitable Life Assurance Society of America. This plan had total net assets available for benefits of \$1,133 and \$1,239 at June 30, 2020 and 2019, respectively.

6. Deposits with Trustees

Temple has on deposit with trustees amounts established for construction and debt repayment. These deposits are primarily invested in U.S. Government securities and money market funds (see Note 9 for a description of debt issuances).

The fair values of deposits with trustees by debt issuance at June 30, 2020 and 2019 are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Construction funds:		
PAID, First Series of 2015 (University)	\$ 15	\$ 3,258
Total construction funds	<u>15</u>	<u>3,258</u>
Debt Repayment Funds:		
PAID, Second Series of 2016 (University)*	1	1
PHEFA, First Series of 2012 (University)*	—	3
PHEFA, First Series of 2010A & 2010B (University)*	1	6
Temple University, First Series of 2020*	47	—
THHEFAP, First Series of 2017 (TUHS)	36,056	36,458
THHEFAP, First Series of 2012 (TUHS)	32,943	32,193
Total debt repayment funds	<u>69,048</u>	<u>68,661</u>
Total deposits with trustees	<u>\$ 69,063</u>	<u>\$ 71,919</u>

* Interest earned on deposits.

7. Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2020 and 2019 is summarized as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Land and land improvements	\$ 124,731	\$ 114,812
Buildings and building improvements	2,563,385	2,412,984
Furniture, fixtures, equipment, and library books	1,241,444	1,285,191
Construction in progress	43,447	189,652
Property, plant, and equipment, gross	<u>3,973,007</u>	<u>4,002,639</u>
Less: Accumulated depreciation	<u>(2,102,153)</u>	<u>(2,087,461)</u>
Total property, plant, and equipment, net	<u>\$ 1,870,854</u>	<u>\$ 1,915,178</u>

Depreciation expense was \$151,796 and \$145,736 in 2020 and 2019, respectively. As discussed in Note 2, in fiscal year 2020, the University prospectively changed its accounting policy for library books.

8. Asset Retirement Obligations

Temple has recognized liabilities for conditional asset retirement obligations, primarily related to asbestos remediation in certain University facilities, which are included in *Accrued expenses and other liabilities* in Temple's consolidated balance sheets. Changes to the asset retirement obligation liability during the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Balance, beginning of the year	\$ 13,039	\$ 13,135
Liabilities incurred	438	176
Accretion expense	2,861	589
Liabilities settled	(439)	(871)
Foreign currency translation	—	10
Balance, end of the year	<u>\$ 15,899</u>	<u>\$ 13,039</u>

The fair value at June 30, 2020 and 2019 of \$15,899 and \$13,039, respectively, was calculated using the expected cash flow (expected present value) valuation method with the following Level 3 inputs: years to abatement ranging from 1 to 18 years and 1 to 19 years, respectively, an inflation factor of 2.00% to 4.50% (both years), a credit-adjusted risk free rate of 4.63% to 7.00% (both years), and a contractor market risk premium of 5.0% (both years).

9. Debt and Leases

Long-term debt consists of the following at June 30, 2020 and 2019:

	Maturity	Interest Rate†	Effective Rate	June 30,	
			2020	2020	2019
Long-term debt:					
University bond issuances:					
Revenue Bonds, First Series of 2020, issued at par	April 1, 2042	0.80%-3.18%	1.32%	\$ 176,690	\$ —
PAID Revenue Bonds, First Series of 2016, including unamortized premium of \$7,122 and \$8,456, respectively	April 1, 2029	5.00%	3.61%	114,937	123,091
PAID Revenue Bonds, Second Series of 2016, including unamortized premium of \$10,617 and \$11,237, respectively	April 1, 2036	5.00%	3.73%	88,727	89,347
PAID Revenue Bonds, First Series of 2015, including unamortized premium of \$10,697 and \$11,317, respectively	April 1, 2045	5.00%	4.11%	123,207	127,352
PHEFA Revenue Bonds, First Series of 2012, including of unamortized premium of \$569 and \$19,129, respectively	April 1, 2022	4.00%-5.00%	5.07%	9,579	192,499
PHEFA Revenue Bonds, First Series A of 2010, including unamortized premium of \$2,399 and \$2,482, respectively	April 1, 2021	4.00%-5.00%	2.47%	5,854	9,233
PHEFA Revenue Bonds, First Series B of 2010, including unamortized premium of \$0 (both years)	April 1, 2040	4.46%-6.29%	4.01%	124,245	128,350
Total University bond issuances				<u>643,239</u>	<u>669,872</u>

	Maturity	Interest Rate†	Effective Rate 2020	June 30,	
				2020	2019
TUHS bond issuances:					
THHEFAP Hospital Revenue Bonds, Series 2017, including unamortized premium of \$20,624 and \$23,111, respectively	July 1, 2034	5.00%	3.70%	249,424	258,351
THHEFAP Hospital Revenue Bonds, Series A and B of 2012, net of unamortized discount of \$4,990 and \$5,524, respectively	July 1, 2042	5.00%-6.25%	6.01%	214,220	213,956
Total TUHS bond issuances				463,644	472,307
Other long-term debt:					
PENNVEST (Pennsylvania Infrastructure Investment Authority)	May 1, 2039	1.00%-1.29%	1.00%	6,409	5,077
Loans payable (TESS)	Various	0.30%	0.30%	2,549	—
Equipment financing arrangements (TUHS)	Various	1.34%-3.80%		11,743	16,308
Loan payable to Episcopal Healthcare Foundation (TUHS)	December 31, 2020	4.00%		330	971
Mortgage (TUHS)	December 31, 2031	4.18%		8,409	8,644
Capital leases				9,592	10,756
Deferred financing costs				(8,620)	(9,006)
Total long-term debt, net of deferred financing costs				1,137,295	1,174,929
Less: Current maturities of long-term debt				<u>(43,934)</u>	<u>(41,953)</u>
Non-current maturities of long-term debt, net of deferred financing costs				<u>\$1,093,361</u>	<u>\$1,132,976</u>

† Stated interest rate remaining from fiscal 2020 through maturity. All bonds have an interest rate mode of fixed.

University Bond Issuances:

Revenue Bonds, First Series of 2020 — On June 25, 2020, the University issued \$176,690 of Temple University Federally Taxable Revenue Bonds, First Series of 2020 (“First Series of 2020 Bonds”) with stated interest rates ranging from 0.80% to 3.18%. The proceeds from the sale of the First Series of 2020 Bonds, together with other available funds, were used for the following items: (i) advance refund, on a taxable basis, a portion of the Pennsylvania Higher Educational Facilities Authority’s (“PHEFA”) Temple University First Series of 2012 previously issued on behalf of the University and (ii) paying costs of issuing the First Series of 2020 Bonds. The First Series of 2020 Bonds require annual principal payments of varying amounts beginning April 1, 2021 and ending on April 1, 2042. The First Series of 2020 Bonds are subject to redemption prior to their stated maturities at the option of the University, in whole or in part, on any date at the make-whole redemption price. The make-whole redemption price is the greater of (i) 100% of the principal amount of the bonds to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the bonds to be redeemed. The First Series of 2020 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2020 Bonds during the year ended June 30, 2020 was \$32.

PAID Revenue Bonds, First Series of 2016 — In fiscal 2016, the University, via the Philadelphia Authority for Industrial Development (“PAID”) issued \$134,080 of PAID Temple University Revenue Bonds, First Series of 2016 (“First Series of 2016 Bonds”) with a stated interest rate of 5.00%. The proceeds from the sale of the First Series of 2016 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University, (ii) refunding a portion of the PHEFA Temple University Revenue Bonds, First Series of 2006, and (iii) paying costs of issuing the First Series of 2016 Bonds. The First Series of 2016 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2029, with a first option call date of April 1, 2025. The First Series of 2016 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2016 Bonds during the years ended June 30, 2020 and 2019 was \$4,359 and \$4,642, respectively.

PAID Revenue Bonds, Second Series of 2016 — In fiscal 2016, the University, via PAID issued \$78,110 of PAID Temple University Revenue Bonds, Second Series of 2016 (“Second Series of 2016 Bonds”) with a stated interest rate of 5.00%. The proceeds from the sale of the Second Series of 2016 Bonds, together with other available funds, were used for the following items: (i) refunding the outstanding portion of PHEFA’s Temple University Revenue Bonds, First Series of 2006, and (ii) paying costs of issuing the Second Series of 2016 Bonds. The Second Series of 2016 Bonds require principal payments of varying amounts beginning April 1, 2030 and ending on April 1, 2036, with a first option call date of April 1, 2025. The Second Series of 2016 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the Second Series of 2016 Bonds during the years ended June 30, 2020 and 2019 was \$3,311 and \$3,333, respectively.

PAID Revenue Bonds, First Series of 2015 — In fiscal 2016, the University, via the PAID issued \$130,440 of PAID Temple University Revenue Bonds, First Series of 2015 (“First Series of 2015 Bonds”) with stated interest rates ranging from 2.00% to 5.00%. The proceeds from the sale of the First Series of 2015 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University, (ii) refunding a portion of PHEFA’s Temple University Revenue Bonds, First Series of 2006, and (iii) paying costs of issuing the First Series of 2015 Bonds. The First Series of 2015 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2045, with a first option call date of April 1, 2025. The First Series of 2015 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2015 Bonds during the years ended June 30, 2020 and 2019 was \$5,164 and \$3,990, respectively.

PHEFA Revenue Bonds, First Series of 2012 — In fiscal 2012, the University, via PHEFA issued \$200,000 of PHEFA Temple University Revenue Bonds, First Series of 2012 (“First Series of 2012 Bonds”) with stated interest rates ranging from 1.00% to 5.00%. The proceeds from the sale of the First Series of 2012 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University and (ii) paying costs of issuing the First Series of 2012 Bonds. The First Series of 2020 Bonds provided for the advance refunding of \$160,175 aggregate principal amount of the First Series of 2012 Bonds, which had maturities ranging from April 2023 through April 2042. The two non-refunded bond CUSIP numbers from the First Series of 2012 Bonds require annual principal payments of \$4,395 on April 1, 2021 and \$4,615 on April 1, 2022. The First Series of 2012 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series of 2012 Bonds during the years ended June 30, 2020 and 2019 was \$7,435 and \$7,741, respectively.

PHEFA Revenue Bonds, First Series A of 2010 — In fiscal 2010, the University, via PHEFA issued \$46,665 of PHEFA Temple University Revenue Bonds, First Series A of 2010 (“First Series A of 2010 Bonds”) with stated interest rates ranging from 4.00% to 5.00%. The proceeds from the sale of the First Series A of 2010 Bonds, together with other available funds, were used for the following items: (i) capital projects of

the University and (ii) paying costs of issuing the First Series A of 2010 Bonds. The First Series A of 2010 Bonds require annual principal payments of varying amounts beginning April 1, 2011 and ending on April 1, 2021, with an optional redemption at any time upon payment of the redemption price. The First Series A of 2010 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series A of 2010 Bonds during the years ended June 30, 2020 and 2019 was \$203 and \$355, respectively.

PHEFA Revenue Bonds, First Series B of 2010 — In fiscal 2010, the University, via PHEFA issued \$143,590 of PHEFA Temple University Revenue Bonds, Federally Taxable Build America Bonds, First Series B of 2010 (“First Series B of 2010 Bonds”) with a stated interest rates ranging from 4.21% to 6.29%. The proceeds from the sale of the First Series B of 2010 Bonds, together with other available funds, were used for the following items: (i) capital projects of the University and (ii) paying costs of issuing the First Series B of 2010 Bonds. The First Series B of 2010 Bonds require annual principal payments of varying amounts beginning April 1, 2016 and ending on April 1, 2040, with a first option call date of April 1, 2020. The First Series A of 2010 Bonds are secured by a pledge of gross revenues of the University, excluding all revenues of TUHS. Interest expense on the First Series B of 2010 Bonds during the years ended June 30, 2020 and 2019 was \$5,072 and \$5,203, respectively.

The University has complied with all financial debt covenants during the years ended June 30, 2020 and 2019.

TUHS Bond Issuances:

THHEFAP Hospital Revenue Bonds, Series 2017 — In fiscal 2018, TUHS, via the Hospitals and Higher Education Facilities Authority of Philadelphia (“THHEFAP”) issued \$235,240 of THHEFAP Hospital Revenue Bonds, Series 2017. The proceeds of the Bonds were used to defease the Authority’s outstanding Revenue Bond Series A and B of 2007 and Revenue Bond Series B of 2012.

THHEFAP Hospital Revenue Bonds, Series A and B of 2012 — In fiscal 2012, TUHS, via THHEFAP issued \$311,105 of THHEFAP Hospital Revenue Bonds, Series A and B of 2012 with a stated interest rate ranging from 5.00% to 6.25%.

The TUHS bond issuances are generally collateralized by the assets and gross revenues of the TUHS Obligated Group. The TUHS Obligated Group includes TUHS, Temple University Hospital, Inc., Jeanes Hospital, Temple Physicians, Inc., Temple Health System Transport Team, Inc., American Oncologic Hospital, Institute for Cancer Research, Fox Chase Cancer Center Medical Group, Inc., and Fox Chase Network, Inc.

Interest expense on TUHS long-term debt during the years ended June 30, 2020 and 2019 was \$23,849 and \$24,144, respectively.

Temple has complied with all financial debt covenants during the years ended June 30, 2020 and 2019.

Other Long-term Debt:

PENNVEST Debt Obligation — In June 2017, the University and the Pennsylvania Infrastructure Investment Authority (“PENNVEST”) entered into an agreement for PENNVEST to provide financing totaling \$6,748 for the construction of certain storm water improvements, including a green roof assembly and green roof landscaping on the University’s library. Construction commenced in fiscal 2018 and the library project was completed and placed into service in the first quarter of fiscal year 2021. During the year ended June 30, 2020 and 2019, the University borrowed \$1,644 and \$5,104, respectively, against the obligation.

The stated interest rate is 1.00% for years 1 through 5 and 1.29% for years 6 through maturity (May 1, 2039). Interest expense during the years ended June 30, 2020 and 2019 was \$56 and \$16, respectively.

Loans Payable (TESS) — In September 2019, TESS obtained two unsecured bank loans totaling \$2,792. The bank loans were in equal amounts of \$1,396 from Mizuho Bank, Ltd. (the “Mizuho Loan”) and Sumitomo Mitsui Banking Corporation (the “SMBC Loan”). Proceeds from the bank loans were used to fund TESS’ move to its new campus in Tokyo, Japan. The Mizuho Loan matures in June 2029 and the SMBC Loan matures in September 2029; and both Loans accrue interests at 0.3 %. Interest expense on the two bank loans during the year ended June 30, 2020 was \$7.

Lines of Credit — TUHS had a \$40,000 line of credit (the “TUHS PNC Line of Credit”) with PNC Bank, National Association (“PNC”). Amounts borrowed accrued interest at a rate equal to the one-month London Interbank Offered Rate plus 140 basis points. The TUHS PNC Line of Credit was refunded in full and canceled in April 2020 and immediately replaced with a revolving line of credit (the “TUHS JPM Line of Credit”) with JPMorgan Chase Bank, N.A. (“JPM”). The TUHS JPM Line of Credit has a borrowing limit of \$40,000 and expires in April 2021. Amounts borrowed accrue interest at a rate of the one-month London Interbank Offered Rate (“LIBOR”) plus 130 basis points. During 2020, TUHS borrowed \$80,000 against their lines of credit to fund working capital requirements and to refund the prior outstanding balance under the TUHS PNC Line of Credit; no amount was outstanding at June 30, 2020. Interest expense on the TUHS lines of credit during the year ended June 30, 2020 was \$188. No amount was borrowed or outstanding at any time during the year ended June 30, 2019.

Through June 1, 2020, the University had a \$100,000 revolving line of credit (the “PNC Line of Credit”) with PNC. Amounts borrowed accrued interest at a rate equal to the one-month London Interbank Offered Rate plus 55 basis points. The PNC Line of Credit was secured by a subordinated gross revenue pledge of the University and was cross-defaulted to the University's covenants in the various bond documents. In March 2020, in light of the COVID-19 pandemic, \$100,000 was drawn against the PNC Line of Credit and was placed on deposit in a short-term investment fund (cash equivalent) with daily liquidity. No amount was borrowed or outstanding at any time during the year ended June 30, 2019. The PNC Line of Credit was refunded in full and canceled on June 1, 2020 (see "*First JPM Line and Credit*" and "*Second JPM Line of Credit*" below).

The University had a \$7,500 unsecured line of credit (the “PNC Unsecured Line of Credit”) with PNC that expired on June 29, 2020, and was not renewed. Borrowings under the PNC Unsecured Line of Credit accrued interest at either the Base Rate or Euro-Rate per annum, as selected by the University. The interest rate under the Base Rate option was equal to the Prime Rate, whereas, the interest rate under the Euro-Rate option was equal to the sum of the Euro-Rate plus 55 basis points. At the June 29, 2020 expiration date, and at June 30, 2019, no amount under the PNC Unsecured Line of Credit was drawn, however, \$2,114 of the PNC Unsecured Line of Credit was used as collateral for a letter of credit with the Philadelphia Redevelopment Authority (see "*JPM Unsecured Line of Credit*" below).

On April 29, 2020, the University obtained a \$100,000 revolving line of credit (the "*First JPM Line of Credit*") and a \$7,500 unsecured line of credit (the "*JPM Unsecured Line of Credit*") from JPM. Both the First JPM Line of Credit and the JPM Unsecured Line of Credit have a term of one-year with an automatic renewal option. Amounts borrowed accrue interest at a rate equal to the one-month London Interbank Offered Rate plus 45 basis points. The First JPM Line of Credit is secured by a subordinated gross revenue pledge of the University and is cross-defaulted to the University's covenants in the various bond documents. The First JPM Line of Credit can be used to fund seasonal working capital requirements, fund capital expenditure bridge financing, and fund general corporate purposes. Upon the earlier of expiration of the PNC Unsecured Line of Credit on June 29, 2020, \$2,114 of the JPM Unsecured Line of Credit is used as collateral for a letter of credit

with the Philadelphia Redevelopment Authority. On June 1, 2020, the University refunded the outstanding balance on the PNC Line of Credit and drew \$100,000 from the first JPM Line of Credit. The \$100,000 is on deposit in a short-term investment fund (cash equivalent) with daily liquidity; and is available to fund operations should a liquidity need arise. Currently, no amounts have been drawn or pledged against the JPM Unsecured Line of Credit.

On June 25, 2020, the University obtained a \$100,000 line of credit from JPM (the "Second JPM Line of Credit"). The Second JPM Line of Credit has a term of one year and an option to renew. Amounts borrowed accrue interest at a rate equal to the one-month London Interbank Offered Rate plus 135 basis points. Consistent with the First JPM Line of Credit, the Second JPM Line of Credit is secured by a subordinated gross revenue pledge of the University, and cross-defaulted to the University's covenants in the various bond documents. The Second JPM Line of Credit can be used to fund seasonal working capital requirements, fund capital expenditure bridge financing, and fund general corporate purposes. No amount has been borrowed against the Second JPM Line of Credit, and at this time, the University does not have any plans to draw against the Second JPM Line of Credit.

Leases — Temple leases certain facilities and equipment under leases having initial or remaining noncancelable terms in excess of one year. The future minimum lease payments as of June 30, 2020 are as follows:

	Capital Leases	Operating Leases
2021	\$ 3,898	\$ 20,756
2022	2,612	15,583
2023	1,577	6,902
2024	959	5,885
2025	346	4,475
Thereafter	222	52,302
Total minimum lease payments	9,614	\$ 105,903
Amounts representing interest on capital leases	(22)	
Present value of net minimum capital lease payments	\$ 9,592	

At June 30, 2020 and 2019, property, plant, and equipment with respect to capital leases had a net book value of \$9,067 and \$10,155, respectively. Interest expense on capital leases during the years ended June 30, 2020 and 2019 was \$426 and \$498, respectively.

Rent expense for operating leases is recorded on a straight-line basis over the life of the lease. Rent expense on operating leases during the years ended June 30, 2020 and 2019 was \$43,751 and \$49,059, respectively.

Interest — Total interest expense incurred, net of capitalized interest, was \$49,690 and \$50,781 for the years ended June 30, 2020 and 2019, respectively. Temple capitalizes interest cost on qualifying assets. Property, plant, and equipment includes capitalized interest of \$1,339 at June 30, 2019. There was no capitalized interest at June 30, 2020.

Fair Value and Maturity — As of June 30, 2020 and 2019, the fair value of Temple's bond issuances (excluding net unamortized premium of \$47,038 and \$70,478, respectively, deferred financing costs of \$8,620 and \$9,006, respectively, and accrued interest of \$17,695 and \$20,463, respectively) with a principal value of \$1,059,845 and \$1,071,701, respectively, was approximately \$1,195,691 and \$1,218,044, respectively. The fair value was determined based upon discounted cash flows at current market rates for instruments with similar remaining terms. Temple considers these valuation inputs to be Level 2 inputs in the fair value

hierarchy (see Note 10). The market prices utilized reflect the rate that Temple would have to pay to a credit-worthy third-party to assume its obligation and do not reflect an additional liability to Temple.

Long-term debt matures in varying amounts through 2045. The aggregate amounts of principal payments are as follows:

2021	\$	37,243
2022		34,138
2023		40,908
2024		37,831
2025		41,456
Thereafter		897,709
Total principal payments		<u>1,089,285</u>
Deferred financing costs		(8,620)
Unamortized premium and discount, net		47,038
Capital leases		9,592
Total long-term debt	\$	<u><u>1,137,295</u></u>

10. Fair Value Measurements

Temple applies the provisions of FASB ASC 820, *Fair Value Measurement*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements. ASC 820 defines fair value 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. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

A financial asset or liability classification is determined based on the lowest level input that is significant to the fair value measurement. The fair value hierarchy consists of the following three levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that Temple can access at the measurement date. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets primarily consist of money market funds, U.S. treasury securities, equity securities, exchange traded futures contracts, and equity and fixed income mutual funds.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 2 assets primarily consist of corporate bonds and notes, U.S. government agency securities, municipal bonds, and certain equity and fixed income funds.

Level 3 — Unobservable inputs based on management's own assumptions used to measure assets and liabilities at fair value or assets that management does not have the ability to redeem. Level 3 inputs include values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting Temple's own assumptions. Level 3 assets consist of perpetual trusts administered by third-parties for which Temple does not have the ability to manage or redeem.

Investments for which fair value is measured using the net asset value per share practical expedient are not included within the fair value hierarchy.

The following tables provide the financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2020 and 2019:

June 30, 2020	Level 1	Level 2	Level 3	Total
Investments (including endowment):				
Money market funds	\$ 28,729	\$ 1,032	\$ —	\$ 29,761
Corporate bonds and notes	—	314,923	—	314,923
U.S. government and agency securities	278,902	93,543	—	372,445
Municipal bonds	—	5,433	—	5,433
Fixed income funds	15,763	—	—	15,763
Equity funds and securities	423,180	—	—	423,180
Futures contracts§	1,117	—	—	1,117
Real estate funds	—	320	—	320
Other	—	1,690	—	1,690
Total investments in fair value hierarchy	<u>\$ 747,691</u>	<u>\$ 416,941</u>	<u>\$ —</u>	<u>1,164,632</u>
Investments measured at NAV				521,422
Investments carried at equity				2,898
Total investments				<u>\$ 1,688,952</u>
Self-insurance trust funds:				
Money market funds	\$ 466	\$ —	\$ —	\$ 466
Corporate bonds and notes	—	2,046	—	2,046
U.S. government securities	8,330	1,554	—	9,884
Total self-insurance trust funds	<u>\$ 8,796</u>	<u>\$ 3,600</u>	<u>\$ —</u>	<u>\$ 12,396</u>
Deposits with trustees:				
Money market funds	\$ 56,623	\$ —	\$ —	\$ 56,623
U.S. government securities	—	12,440	—	12,440
Total deposits with trustees	<u>\$ 56,623</u>	<u>\$ 12,440</u>	<u>\$ —</u>	<u>\$ 69,063</u>
Funds held in trust by others:				
Funds held in trust by others	\$ —	\$ —	\$ 72,848	\$ 72,848
Beneficial interest in assets held by Episcopal Foundation	—	—	26,892	26,892
Beneficial interest in the Fox Chase Cancer Center Foundation	—	—	54,819	54,819
Total funds held in trust by others	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 154,559</u>	<u>\$ 154,559</u>

§ Futures contracts are valued at the net unrealized appreciation (depreciation) on the instrument (see Note 3).

June 30, 2020	Level 1	Level 2	Level 3	Total
Pension plans:				
Money market funds	\$ 5,434	\$ —	\$ —	\$ 5,434
Fixed income funds	35,100	—	—	35,100
Corporate bonds and notes	—	38,765	—	38,765
U.S. government and agency securities	18,319	—	—	18,319
Municipal bonds	—	676	—	676
Collateralized mortgage obligations	—	1,219	—	1,219
Equity funds	79,452	—	—	79,452
Exchange traded funds	713	—	—	713
Total pension plans in fair value hierarchy	<u>\$ 139,018</u>	<u>\$ 40,660</u>	<u>\$ —</u>	179,678
Pension plans measured at NAV				36,833
Total pension plans				<u>\$ 216,511</u>
Postretirement plans:				
Money market funds	\$ 408	\$ —	\$ —	\$ 408
U.S. government securities	34,566	—	—	34,566
Equity funds and securities	18,442	—	—	18,442
Total postretirement plans in fair value hierarchy	<u>\$ 53,416</u>	<u>\$ —</u>	<u>\$ —</u>	53,416
Postretirement plans measured at NAV				262,421
Total postretirement plans				<u>\$ 315,837</u>

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June 30, 2019	Level 1	Level 2	Level 3	Total
Investments (including endowment):				
Money market funds	\$ 50,955	\$ 1,032	\$ —	\$ 51,987
Corporate bonds and notes	—	306,314	—	306,314
U.S. government and agency securities	352,984	31,489	—	384,473
Municipal bonds	—	4,763	—	4,763
Fixed income funds	15,484	—	—	15,484
Equity funds and securities	423,176	—	—	423,176
Futures contracts [§]	780	—	—	780
Other	—	1,981	—	1,981
Total investments in fair value hierarchy	<u>\$ 843,379</u>	<u>\$ 346,249</u>	<u>\$ —</u>	1,189,628
Investments measured at NAV				484,298
Investments carried at equity				3,559
Total investments				<u>\$ 1,677,485</u>
Self-insurance trust funds:				
Money market funds	\$ 278	\$ —	\$ —	\$ 278
Corporate bonds and notes	—	3,206	—	3,206
U.S. government securities	10,254	744	—	10,998
Total self-insurance trust funds	<u>\$ 10,532</u>	<u>\$ 3,950</u>	<u>\$ —</u>	<u>\$ 14,482</u>
Deposits with trustees:				
Money market funds	\$ 46,069	\$ —	\$ —	\$ 46,069
U.S. government securities	25,850	—	—	25,850
Total deposits with trustees	<u>\$ 71,919</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 71,919</u>
Funds held in trust by others:				
Funds held in trust by others	\$ —	\$ —	\$ 74,756	\$ 74,756
Beneficial interest in assets held by Episcopal Foundation	—	—	28,163	28,163
Beneficial interest in the Fox Chase Cancer Center Foundation	—	—	58,435	58,435
Total funds held in trust by others	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 161,354</u>	<u>\$ 161,354</u>

§ Futures contracts are valued at the net unrealized appreciation (depreciation) on the instrument (see Note 3).

June 30, 2019	Level 1	Level 2	Level 3	Total
Pension plans:				
Money market funds	\$ 5,707	\$ —	\$ —	\$ 5,707
Fixed income funds	33,697	—	—	33,697
Corporate bonds and notes	—	33,297	—	33,297
U.S. government and agency securities	19,158	—	—	19,158
Municipal bonds	—	619	—	619
Collateralized mortgage obligations	—	1,058	—	1,058
Equity funds	81,399	—	—	81,399
Exchange traded funds	445	—	—	445
Total pension plans in fair value hierarchy	<u>\$ 140,406</u>	<u>\$ 34,974</u>	<u>\$ —</u>	175,380
Pension plans measured at NAV				35,458
Total pension plans				<u>\$ 210,838</u>
Postretirement plans:				
Money market funds	\$ 2,259	\$ —	\$ —	\$ 2,259
U.S. government securities	36,888	—	—	36,888
Equity funds and securities	35,952	—	—	35,952
Total postretirement plans in fair value hierarchy	<u>\$ 75,099</u>	<u>\$ —</u>	<u>\$ —</u>	75,099
Postretirement plans measured at NAV				245,854
Total postretirement plans				<u>\$ 320,953</u>

Temple assesses the valuation hierarchy for each asset or liability measured on an annual basis. From time to time, assets or liabilities will be transferred within the fair value hierarchy as a result of changes in, among other things, inputs used, liquidity, or valuation methodologies. During the years ended June 30, 2020 and 2019, Temple did not have any significant transfers between levels within the fair value hierarchy.

The following table is a reconciliation of the changes in fair value of Temple's financial assets, which have been classified in Level 3 in the fair value hierarchy:

	Funds Held in Trust by Others
Balance, June 30, 2018	\$ 160,601
Realized and unrealized losses, net	1,290
Expiration of trust	(537)
Balance, June 30, 2019	161,354
Realized and unrealized losses, net	(6,795)
Balance, June 30, 2020	<u>\$ 154,559</u>

Information for investments whose fair value is estimated using its net asset value ("NAV") practical expedient (or its equivalent) at June 30, 2020 and 2019 is as follows:

June 30, 2020	Fair Values			Redemption	
	Investments / Endowment	Pensions	Post- retirement	Frequency	Notice Period
Commodity funds	\$ 11,851	\$ —	\$ 6,226	Daily- Monthly	1-2 days
Multi-strategy hedge funds	163,472	15,022	67,684	Daily-Annual	45-95 days
Private equity	13,826	—	5,693	Illiquid	N/A
Real estate funds	41,945	11,144	13,429	Quarterly	30-90 days
Fixed income funds	38,341	—	32,687	Daily- Monthly	1-30 days
Equity funds	246,460	10,667	133,904	Daily- Monthly	1-30 days
Opportunistic funds	5,527	—	2,798	Illiquid	N/A
Total value	<u>\$ 521,422</u>	<u>\$ 36,833</u>	<u>\$ 262,421</u>		

June 30, 2019	Fair Values			Redemption	
	Investments / Endowment	Pensions	Post- retirement	Frequency	Notice Period
Commodity funds	\$ 8,064	\$ —	\$ 4,081	Daily- Monthly	1-20 days
Multi-strategy hedge funds	178,492	15,448	70,107	Daily-Annual	45-95 days
Private equity	6,937	—	2,856	Illiquid	N/A
Real estate funds	44,569	11,429	15,509	Quarterly	30-90 days
Fixed income funds	35,685	—	29,515	Daily- Monthly	1-30 days
Equity funds	208,330	8,581	122,487	Weekly- Quarterly	3-90 days
Opportunistic funds	2,221	—	1,299	Illiquid	N/A
Total value	<u>\$ 484,298</u>	<u>\$ 35,458</u>	<u>\$ 245,854</u>		

Unfunded commitments at June 30, 2020 and 2019 are as follows:

	June 30, 2020			June 30, 2019		
	Endowment	Post- retirement	Total	Endowment	Post- retirement	Total
Private equity	\$ 70,333	\$ 28,940	\$ 99,273	\$ 77,854	\$ 32,058	\$ 109,912
Real estate funds	—	—	—	51	—	51
Opportunistic funds	5,648	2,856	8,504	8,393	4,249	12,642
Unfunded commitments	<u>\$ 75,981</u>	<u>\$ 31,796</u>	<u>\$ 107,777</u>	<u>\$ 86,298</u>	<u>\$ 36,307</u>	<u>\$ 122,605</u>

Commodity funds include investments in a both long and short commodity derivatives in a unitized fund structure.

Multi-strategy hedge funds include hedge fund-of-funds that invest in the commingled funds of hedge fund managers. Funds are allowed to take both long and short positions, use leverage and derivatives, and invest in many markets. Hedge funds may make equity, credit/fixed income, rate, and currency investments. Strategies employed may include long/short, event-driven, arbitrage, and macro.

Private equity investments include private partnerships, funds and/or other special purpose vehicles that invest in a range of strategies including, venture capital, growth equity, leveraged buyouts, credit-oriented opportunities, mezzanine and distressed debt, and special situations. Investments fund “start-up” companies or the buyout of existing companies or divisions within a company. Investments include domestic or international and encompass private and public securities. These funds can never be redeemed and these investments typically require capital lock-ups of 10 years or more.

Real estate funds include investments in public or private partnerships, funds and/or special purpose vehicles that make private real estate investments located within or outside the United States. Major sectors within this space include apartments, office properties, regional properties, industrial properties, and hotels, but may include land, medical facilities, self-storage and other real property investments. Investments may include equity, debt, or both and may encompass “core”, “value-added”, or “opportunistic” opportunities. Investments are typically structured as partnerships.

Fixed income funds include investments made in commingled funds or fund-of-funds that invest in sovereign and government debt securities, corporate debt securities, U.S. Treasury Inflation-Protected securities. These funds generally seek long-term capital appreciation and provide a hedge against inflation.

Equity funds include investments made in commingled funds or fund-of-funds that invest in U.S., international, and global equity securities through a variety of active strategies. The funds generally seek long-term capital appreciation.

Opportunistic funds include investments with attractive risk/return characteristics based on a particular market environment. These investments include strategies such as private credit, distressed debt, and direct lending.

11. Endowment Funds

Temple’s endowment consists of a portfolio of actively managed individual funds established for a variety of purposes, including providing a funding source for (i) operations; (ii) scholarships and awards; (iii) academic leadership funds; and (iv) the master facility plan. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Board-Designated Endowment Funds — Board-designated endowment funds are quasi-endowment funds created by the Board of Trustees by designating a portion of Temple’s net assets without donor restrictions to be invested to provide income for an intended purpose. Board-designated endowment fund assets are recognized in net assets without donor restrictions.

Interpretation of Relevant Law — ASC 958, *Not-for-Profit Entities*, provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and improves disclosure about an organization’s endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth has not adopted UPMIFA, but rather has enacted Pennsylvania Act 141. The Board of Trustees has interpreted Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair

value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Temple classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Trustees of Temple has interpreted the relevant law as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Temple considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Temple has interpreted the relevant law to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the relevant law, Temple considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (i) the duration and preservation of the fund; (ii) the purposes of the organization and the donor-restricted endowment fund; (iii) general economic conditions; (iv) the possible effect of inflation and deflation; (v) the expected total return from income and the appreciation of investments; (vi) other resources of the organization; and (vii) the investment policies of Temple.

Underwater Endowment — From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original value or the level that the donor requires Temple to retain as a fund of perpetual duration. When donor-restricted endowment deficiencies exist, they are classified as a reduction of donor-restricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred subsequent to the investment of contributions (often shortly after the investment of newly established endowments) and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

Underwater endowments at June 30, 2020 and 2019 are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Underwater endowments:		
Number of underwater donor-restricted endowments	365	148
Original gift value	\$ 96,782	\$ 34,192
Fair value	<u>93,776</u>	<u>33,477</u>
Endowment deficiencies	<u>\$ (3,006)</u>	<u>\$ (715)</u>

Endowment Investment Policy — Temple has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this approach, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the total of the amount drawn annually for operations plus the rate of inflation and investment management fees. Temple expects its endowment funds, over time, to provide an average real rate of return, net of investment management fees, of approximately 5.00% annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, Temple relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Temple targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment Spending Policy — Annually, the Board of Trustees approves a spending rule distribution percentage that is consistent with the long term preservation of the real value of the assets, but in no event shall the percentage be less than 2.00% nor more than 7.00% per year. Temple’s spending rule limited the spending of endowment resources to 4.25% for the University and 4.50% for TUHS in 2020 and 4.50% (both the University and TUHS) in 2019 of the average fair value of endowment funds for the prior twelve fiscal quarters. To the extent that current yield is inadequate to meet the spending rule, a portion of cumulative realized net gains is available for current use. These endowment funds include scholarship funds, awards funds, academic leadership funds, and master facility funds. The draw to operations under the spending policy for the years ended June 30, 2020 and 2019 totaled \$30,305 and \$31,172, respectively.

Temple’s endowment balances, including board-designated endowment funds, by net asset classification at June 30, 2020 and 2019 are as follows:

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 258,948	\$ —	\$ 258,948
Donor-restricted endowment funds:*			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	368,032	368,032
Accumulated investment gains	—	40,184	40,184
Term endowment funds	—	12,933	12,933
Total endowment funds	<u>\$ 258,948</u>	<u>\$ 421,149</u>	<u>\$ 680,097</u>
June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 268,421	\$ —	\$ 268,421
Donor-restricted endowment funds:*			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	—	346,391	346,391
Accumulated investment gains	—	54,064	54,064
Term endowment funds	—	13,326	13,326
Total endowment funds	<u>\$ 268,421</u>	<u>\$ 413,781</u>	<u>\$ 682,202</u>

* Excludes donor restricted funds held in trust by others of \$72,848 at June 30, 2020 and \$74,756 at June 30, 2019 (see Notes 10 and 15).

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The changes in Temple's endowment assets (excluding changes in funds held in trust by others, see Notes 10 and 15) for the years ended June 30, 2020 and 2019 are as follows:

June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 268,421	\$ 413,781	\$ 682,202
Investment return:			
Investment income	—	3,190	3,190
Net realized loss	(1,696)	(2,192)	(3,888)
Net unrealized gain	2,919	3,900	6,819
Total investment return	1,223	4,898	6,121
Contributions and transfers:			
Donor contributions	62	19,917	19,979
Other	396	1,704	2,100
Total contributions and transfers	458	21,621	22,079
Appropriation of endowment assets for expenditure (spending rule)	(11,154)	(19,151)	(30,305)
Endowment net assets, end of the year	<u>\$ 258,948</u>	<u>\$ 421,149</u>	<u>\$ 680,097</u>

June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ 275,835	\$ 408,130	\$ 683,965
Investment return:			
Investment income	—	3,615	3,615
Net realized gain	455	619	1,074
Net unrealized loss	4,289	5,786	10,075
Total investment return	4,744	10,020	14,764
Contributions and transfers:			
Donor contributions	253	13,792	14,045
Other	(974)	1,574	600
Total contributions and transfers	(721)	15,366	14,645
Appropriation of endowment assets for expenditure (spending rule)	(11,437)	(19,735)	(31,172)
Endowment net assets, end of the year	<u>\$ 268,421</u>	<u>\$ 413,781</u>	<u>\$ 682,202</u>

12. Liquidity and Availability of Resources

Temple's financial assets and liquidity resources available within one year of the consolidated balance sheet date for general expenses (e.g. operating expenses and scheduled payments on debt) are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Financial assets:		
Cash and cash equivalents	\$ 930,384	\$ 343,524
Investments (excluding purpose designated funds)	859,010	841,483
Accounts, loans, and contributions receivable, net (excluding donor restricted receivables)	442,536	620,463
Appropriation of board-designated endowment assets for general operating expenditures in the following year (estimate based on the fiscal year-end fair values and board approved spending rate for the subsequent year)	6,645	6,900
Total financial assets available within one year to fund general expenses	<u>2,238,575</u>	<u>1,812,370</u>
Liquidity resources (Note 9):		
Revolving line of credit (undrawn) (University)	100,000	100,000
Revolving line of credit (undrawn) (TUHS)	40,000	40,000
Unsecured line of credit (undrawn and unpledged) (University)	5,386	5,386
Total financial assets and liquidity resources available within one year	<u>\$ 2,383,961</u>	<u>\$ 1,957,756</u>

Temple's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 11, for fiscal year 2020 and 2019 the Board of Trustees approved distribution of 4.25% to 4.50% of the average fair value for the prior 12 fiscal quarters, for a total spending rule appropriation of \$30,305 and \$31,172, respectively.

Temple's cash flows have seasonal variations during the year, primarily attributable to the collection of tuition, the timing of receipts of the Commonwealth appropriation, and the collection of donor contributions, which are typically more concentrated at calendar and fiscal year-end. As part of Temple's liquidity management, Temple structures its financial assets to be available as its general expenses, liabilities, and other obligations come due. In addition, Temple invests cash in excess of daily requirements in cash equivalents and short-term investments. To help manage unanticipated liquidity needs, Temple has committed lines of credit in the excess of \$245,000, which it could draw upon. Additionally, at June 30, 2020 and 2019, Temple's board-designated endowment totaled \$258,948 and \$268,421, respectively, of which \$156,350 and \$162,347, respectively, has been board-designated to support general operations. Although Temple does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available. Temple also has unfunded commitments on alternative investments (see Note 9 for line of credit availability, Note 10 for investments, and Note 11 for endowments).

As discussed in Note 24, during the fourth quarter of fiscal year 2020, Temple received federal relief funds under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") totaling \$278,540, of which \$14,652 was disbursed to students as of June 30, 2020 as emergency financial aid. The remaining funds

received resulted in an increase in cash and cash equivalents at June 30, 2020. Cash advances related to accelerated Medicare payments requested under the CARES Act totaled \$158,593, and are expected to be repaid or recouped through future claims for services during fiscal year 2021 (see Note 24)).

13. Professional Liability Insurance

Temple purchases primary commercial claims-made insurance coverage for professional liability claims from a commercial insurer, which in turn reinsures all of the risk with TUHIC, a wholly-owned captive insurance company domiciled in Bermuda. Temple is self-insured through its captive insurance company. In addition, Temple obtains \$500 (\$1,500 aggregate) coverage for its physicians from the Medical Care Availability and Reduction of Error fund (“Mcare”) and also purchases excess coverage from unaffiliated commercial insurers.

The Mcare Act was enacted by the Pennsylvania legislature in 2002. The Mcare Act created the Mcare Fund, which is the state-mandated funding mechanism for the payment of medical malpractice claims exceeding the primary layer of professional liability insurance carried by Temple’s physicians and other health care providers practicing in the state. The Mcare Fund is funded on a pay-as-you-go basis. The Mcare Fund levies health care provider surcharges, calculated as a percentage of the premiums established by the Joint Underwriting Association (also a Commonwealth of Pennsylvania agency) for basic coverage, to pay claims and administrative expenses on behalf of Mcare Fund participants. The Mcare Act legislation provides for the gradual phase-out of Mcare Fund coverage; however, this has been deferred by the Pennsylvania legislation and will be considered in the future.

Self-insured professional liabilities include amounts for reported claims, which, depending on occurrence and aggregate limits, are retained by Temple’s insurance captive or TUHS, and claims incurred but not reported, which are retained by TUHS. The gross carrying amount of accrued asserted and unasserted actuarially determined professional liability claims, includes self-insured professional liabilities plus amounts retained by Mcare and commercial insurers. Professional liabilities (discounted at 0% at June 30, 2020 and 1.75% at June 30, 2019) and related recoveries are as follows:

	June 30, 2020	June 30, 2019
Accrued professional liability claims retained, net	\$ 178,288	\$ 190,749
Plus: Accrued liabilities above retention limits (estimated insurance recoveries)	30,606	37,671
Accrued professional liability claims, gross	208,894	228,420
Less: Current portion of accrued professional liability claims, gross	(32,133)	(43,099)
Non-current, accrued professional liability claims, gross	<u>\$ 176,761</u>	<u>\$ 185,321</u>

Professional liability claims are included in *Accrued expenses* with the corresponding estimated insurance recoveries recorded in *Accounts, loans, and contributions receivable, net* in Temple’s consolidated balance sheets.

14. Commitments and Contingencies

From time to time, claims are made against Temple based on a variety of theories of liability, including without limitation alleged negligence, acts of discrimination, medical malpractice, breach of contract or disagreements arising from the interpretation of laws or regulations. In the opinion of management, after consultation with legal counsel, and subject to the disclosure below, the ultimate disposition of these matters is not expected to have a material adverse effect on Temple's future financial position or changes in its net assets.

On May 5, 2020, a putative class action complaint was filed against the University in the United States District Court for the Eastern District of Pennsylvania claiming that the decision to close campus and transition to distance education in response to the COVID-19 pandemic deprived students of the benefits of in-person instruction, access to campus facilities, student activities, and other benefits and services. The complaint alleges that plaintiffs have been deprived of certain opportunities and benefits during approximately 45% of the spring 2020 semester for which they paid and seeks disgorgement of a portion of tuition and a pro-rata amount of fees paid for the spring 2020 semester. The complaint is similar to many other lawsuits filed against colleges and universities in the United States since late March 2020. The University intends to vigorously defend this matter. The University is unable to predict the outcome of this matter or estimate a possible loss or range of loss, if any.

See Note 9 for commitments under capital and operating leases, Note 10 for unfunded investment commitments, and Note 20 for assets pledged as collateral.

15. Net Assets

A summary of Temple's net assets is as follows:

	June 30, 2020	June 30, 2019
Net Assets:		
Without donor restrictions	\$ 2,512,662	\$ 2,219,495
With donor restrictions:		
Term endowments, life income funds, and accumulated endowment gains	53,117	67,390
Contributions for instruction, research, and support	44,760	43,901
Contributions for property, plant, and equipment	8,847	148,857
Corpus of contributions for endowments	368,032	346,391
Corpus of contributions for student loans	215	215
Funds held in trust by others	72,848	74,756
Beneficial interest in Episcopal Foundation	26,892	28,163
Beneficial interest in Fox Chase Cancer Center Foundation	54,819	58,435
Total net assets with donor restrictions	629,530	768,108
Total net assets	<u>\$ 3,142,192</u>	<u>\$ 2,987,603</u>

16. Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses at June 30, 2020 and 2019 consist of the following:

	June 30, 2020	June 30, 2019
Accounts payable	\$ 156,205	\$ 188,628
Accrued interest payable	17,695	20,463
Accrued payroll	39,249	34,656
Accrued vacation	36,461	34,132
Claim based liabilities, professional (Note 13), worker's compensation, general liability, and health and welfare benefits	254,275	271,030
Conditional asset retirement obligation (Note 8)	15,899	13,039
Student and other deposits	3,302	2,783
Estimated retroactive adjustments, third-party payors	177,223	13,152
Other	152,113	101,059
Total accounts payable and other accrued expenses	852,422	678,942
Less: Current portion	(563,335)	(426,203)
Non-current, accounts payable and other accrued expenses	<u>\$ 289,087</u>	<u>\$ 252,739</u>

17. Patient Care Activities

Temple provides health care services primarily to area residents through its inpatient and outpatient care facilities in the Greater Philadelphia Metropolitan Area. Temple serves a disproportionately high number of poor or indigent patients and accordingly, derives a substantial portion of its patient care revenues from the Federal Government (Medicare) and Commonwealth of Pennsylvania (Medical Assistance) programs. At June 30, 2020 and 2019, Temple had net accounts receivable from Medicare of \$24,604 and \$29,382, respectively, and from Medical Assistance of \$48,227 and \$56,878, respectively (see Note 4).

Patient accounts receivables are written off against the allowance for doubtful accounts when management determines that recovery is unlikely and Temple ceases collection efforts. Overall, the total of self-pay write-offs for the year ended June 30, 2020 has not changed significantly from the year ended June 30, 2019. Temple has not experienced significant changes in write-off trends nor has Temple changed its charity care policy (see Note 18).

As discussed in Note 2, *Patient care activities* revenue includes estimates of reimbursement from third-party payors. During the years ended June 30, 2020 and 2019, Patient care activities revenue (decreased) increased by \$(12,732) and \$15,584, respectively, as a result of settlements related to prior years and changes in estimates associated with Medicare cost reports and state Medicaid audits. Audits pertaining to fiscal years through 2016 have been closed.

See Note 21 for a summary of *Patient care activities* revenues recognized by major payor sources based on primary insurance designation.

18. Charity Care

Temple maintains detailed records to identify and monitor the level of charity care it provides to its patients. Charity care costs are estimated by applying an overall cost to charge ratio to charity care charges. During the years ended June 30, 2020 and 2019, the estimated costs and expenses incurred to provide charity care, including the estimated unreimbursed cost of services in excess of specific payments for services rendered to Medical Assistance recipients, were \$231,200 and \$274,856, respectively (see Note 19).

19. Commonwealth of Pennsylvania Grants and Other Support

Temple receives support from the Commonwealth primarily in the form of appropriations (operations and capital), grants and contracts, and medical assistance supplemental funding. Medical assistance supplemental funding is to provide access to health care services, including care for the uninsured and indigent population of Pennsylvania (see Note 18). Patient care supplemental funding provided by the Commonwealth is included in *Patient care activities* revenue in the consolidated statements of activities. There is no guarantee that funding from the Commonwealth will continue consistent with historical levels or at levels requested by Temple. Under certain circumstances, Temple could be required to repay certain of the support received from the Commonwealth.

Support received from the Commonwealth during 2020 and 2019 is as follows:

	Year Ended June 30,	
	2020	2019
Commonwealth of Pennsylvania support:		
Patient care related:		
Access to Care program funds	\$ 244,957	\$ 200,968
State and local hospital assessment program:		
Assessment revenues	92,219	89,088
Assessment expenses	(58,846)	(48,909)
Net state and local hospital assessment program	278,330	241,147
Academic Health Center funding	6,266	6,266
Total patient care support	284,596	247,413
Non-patient care related:		
Appropriation	158,206	155,104
Share of appropriation used to support matching funds under the Commonwealth of PA Medical Assistance Program*	(71,603)	(60,700)
Appropriation, net	86,603	94,404
Grants and contracts	16,085	15,032
Grants for property, plant, and equipment	459	49,412
Total non-patient care support	103,147	158,848
Total Commonwealth of Pennsylvania support	<u>\$ 387,743</u>	<u>\$ 406,261</u>

* Amount recorded in *Patient care activities* revenue by TUHS.

In addition to the above Commonwealth funding amounts, which are included in *Revenues* and *Other changes in net assets* in the consolidated statements of activities, TUHS received Academic Health Center funding from the Commonwealth totaling \$6,266 in both 2020 and 2019, which was transferred from TUHS to the

University to support allowable academic health center costs. Such funding is included in *Transfer from TUHS* in the combined statements of activities.

20. Pledged Assets

At June 30, 2019, GSIC had restricted cash of \$320 and non-current investments in fixed income securities of \$38,271 held in trust in order to secure GSIC's liabilities under certain reinsurance contracts. As discussed in Note 1, effective July 1, 2019, the assets and liabilities in GSIC were transferred to TUHS' wholly-owned professional liability insurance captive TUHIC.

At June 30, 2020 and 2019, TUHIC had restricted cash of \$1,161 and \$488, respectively, and non-current investments in fixed income securities of \$90,243 and \$47,578, respectively, held in trust in order to secure TUHIC's liabilities under certain reinsurance contracts.

At June 30, 2020 and 2019, the University had \$7,587 and \$4,665, respectively, of non-current investments in fixed income securities pledged as collateral under futures contracts (see Note 3).

See Note 9 for amounts pledged as collateral under Temple's bond issuances, lines of credit, and letters and credit and Note 10 for unfunded investment commitments.

21. Revenue

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Undergraduate and graduate students who adjust their course load or withdraw completely within the "drop/add period", typically the first two weeks of the academic term, are entitled to receive a full credit for all charges and a refund for any payments made in accordance with the University's "drop/add" policy. Professional students do not have a formal "drop/add" period and all course load adjustments for professional students are at the discretion of the University. Payments for tuition are due approximately two weeks subsequent to the start of the academic term.

When students enroll or register for classes, a contract exists between the University and the student. For professional students, this typically occurs prior to fiscal year-end for the subsequent academic year. As professional students do not have discretion over the "drop/add" process, the University considers such contract an indication of the professional student's financial responsibility for the tuition and fees associated with those courses and a contractual agreement to the related payment terms. For non-professional students, the contract is considered cancellable until the "drop/add" period has ended, therefore, revenue and any deferred revenue contract obligation is recorded subsequent to the "drop/add" period (or if cash is received in advance of performance obligation).

The University offers two summer sessions. Summer I is provided in fiscal quarter four and Summer II spans fiscal years. Because the academic term for Summer II spans two reporting periods, a portion of the payments for Summer II (approximately 90%) are included in deferred revenue at June 30.

Temple's revenues primarily consist of tuition and fees, auxiliary enterprises, Commonwealth appropriations, grants and contracts, contributions, and patient care activities. Revenue recognition by revenue source is as follows (see Note 2 for additional revenue disclosures):

Revenue Source	Revenue Recognition
Tuition and fees	Ratably over the academic term
Commonwealth operating appropriation	Ratably over the fiscal year
Commonwealth capital appropriation	Expense reimbursement
Grants and Contracts (exchange transactions)	As performance obligations are satisfied
Contributions (non-exchange transaction)	When the barrier (condition) is satisfied. If no barrier and no right of return/release exist, then recognized when received.
Patient care activities	As services are provided
Auxiliary enterprises:	
Housing	Ratably over the academic term
Meal Plans	Ratably over the academic term
Ticket sales	After event occurs
Parking passes	Ratably over the parking permit period
Other (e.g. event parking, programs, merchandise, concessions)	Point-of-sale

Deferred Revenue — Deferred revenue primarily includes payments received prior to the start of the academic term. The following table depicts activities for deferred revenue during the year ended June 30, 2020.

	Tuition and Fees			Sponsored Contracts (Exchange)	Auxiliary Contract Liabilities	Deferred Rent	Other Deferred Revenues	Total
	Summer II (Undergrad/ Grad/ Professional)	Fall Semester (Undergrad/ Grad)	Fall Semester Professional Students					
Balance at June 30, 2018	\$ 19,449	\$ 3,321	\$ 16,741	\$ 13,265	\$ 12,204	\$ 4,754	\$ 3,357	\$ 73,091
Revenue Recognized in 2019	(19,449)	(3,321)	(16,741)	(13,265)	(2,153)	(730)	(3,357)	(59,016)
Cash received and contracts entered into in advance of performance	18,427	3,683	17,469	17,011	4,283	—	387	61,260
Balance at June 30, 2019	18,427	3,683	17,469	17,011	14,334	4,024	387	75,335
Revenue Recognized in 2020	(18,427)	(3,683)	(17,469)	(17,011)	(2,288)	(730)	(387)	(59,995)
Cash received and contracts entered into in advance of performance	19,581	3,139	18,267	23,811	2,581	—	2,442	69,821
Balance at June 30, 2020	<u>\$ 19,581</u>	<u>\$ 3,139</u>	<u>\$ 18,267</u>	<u>\$ 23,811</u>	<u>\$ 14,627</u>	<u>\$ 3,294</u>	<u>\$ 2,442</u>	<u>\$ 85,161</u>

The current portion of *Deferred revenue* of \$71,295 at June 30, 2020 will be recognized as revenue in fiscal 2021 in accordance with the revenue recognition policies described above and in Note 2.

Temple has elected the optional exemption to not disclose amounts where the performance obligation is part of a contract that has an original expected duration of one year or less. Temple expects to recognize substantially all revenue on these remaining performance obligations over the next 12 months.

Disaggregation of Revenue — In the 2020 academic year, approximately 68% of the University's students are residents of the Commonwealth, and approximately 32% are from outside of Pennsylvania. The following tables provide the disaggregation of revenues at June 30, 2020 and 2019 for *Tuition and fees*, *Grants and contracts*, *Auxiliary enterprises*, and *Patient care activities*.

Revenues from *Tuition and fees*, during the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Tuition and fees revenues:		
Undergraduate students	\$ 635,073	\$ 640,950
Graduate students	133,801	137,949
Professional	141,355	135,775
Continuing education	7,147	8,590
Temple's Japan campus	25,868	24,218
Fees	48,366	50,080
Total tuition and fee revenues	991,610	997,562
Less: Discounts	(152,840)	(147,600)
Total tuition and fees revenues, net of discounts	<u>\$ 838,770</u>	<u>\$ 849,962</u>

Revenues from *Grants and contracts*, during the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Grants and contracts revenues:		
Federal	\$ 169,217	\$ 147,470
Commonwealth of Pennsylvania	16,085	15,032
Local	4,283	4,996
Private	57,261	54,933
Total grants and contracts revenues	<u>\$ 246,846</u>	<u>\$ 222,431</u>

Revenues from *Auxiliary enterprises*, during the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Auxiliary enterprises revenues:		
Housing	\$ 46,298	\$ 62,575
Meal plans	18,663	25,306
General activity fee	3,298	3,343
Athletics	9,621	14,929
Parking service	4,844	6,601
Liacouras Center	2,320	2,789
Other (primarily includes food services, bookstore, and TU Press)	8,547	11,678
Total auxiliary enterprises revenues	<u>\$ 93,591</u>	<u>\$ 127,221</u>

Revenues from *Patient care activities* recognized by major payor sources based on primary insurance designation during the years ended June 30, 2020 and 2019 were as follows:

	2020			2019		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Patient care activities:						
Medicare	\$ 349,970	\$ 282,928	\$ 632,898	\$ 338,087	\$ 283,079	\$ 621,166
Medicaid	244,675	151,358	396,033	228,915	155,031	383,946
Commercial	187,553	352,060	539,613	204,189	450,804	654,993
Self-pay	1,595	10,472	12,067	751	14,754	15,505
Other	236,978	191,728	428,706	243,010	154,261	397,271
Total patient care activities*	<u>\$ 1,020,771</u>	<u>\$ 988,546</u>	<u>\$ 2,009,317</u>	<u>\$ 1,014,952</u>	<u>\$ 1,057,929</u>	<u>\$ 2,072,881</u>

* Physician revenue is included in outpatient revenue in the above table.

22. Expenses by Functional and Natural Classification

Expenses are presented by functional classification in alignment with the overall service mission of Temple. Temple's primary service missions are academic instruction, research, and patient care. Each functional classification displays all expenses related to the underlying operations by natural classification. Natural expenses attributable to more than one functional expense category are allocated using reasonable cost allocation techniques. Operation and maintenance of plant expenses ("O&M") and depreciation expense (excluding depreciation related to auxiliary and library books) are allocated to the functional expense classifications based upon the proportionate share of expenses (excluding O&M and depreciation) reported in each functional classification. Depreciation related to auxiliary fixed assets (e.g. dormitories, parking garages, and athletics) is fully allocated to *Auxiliary enterprises expense* and depreciation related to library books is fully allocated to *Academic support expense*. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt.

Functional expense categories are as follows:

Academic and Student Services:

Instruction: Expenses for all activities that are part of the University's instruction program and include expenses for credit and noncredit courses; academic, vocational, and technical instruction; remedial and tutorial instruction; and regular, special, and extension sessions.

Academic Support: Expenses incurred to provide support services for the University's primary missions of instruction, research, and public service and includes expenses related to providing services that directly assist the academic functions of the University.

Student Services: Expenses incurred for activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenses for student services administration; social and cultural development; counseling and career guidance; financial aid administration; student admissions; maintenance of student records; and student health services.

Student aid: Grants-in-aid, trainee stipends, tuition and fee waivers, and prizes to students.

Research and Public Service:

Research: Expenses for activities specifically organized to produce research, whether commissioned by an agency external to Temple or separately budgeted by an organizational unit within Temple.

Public Service: Expenses for activities established primarily to provide non-instructional services beneficial to individuals and groups external to the University. These activities include community service programs (excluding instructional activities) and cooperative extension services.

Institutional Support: Expenses for central, executive-level activities concerned with management and long-range planning for the entire University. Institutional support includes executive management, fiscal operations, general administration, and public relations/development.

Auxiliary Enterprises: Expenses relating to the operation of auxiliary enterprises. Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed as an essentially self-supporting activity. Auxiliary enterprises include residence halls, food services, intercollegiate athletics, University stores, faculty clubs, and parking.

Patient Care Activities: Primarily includes expenses associated with TUHS and TUP, the University's clinical faculty practice plan; as well as expenses from the University's schools of dentistry and podiatry.

Expenses by functional and natural classification for the year ended June 30, 2020 and 2019 are as follows:

2020	Academic and Student Services	Research and Public Service	Institutional Support	Operations and Maintenance	Auxiliary Enterprises	Patient Care Activities	Total Expenses
Salaries and wages	\$ 441,702	\$ 114,299	\$ 75,951	\$ 33,857	\$ 27,013	\$ 943,422	\$ 1,636,244
Employee benefits	127,663	30,953	22,674	9,144	7,601	234,644	432,679
Operating expenses	141,183	62,455	42,184	54,355	64,486	766,323	1,130,986
Allocations and cost recoveries:							
Depreciation	58,989	15,136	10,200	—	24,623	43,217	152,165
Interest on indebtedness	9,508	1,940	1,322	(360)	14,407	22,873	49,690
Operations and maintenance	57,265	16,158	11,139	(82,325)	—	39,541	41,778
TUHS cost recovery	(155)	(14)	(7,636)	(14,671)	—	22,476	—
Total operating expenses	\$ 836,155	\$ 240,927	\$ 155,834	\$ —	\$ 138,130	\$ 2,072,496	3,443,542
Other components of net periodic postretirement benefit cost							(10,912)
Total							\$ 3,432,630

2019	Academic and Student Services	Research and Public Service	Institutional Support	Operations and Maintenance	Auxiliary Enterprises	Patient Care Activities	Total Expenses
Salaries and wages	\$ 465,420	\$ 112,333	\$ 75,872	\$ 33,013	\$ 26,625	\$ 885,094	\$ 1,598,357
Employee benefits	128,291	29,380	23,615	8,766	7,154	228,019	425,225
Operating expenses	153,405	67,287	61,550	57,032	74,311	801,069	1,214,654
Allocations and cost recoveries:							
Depreciation	51,902	13,596	10,089	—	25,510	45,046	146,143
Interest on indebtedness	8,356	2,008	764	1,121	15,371	23,161	50,781
Operations and maintenance	57,097	16,518	12,702	(83,732)	—	30,898	33,483
TUHS cost recovery	(43,727)	(277)	(7,157)	(16,200)	—	67,361	—
Total operating expenses	\$ 820,744	\$ 240,845	\$ 177,435	\$ —	\$ 148,971	\$ 2,080,648	3,468,643
Other components of net periodic postretirement benefit cost							(16,374)
Total							\$ 3,452,269

23. Goodwill and Other Intangible Assets

At June 30, 2020 and 2019, goodwill and other intangible assets totaled \$3,574 and \$16,976, respectively. Intangible assets primarily relate to the affiliation with American Oncologic Hospital (“AOH”) and acquisitions of community-based primary care practices by Temple Physicians, Inc. There were no new intangible assets acquired during 2020 or 2019.

At June 30, 2020, TUHS determined that the carrying value of the AOH trade name was fully impaired, resulting in a \$13,000 impairment loss being recognized in the 2020 consolidated statement of activities.

Details of intangible assets as of June 30, 2020 and 2019 are as follows:

June 30, 2020	Amortizing			Non-Amortizing	
	Gross Carrying Amount*	Accumulated Amortization	Current Year Impairment	Net Book Value	Book Value
Intellectual property	\$ 3,616	\$ (2,922)	\$ (71)	\$ 623	\$ —
Contracts and agreements	1,860	(1,120)	—	740	—
Physician contracts	2,238	(2,238)	—	—	—
Other	619	(496)	—	123	—
Goodwill	—	—	—	—	524
Trade name - AOH*	—	—	—	—	—
Research and development of intellectual property	—	—	—	—	1,564
Total intangible assets	\$ 8,333	\$ (6,776)	\$ (71)	\$ 1,486	\$ 2,088

June 30, 2019	Amortizing			Non-Amortizing	
	Gross Carrying Amount*	Accumulated Amortization	Current Year Impairment	Net Book Value	Book Value
Intellectual property	\$ 4,342	\$ (2,742)	\$ (726)	\$ 874	\$ —
Contracts and agreements	1,860	(1,015)	—	845	—
Physician contracts	2,346	(2,238)	(108)	—	—
Other	619	(450)	—	169	—
Goodwill	—	—	—	—	524
Trade name - AOH*	—	—	—	—	13,000
Research and development of intellectual property	—	—	—	—	1,564
Total intangible assets	<u>\$ 9,167</u>	<u>\$ (6,445)</u>	<u>\$ (834)</u>	<u>\$ 1,888</u>	<u>\$ 15,088</u>

* Net of impairments recorded in prior years

¥ Net of impairments of \$13,000 in 2020 and \$0 in 2019.

Amortization expense for the years ended June 30, 2020 and 2019 was \$331 and \$626, respectively.

Amortization expense in future years is estimated as follows:

2021	\$ 280
2022	280
2023	265
2024	234
2025	215
Thereafter	212
	<u>\$ 1,486</u>

The changes in the carrying amount of goodwill and other intangible assets for the years ended June 30, 2020 and 2019 are as follows:

	Goodwill	Other Intangibles	Total
Balance, June 30, 2018	\$ 524	\$ 17,912	\$ 18,436
Amortization	—	(626)	(626)
Impairment, amortizing assets	—	(834)	(834)
Balance, June 30, 2019	524	16,452	16,976
Amortization	—	(331)	(331)
Impairment, indefinite live assets	—	(13,000)	(13,000)
Impairment, amortizing assets	—	(71)	(71)
Balance, June 30, 2020	<u>\$ 524</u>	<u>\$ 3,050</u>	<u>\$ 3,574</u>

24. Coronavirus (COVID-19) Federal Grants

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act provided approximately \$14,000,000 in grants directly to institutions of higher education (Higher Education Emergency Relief Funds ("HEERF")). The most significant portion of this funding allocation provided \$12,560,000 of grants using a formula based on student enrollment. Of the amount allocated to each institution under this formula, at least 50 percent was required to be used to provide students with emergency financial aid grants to help cover expenses related to the disruption of campus operations due to the coronavirus (including eligible expenses under a student's cost of attendance such as food, housing, course materials, technology, health care, and child care).

As discussed above, HEERF grants to colleges and universities under the CARES Act provided specific requirements on how the funds could be used, including a minimum amount to be used as emergency student financial aid and a maximum amount to be for institutional purposes. The HEERF grants also provided limitations on the types of expenses and/or lost revenues that are allowable for the institutional share. HEERF grants are subject to Uniform Grant Guidance, with an implied right of return; and also include certain barriers to entitlement that must be achieved prior to revenue being recognized. Based on the terms of the CARES Act, HEERF grants are considered conditional contributions under FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASC Topic 958)*.

The University was awarded \$28,740 under the CARES Act; of which \$14,728 was allocated to students for emergency financial aid grants and \$14,012 was allocated to institutional support for reimbursement of foregone revenue caused by campus closures due to the coronavirus and the necessary move to remote instruction. Foregone revenue related primarily to refunds made to students for housing, food, and other services that could no longer be provided as a result of the coronavirus closures. The institutional costs were incurred on or after March 13, 2020, the date of the proclamation of the national emergency. During 2020, \$28,664 was recognized as *Federal grants and contracts revenue* and \$14,652 was recorded as student aid in *Academic and student services expense*. The remaining \$76 of emergency financial aid was disbursed in fiscal year 2021, at which time the federal grant revenue and corresponding student aid expense was recognized.

The CARES Act also authorized \$100,000,000 in funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund ("Relief Funds"). Payments from Relief Funds are intended to compensate health care providers for lost revenues and qualified expenses incurred in response to the COVID-19 pandemic and are not required to be repaid; provided that the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse. TUHS received \$91,207 in Relief Funds through June 30, 2020, of which \$1,105 was recorded as deferred revenue in the consolidated balance sheet. The 2020 consolidated statement of activities includes \$90,102 of Relief Funds, which are included in revenues from *Other sources*.

In addition, the CARES Act provided for accelerated Medicare payments that were received by TUHS in April through June of 2020. Medicare will recoup these cash advances through future claims for services. During the fourth quarter of fiscal 2020, TUHS received \$158,593 in cash advances from accelerated Medicare payments requested under the CARES Act. Such amount is included in the current portion of estimated settlements with third-party payers included in *Accounts payable accrued expenses* in the June 30, 2020 consolidated balance sheet. The advance is expected to be repaid or recouped through future claims activity during fiscal year 2021 (see Note 16).

The CARES Act also provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020 with 50% of the deferred amount due no later than December 31, 2021 and the remaining 50% due no later than December 31, 2022. Temple began deferring the employer portion of social security taxes in the fourth quarter of fiscal 2020. Deferred employer social security taxes totaling \$18,739 are included in accrued expenses in the June 30, 2020 consolidated balance sheet.

25. Subsequent Events

Temple has evaluated subsequent events through October 28, 2020, the date the consolidated financial statements were available to be issued. Except as noted below, there were no events requiring adjustments to or disclosure in the consolidated financial statements.

Subsequent to June 30, 2020, TUHS received \$94,635 in CARES Act stimulus funding. Such amounts did not qualify for financial statement recognition during the year ended June 30, 2020.

Subsequent to June 30, 2020, the time frame for recoupment of Medicare cash advances was extended and will begin 365 days after receipt. Any amounts not recouped through future claims for services must be paid in full by September 2022. TUHS expects all advances to be recouped or repaid by June 30, 2021.

On October 22, 2020, the Department of Health and Human Services released the *Post-Payment Notice of Reporting Requirements* to inform recipients of CARES Act funds in excess of \$10,000 of the elements required to be reported as part of the post-payment reporting process. These reporting requirements are a departure from those previously released by the Department of Health and Human Services, and used by Temple, to recognize and report CARES Act Relief funds for the year ended June 30, 2020. Temple is currently evaluating the impact these new requirements will have on its consolidated financial statements, which may be material.

* * * * *

Supplemental Schedules

The following schedules reflect the changes in net assets without donor restrictions for the University and its controlled entities. The columnar classification reflects the various budgetary categories and operations of Temple. Through June 30, 2019, the University's *Clinical Practice Plan* included TUP's clinical activities, which were transferred to TUHS on July 1, 2019 (see Note 1). In fiscal year 2020, activities in the University's *Clinical Practice Plan* include clinical activities performed by the LKSOM. The remaining *Patient care activities* provided by the University's podiatry and dental programs are included in *Educational and General services*. *Other long-term* net assets include the net book value of property, plant, and equipment, net assets set aside to retire debt, University matching of federal loan programs, and the unfunded liability for pensions and postretirement benefits.

TEMPLE UNIVERSITY — OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Changes in Net Assets Without Donor Restrictions — For the Year Ended June 30, 2020 (in thousands)

	Net Assets Without Donor Restrictions										
	Temple University Health System	Temple Educational Support Services	University, Excluding Temple Educational Support Services							Consolidating Eliminations	Total
			Clinical Practice Plan	Educational and General	Quasi - Endowment	Externally Sponsored Activities	Unexpended Capital	Other Long-term	Total University		
Revenues:											
Tuition and fees, net of discounts of \$152,840	\$ —	\$ 29,849	\$ —	\$ 810,721	\$ —	\$ —	\$ —	\$ —	\$ 810,721	\$ (1,800)	\$ 838,770
Commonwealth of Pennsylvania appropriation	—	—	—	86,603	—	—	—	—	86,603	—	86,603
Strategic support assessment (Note 19)	—	—	—	71,603	—	—	—	—	71,603	(71,603)	—
Grants and contracts	41,872	—	—	44,116	—	160,858	—	—	204,974	—	246,846
Contributions for operations and endowments	4,704	—	—	2,514	(104)	18,506	—	—	20,916	—	25,620
Investment return	15,780	—	—	25,653	—	20,267	29	1,713	47,662	—	63,442
Sales of educational activities	—	—	—	9,069	—	—	—	—	9,069	—	9,069
Auxiliary enterprises	—	—	—	92,624	—	—	48	919	93,591	—	93,591
Patient care activities	2,007,180	—	270	1,867	—	—	—	—	2,137	—	2,009,317
Other sources	209,745	—	—	8,376	—	1,388	706	(3)	10,467	—	220,212
Net assets released from restrictions	7,984	—	—	2	—	5,485	—	—	5,487	—	13,471
Total revenues	2,287,265	29,849	270	1,153,148	(104)	206,504	783	2,629	1,363,230	(73,403)	3,606,941
Expenses:											
Educational and general	51,623	28,554	—	891,068	—	160,336	10,397	92,738	1,154,539	(1,800)	1,232,916
Auxiliary enterprises	—	—	—	97,191	—	600	1,309	39,030	138,130	—	138,130
Patient care activities	2,138,795	—	748	4,489	—	—	—	67	5,304	(71,603)	2,072,496
Total expenses	2,190,418	28,554	748	992,748	—	160,936	11,706	131,835	1,297,973	(73,403)	3,443,542
Transfers:											
Property, plant, and equipment (PP&E) acquisitions	—	—	—	(15,755)	—	(3,311)	(60,856)	79,922	—	—	—
Retirement of indebtedness	—	—	—	(47,468)	—	—	(921)	48,389	—	—	—
Capital replacement and expansion	—	—	—	(47,956)	—	(105)	48,061	—	—	—	—
Other transfers	—	—	—	36,761	562	(30,219)	(3,627)	(3,477)	—	—	—
Total transfers	—	—	—	(74,418)	562	(33,635)	(17,343)	124,834	—	—	—
Excess (deficit) of revenues over expenses and transfers	96,847	1,295	(478)	85,982	458	11,933	(28,266)	(4,372)	65,257	—	163,399
Other changes in net assets:											
Investment return	(133)	—	—	22,605	(9,931)	—	—	4,601	17,275	—	17,142
Contributions for PP&E	—	—	—	—	—	—	449	—	449	—	449
Gain on extinguishment of debt	—	—	—	—	—	—	—	3,136	3,136	—	3,136
(Loss) gain on disposal of PP&E, net	(573)	(229)	6	—	—	—	1,444	(1,890)	(440)	—	(1,242)
Actuarial change in accrued pensions and postretirement	(20,008)	—	—	—	—	—	—	(23,064)	(23,064)	—	(43,072)
Other components of NPBC (Note 5)	1,180	—	—	9,732	—	—	—	—	9,732	—	10,912
Transfer from TUHS	(6,266)	—	—	6,266	—	—	—	—	6,266	—	—
Currency translation adjustment	—	182	—	43	—	—	—	—	43	—	225
Net assets released from restrictions for PP&E	1,212	—	—	—	—	—	141,006	—	141,006	—	142,218
Total other changes in net assets	(24,588)	(47)	6	38,646	(9,931)	—	142,899	(17,217)	154,403	—	129,768
Change in net assets without donor restrictions	72,259	1,248	(472)	124,628	(9,473)	11,933	114,633	(21,589)	219,660	—	293,167
Net assets without donor restrictions, beginning of year	325,827	4,880	12,781	390,657	268,421	100,476	127,387	989,066	1,888,788	—	2,219,495
Net assets without donor restrictions, end of year	\$ 398,086	\$ 6,128	\$ 12,309	\$ 515,285	\$ 258,948	\$ 112,409	\$ 242,020	\$ 967,477	\$ 2,108,448	\$ —	\$ 2,512,662

TEMPLE UNIVERSITY — OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES

Changes in Net Assets Without Donor Restrictions — For the Year Ended June 30, 2019 (in thousands)

	Net Assets Without Donor Restrictions										
	Temple University Health System	Temple Educational Support Services	University, Excluding Temple Educational Support Services							Combining Eliminations	Total
			Clinical Practice Plan	Educational and General	Quasi - Endowment	Externally Sponsored Activities	Unexpended Capital	Other Long-term	Total University		
Revenues:											
Tuition and fees, net of discounts of \$147,600	\$ —	\$ 28,007	\$ —	\$ 823,755	\$ —	\$ —	\$ —	\$ —	\$ 823,755	\$ (1,800)	\$ 849,962
Commonwealth of Pennsylvania appropriation	—	—	—	94,404	—	—	—	—	94,404	—	94,404
Grants and contracts	42,561	—	—	44,590	—	135,278	—	2	179,870	—	222,431
Contributions for operations and endowments	7,723	—	—	1,918	(746)	16,517	—	—	17,689	—	25,412
Investment return	12,238	—	(37)	27,734	—	20,125	323	1,261	49,406	—	61,644
Sales of educational activities	—	—	—	11,489	—	—	—	—	11,489	—	11,489
Auxiliary enterprises	—	—	—	126,191	—	—	143	887	127,221	—	127,221
Patient care activities	1,866,418	—	203,814	2,649	—	—	—	—	206,463	—	2,072,881
Other sources	76,231	—	—	8,731	—	1,223	933	69	10,956	—	87,187
Net assets released from restrictions	7,705	—	—	(46)	—	9,539	—	—	9,493	—	17,198
Total revenues	2,012,876	28,007	203,777	1,141,415	(746)	182,682	1,399	2,219	1,530,746	(1,800)	3,569,829
Expenses:											
Educational and general	51,237	26,766	—	919,985	—	150,024	10,159	82,653	1,162,821	(1,800)	1,239,024
Auxiliary enterprises	—	—	—	105,348	—	603	2,095	40,925	148,971	—	148,971
Patient care activities	1,914,912	—	160,206	5,459	—	—	—	71	165,736	—	2,080,648
Total expenses	1,966,149	26,766	160,206	1,030,792	—	150,627	12,254	123,649	1,477,528	(1,800)	3,468,643
Transfers:											
Property, plant, and equipment (PP&E) acquisitions	—	—	—	(14,141)	—	(3,118)	(104,117)	121,376	—	—	—
Retirement of indebtedness	—	—	—	(46,028)	—	—	(168)	46,196	—	—	—
Capital replacement and expansion	—	—	—	(94,823)	—	(5,711)	100,534	—	—	—	—
Transfer from TUP	—	—	(47,946)	47,946	—	—	—	(5,274)	(5,274)	—	(5,274)
Other transfers	—	—	—	(157)	26	(9,036)	14,441	—	5,274	—	5,274
Total transfers	—	—	(47,946)	(107,203)	26	(17,865)	10,690	162,298	—	—	—
Excess (deficit) of revenues over expenses and transfers	46,727	1,241	(4,375)	3,420	(720)	14,190	(165)	40,868	53,218	—	101,186
Other changes in net assets:											
Investment return	6,879	215	—	19,824	(6,694)	—	—	3,143	16,273	—	23,367
Contributions for PP&E	—	—	—	—	—	—	832	334	1,166	—	1,166
Gain (loss) on disposal of PP&E, net	677	(2)	—	(2)	—	—	2,991	(3,180)	(191)	—	484
Actuarial change in accrued pensions and postretirement	(14,870)	—	—	—	—	—	—	(15,347)	(15,347)	—	(30,217)
Other components of NPBC (Note 5)	1,860	—	—	14,514	—	—	—	—	14,514	—	16,374
Transfer from TUHS	(7,736)	—	1,470	6,266	—	—	—	—	7,736	—	—
Currency translation adjustment	—	89	—	(259)	—	—	—	—	(259)	—	(170)
Net assets released from restrictions for PP&E	1,474	—	—	67	—	—	2,239	—	2,306	—	3,780
Total other changes in net assets	(11,716)	302	1,470	40,410	(6,694)	—	6,062	(15,050)	26,198	—	14,784
Change in net assets without donor restrictions	35,011	1,543	(2,905)	43,830	(7,414)	14,190	5,897	25,818	79,416	—	115,970
Net assets without donor restrictions, beginning of year	290,816	3,337	15,686	346,827	275,835	86,286	121,490	963,248	1,809,372	—	2,103,525
Net assets without donor restrictions, end of year	\$ 325,827	\$ 4,880	\$ 12,781	\$ 390,657	\$ 268,421	\$ 100,476	\$ 127,387	\$ 989,066	\$ 1,888,788	\$ —	\$ 2,219,495

**TEMPLE UNIVERSITY —
OF THE COMMONWEALTH SYSTEM OF HIGHER EDUCATION AND ITS SUBSIDIARIES**

Subsidiary Organizations
June 30, 2020

The following is a summary of Temple's subsidiary organizations included in the consolidated financial statements and their tax-exempt status. Unless otherwise indicated, all exempt organizations are such under Internal Revenue Code Section 501(c)(3).

Temple University — Of The Commonwealth System of Higher Education ("Temple"), exempt

Temple Educational Support Services, Ltd. ("TESS"), non-exempt (Japan)

Temple University School of Podiatric Medicine, Inc. ("TUSPM"), exempt 501(c)(2)

Good Samaritan Insurance Co. Ltd. ("GSIC"), non-exempt (Bermuda) (inactive)

TUMP Offices, Inc. ("TUMP"), exempt 501(c)(2) (inactive)

Global Technology Management Corp., non-exempt (inactive)

Temple University Health System, Inc. ("TUHS"), exempt

Temple University Hospital, Inc. ("TUH"), exempt

Temple University Health System Foundation ("TUHSF"), exempt

TUH - Jeanes Campus Auxiliary, exempt

Temple Physicians, Inc. ("TPI"), exempt

Temple Faculty Practice Plan, Inc. ("TFPP"), exempt

Episcopal Hospital ("EH"), exempt

TUHS Insurance Co., Ltd. ("TUHIC"), non-exempt (Bermuda)

Temple Health System Transport Team, Inc. ("T3"), exempt

Temple Center for Population Health, LLC ("TCPH"), exempt

American Oncologic Hospital ("AOH"), exempt (doing business as, The Hospital of the Fox Chase Cancer Center), exempt.

Fox Chase Limited ("FC"), non-exempt

Institute for Cancer Research ("ICR"), exempt (doing business as, The Research Institute of Fox Chase Cancer Center) exempt

Fox Chase Cancer Center Medical Group, Inc. ("MGI"), exempt

Fox Chase Network, Inc. ("Network"), exempt