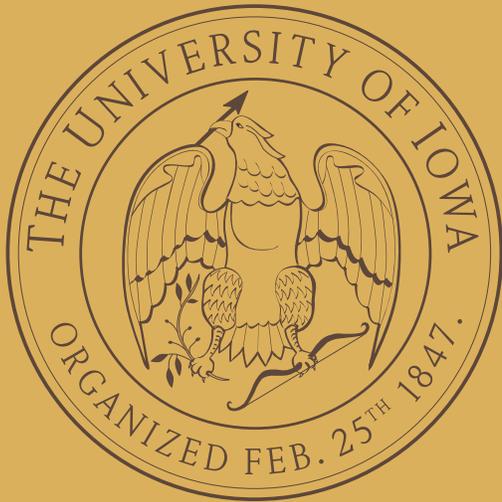


# FINANCIAL REPORT

JULY 1, 2013 TO  
JUNE 30, 2014



THE UNIVERSITY OF IOWA

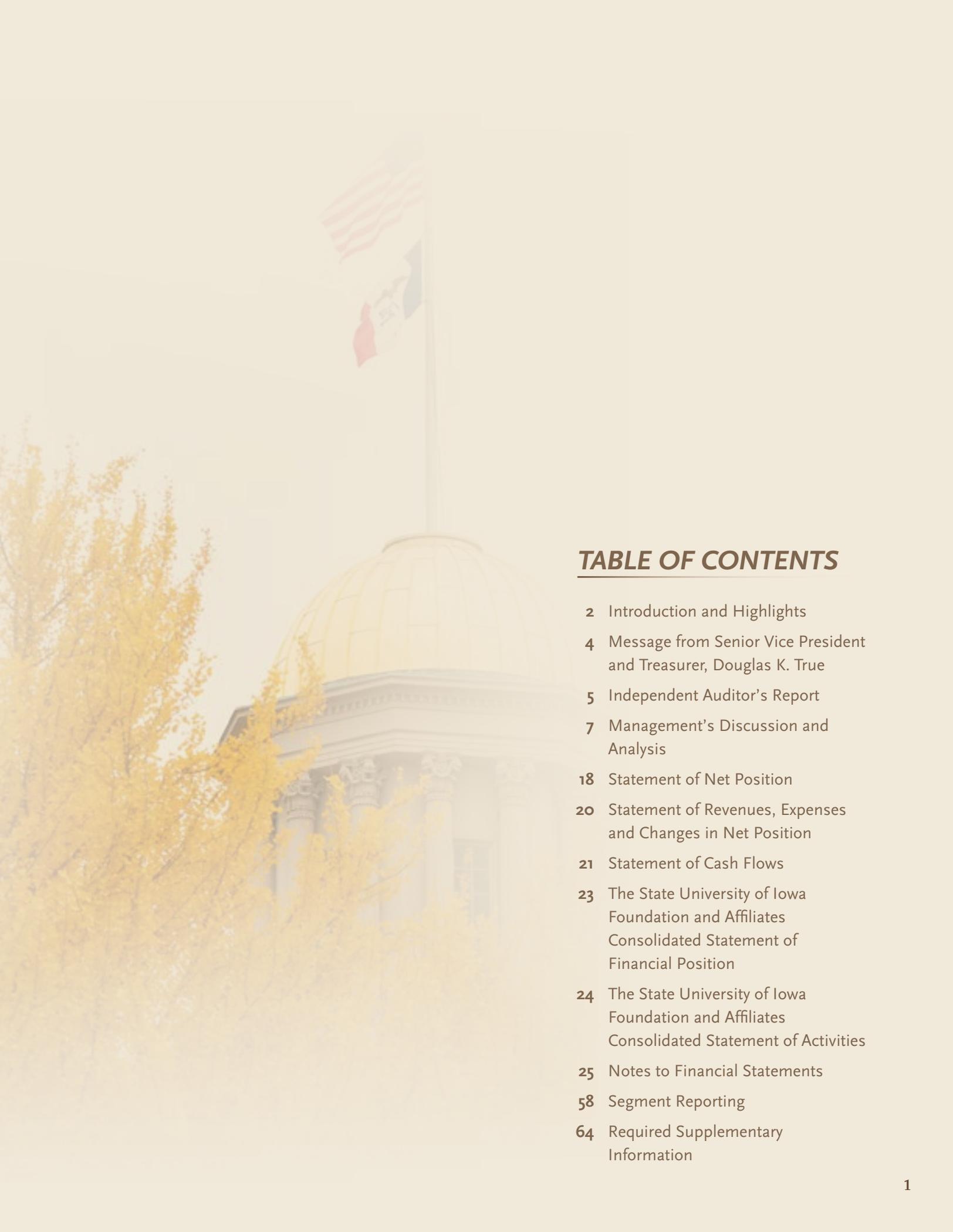


## **BOARD OF REGENTS, STATE OF IOWA**

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and Provost  
Douglas K. True, Senior Vice President  
and University Treasurer  
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Student Services  
Terry L. Johnson, Associate Vice President and  
University Controller  
Susan Klatt, Director of Financial Management/  
Budget and University Secretary



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## FOR IOWA AND THE WORLD

The University of Iowa is a comprehensive research university with particular distinction in the arts, humanities, and sciences; a world-class academic health center; and a wide array of exceptional professional programs. While serving as the state’s most comprehensive institution of higher learning, the University also enjoys a national and international reputation for excellence, and competes at that level for the best faculty and the most talented graduate and professional students.

## UNIVERSITY OF IOWA MISSION

In pursuing its missions of teaching, research, and service, the University seeks to advance scholarly and creative endeavor through leading-edge research and artistic production; to use this research and creativity to enhance undergraduate, graduate, and professional education, health care, and other services provided to the people of Iowa, the nation, and the world; and to educate students for success and personal fulfillment in a diverse world.

## THE UNIVERSITY IN 2014

University of Iowa achievements during fiscal year 2014 include:

- Enrolling the largest, most-diverse, and best-prepared first-year undergraduate class in university history
- Opening the John and Mary PappaJohn Biomedical Discovery Building to house research programs in diabetes, deafness, brain science, and cardiovascular disease
- Continuing progress on new arts facilities, a new residence hall, and other building projects that promise to revitalize the physical campus

### ENROLLMENT

<i>Group</i>	Fall 2014	Fall 2013
Total students	31,387	31,065
Undergraduates	22,354	21,974
Graduate and professional	9,033	9,091
Iowa residents	54.3%	54.5%
Total non-residents	45.7%	45.5%
International students	12.1%	12.1%
Minority enrollment	15.2%	13.6%

### EMPLOYMENT

<i>Group (by FTEs)</i>	Fall 2014	Fall 2013
Total faculty and staff	22,748	22,365
Tenure-track faculty	1,598	1,613
Clinical-track faculty	610	584
Postdoctoral and other faculty	709	626
Professional and scientific staff	8,583	8,223
Merit staff	4,358	4,448
Residents	748	744
Graduate assistants	2,405	2,512
Temporary	3,737	3,615



The PappaJohn Biomedical Discovery Building (PBDB), home to research programs on diabetes, deafness, brain science, and cardiovascular disease.

## EXTERNAL SUPPORT AND GIVING

The University reported strong grants and contracts support during 2014:

- Fiscal year 2014 grants and contracts: **\$515.8 million**
- Number of grants and contracts awarded: 2,187

The University and the UI Foundation marked significant progress toward goals for the For Iowa. Forever More. comprehensive fund-raising campaign:

- Campaign gifts raised by June 30, 2014: **\$1,286,838,656**
- Percentage of \$1.7 billion campaign goal: 76%
- Number of campaign donors: **approximately 169,300**
- Combined value of UI and UI Foundation endowments: **\$1.2 billion**

## RECENT RANKINGS

Snapshot of the University's standing in recent national surveys:

- U.S. News & World Report rank among U.S. public universities: 27
- Number of graduate programs ranked among the top 25 of their kind by U.S. News & World Report: 22
- U.S. News & World Report rank among best colleges for military veterans: 6
- Kiplinger's Personal Finance rank for resident tuition value: 56
- Kiplinger's rank for non-resident tuition value: 86
- U.S. News & World Report rank among Iowa hospitals: 1
- Number of medical specialties on U.S. News & World Report "Best Hospitals" list: 9
- Number of pediatric specialties ranked by U.S. News & World Report: 8



Ribbon cutting for the PBDB in October.

# Message from Senior Vice President and Treasurer, Douglas K. True

## *PRESIDENT MASON AND MEMBERS OF THE BOARD OF REGENTS:*



I am pleased to present the University of Iowa's audited Financial Report for fiscal year 2014, summarizing the financial position and results of operations of the University for the past two fiscal years. The University remains financially sound and stable with net position increasing by \$289.1 million (8.8%) during fiscal year 2014. Continued strong credit ratings by Moody's (Aa1) and Standard & Poor's (AA) are important indicators of the institution's financial health.

Quality and ease of access are critical for a successful public University. The University of Iowa is recognized as a "best buy" in several national college guides. Resident student undergraduate tuition and fees remain among the lowest in the University's peer group, nearly \$3,700 less than the Big Ten public institution average. The focus on value, student success, and academic excellence yielded the three largest enrollments in the history of the University over the past three academic years. This includes the University's best-prepared, most diverse first-year undergraduate class in the fall of 2014. The University continues to attract a significant number of non-resident and international undergraduate students while vigorously recruiting all eligible Iowans. Indeed, the University of Iowa is going to extraordinary lengths to reach out and offer more academic opportunities to prospective Iowa students in a variety of settings – including those working or place-bound.

New undergraduates are eligible for the Summer Hawk Tuition Grant, which can offset tuition costs for up to 12 semester hours during one summer session at Iowa. The grant awards Iowa residents a scholarship to cover tuition charges for up to 12 credit hours of summer courses. Non-residents registered for more than 4 semester hours receive as a scholarship the difference between resident and nonresident tuition. Because of these strategies and other efficiency efforts, the University has dramatically improved its four year graduation rate.

The University has reached agreements with FEMA on most of the renovation or replacement of facilities devastated by the historic flood of 2008. Replacement facilities for Hancher Auditorium, the School of Music and the Studio Arts Building are proceeding rapidly with construction to be completed in 2016. Cumulatively, the University expects to invest at least \$700 million toward the completion of flood recovery construction work. This along with the construction work at University of Iowa Hospitals & Clinics (UIHC) is generating an additional 11,300 construction jobs for the Iowa economy.

During this past year the UIHC was recognized as the U.S. News & World Report's top hospital in the state of Iowa and in the top 3% of all U.S. hospitals. To enable UIHC to continue as one of the nation's best hospitals, the Board of Regents authorized the new Children's Hospital which is now in construction and is expected to open in 2016. Supporting this initiative to give Iowa the very best children's medical services is UIHC's strong financial performance reflected in its positive and consistent operating margin (4.6% in fiscal year 2014).

Expense management and efficiency have never been more important to maintain our quality and competitiveness. The University is focusing on energy management, faculty and staff fringe benefit costs, supply chain management, and organizational reassessments. Almost 100 LEAN events occur annually to guide systematic change and reinvestment. Consistently the University has benefitted from the general University and health care functions collectively achieving economies-of-scale and savings through integration of administrative functions. Building on this history of seeking productivity, the University of Iowa is an active participant in the Board of Regents TIER reviews pointed toward transformational change and improvement.

We hope you agree that there is much to be proud of at your University. The following financial information in the report of the Auditor of State and in the "Management Discussion and Analysis" section is a very good recap of the University's performance over the last year.

Very truly yours,

**Douglas K. True**

*Senior Vice President and Treasurer*



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA  
Auditor of State

Independent Auditor's Report

To the Members of the  
Board of Regents, State of Iowa:

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of the State University of Iowa, Iowa City, Iowa, (University of Iowa) and its aggregate discretely presented component units as of and for the years ended June 30, 2014 and 2013, and the related Notes to Financial Statements, which collectively comprise the University of Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Iowa Research Foundation, the State University of Iowa Foundation and Affiliates and the University of Iowa Health System and Subsidiaries discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those financial statements, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University of Iowa's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Iowa'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 financial statements.

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

## Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Iowa and its aggregate discretely presented component units as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2014 and 2013 in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As discussed in Note I, the financial statements of the University of Iowa are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the University of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2014 and 2013 and the changes in its financial position and its cash flows for the years ended June 30, 2014 and 2013 in conformity with U.S. generally accepted accounting principles.

## Other Matters

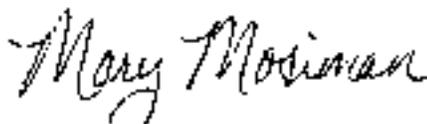
### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 17 and 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Introduction and Highlights Section and the Message from Senior Vice President and Treasurer, Douglas K. True, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

## Other Reporting Required by Government Auditing Standards

Our report on the University of Iowa's internal control over financial reporting and other tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 10, 2014

# Management's Discussion and Analysis



Left: A new Art Building will replace original Art Building complex destroyed by the 2008 flood. Classes will be held here beginning fall 2016. Right: The 501-bed Mary Louise Petersen Residence Hall addresses a shortage of student living space on campus and is the first new residence hall built since 1968. It will house students beginning fall 2015.

## INTRODUCTION

The following discussion and analysis of the University of Iowa's financial statements presents an overview of the University's financial activities for the years ended June 30, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes that follow.

## FINANCIAL HIGHLIGHTS

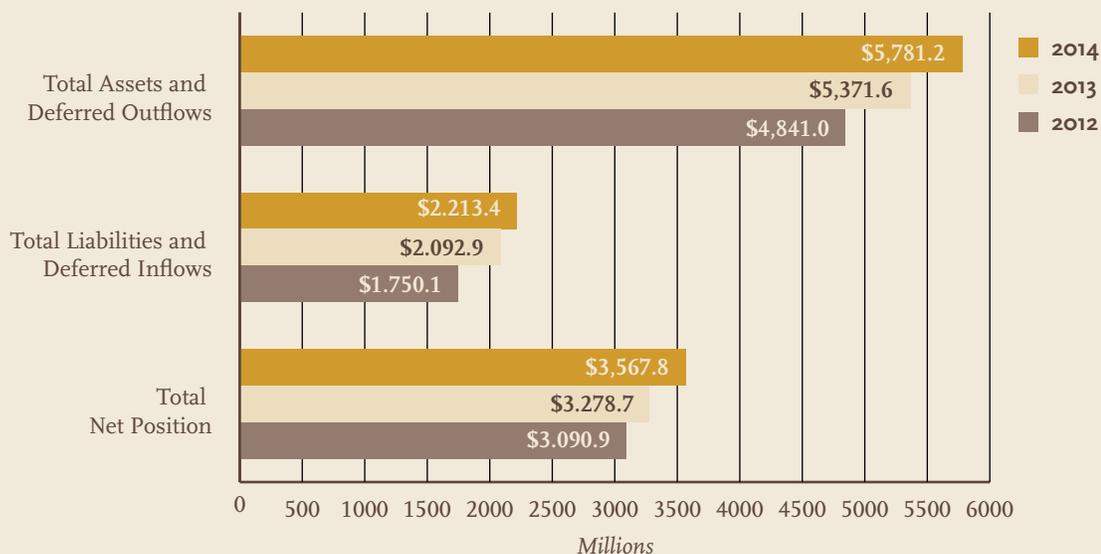
The University's financial position remained strong at June 30, 2014, with assets of \$5,778 million and liabilities of \$2,207 million as compared to June 30, 2013 assets of \$5,369 million and liabilities of \$2,088 million. Net position, the difference between total assets and deferred outflows, and total liabilities and deferred inflows, increased by \$289.1 million (8.8%) from June 30, 2013 to June 30, 2014. The increase from June 30, 2012 to June 30, 2013 was \$187.8 million (6.1%).

The change in net position reports the financial results during the fiscal year by measuring the relationship between revenues and expenses. It is important to note that public universities such as the University of Iowa generally report an operating loss, as the financial reporting model classifies state appropriations, investment income and gifts as nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the University. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided.

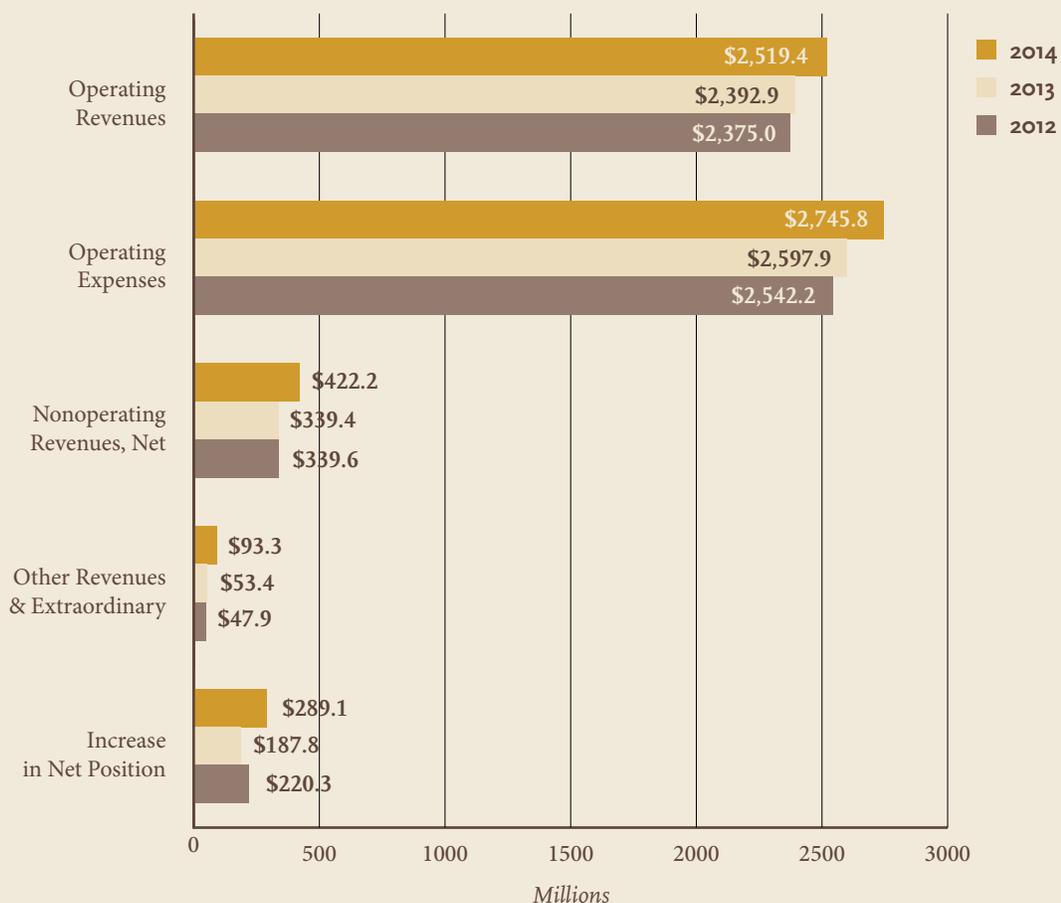
Implementation of GASB Statement No. 65 Items Previously Reported as Assets and Liabilities required restatement of prior year prepaid expense and unrestricted net position to reduce each for the balance of unamortized bond issuance costs. See Note 15 for additional information. The bar graphs and tables of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows have been revised to reflect these adjustments.

The following charts compare Total Assets and Deferred Outflows, Total Liabilities and Deferred Inflows, and Total Net Position at June 30, 2014, 2013, and 2012 and the components of changes in Net Position at June 30, 2014, 2013 and 2012.

### STATEMENT OF NET POSITION



### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION



## **USING THIS ANNUAL REPORT**

The University's annual report consists of three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements provide information on the University as a whole and present a long-term and short-term view of the University's activities.

## **THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position present the financial position of the University at the end of the fiscal year and report the University's net position and changes in them during the current fiscal year, respectively. Net position, the difference between total assets and deferred outflows, and total liabilities and deferred inflows, is one indicator of the current financial condition of the University, while the change in net position over time determines whether the financial health of the University is improving. To assess the overall health of the University, non-financial factors are relevant as well. Such factors include student enrollment, patient volumes, the University's ability to attract and retain qualified faculty and staff and the overall condition of the University's buildings and infrastructure.

These statements are reported under the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of when cash is received or paid.

The following table summarizes the University's assets, deferred outflows, liabilities, deferred inflows, and net position for the years ended June 30, 2014, 2013 and 2012.

**NET POSITION, END OF YEAR** (in millions)

	2014	Restated 2013	Restated 2012
<i>Assets</i>			
Current assets	\$776.9	\$737.4	\$818.4
Capital assets, net	2,921.9	2,649.6	2,445.4
Other noncurrent assets	2,079.5	1,982.1	1,576.3
<b>Total Assets</b>	<b>5,778.3</b>	<b>5,369.1</b>	<b>4,840.1</b>
<b>Deferred Outflows of Resources</b>	<b>2.9</b>	<b>2.5</b>	<b>0.9</b>
<i>Liabilities</i>			
Current liabilities	765.2	732.9	726.7
Noncurrent liabilities	1,441.5	1,354.9	1,020.9
<b>Total Liabilities</b>	<b>2,206.7</b>	<b>2,087.8</b>	<b>1,747.6</b>
<b>Deferred Inflows of Resources</b>	<b>6.7</b>	<b>5.1</b>	<b>2.5</b>
<i>Net Position</i>			
Invested in capital assets, net of related debt	1,777.5	1,615.4	1,528.3
Restricted	438.8	412.2	341.5
Unrestricted	1,351.5	1,251.1	1,221.1
<b>Total Net Position</b>	<b>\$3,567.8</b>	<b>\$3,278.7</b>	<b>\$3,090.9</b>

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2014, 2013 and 2012.

## REVENUES, EXPENSES AND CHANGES IN NET POSITION

(in millions)

	2014	Restated 2013	Restated 2012
<i>Operating Revenues:</i>			
Tuition and fees, net of scholarship allowances	\$382.1	\$374.8	\$357.1
Grants and contracts	347.9	352.3	372.8
Patient services, net of allowances	1,462.0	1,356.5	1,319.6
Sales and services of educational departments	102.9	108.3	103.7
Auxiliary enterprises, net of scholarship allowances	179.6	175.3	175.3
Other operating revenue	44.9	25.7	46.5
<b>Total Operating Revenues</b>	<b>2,519.4</b>	<b>2,392.9</b>	<b>2,375.0</b>
<i>Operating Expenses:</i>			
Instruction	349.8	336.0	336.6
Research	297.1	287.3	290.1
Academic support	167.4	163.1	137.9
Patient services	1,281.0	1,190.0	1,165.4
Depreciation and amortization	171.6	167.8	160.1
Auxiliary enterprises	166.7	157.5	165.1
Other operating expenses	312.2	296.2	287.0
<b>Total Operating Expenses</b>	<b>2,745.8</b>	<b>2,597.9</b>	<b>2,542.2</b>
<b>Operating (Loss)</b>	<b>(226.4)</b>	<b>(205.0)</b>	<b>(167.2)</b>
<i>Nonoperating Revenues (Expenses):</i>			
State appropriations	238.1	229.6	232.0
Grants and contracts	15.7	16.1	16.0
Investment income, net of investment expenses	131.8	61.2	56.7
Gifts	83.4	74.1	68.4
Interest expense	(35.5)	(36.2)	(32.1)
Loss on disposal of capital assets	(11.3)	(5.4)	(1.4)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>422.2</b>	<b>339.4</b>	<b>339.6</b>
<b>Income Before Other Revenues</b>	<b>195.8</b>	<b>134.4</b>	<b>172.4</b>
<i>Other Revenues:</i>			
Capital appropriations, State	21.4	19.9	10.5
Capital contributions and grants	8.4	9.2	20.2
FEMA reimbursement for capital costs, net of expenses	63.5	24.3	15.8
Other revenues	-	-	1.4
<b>Net Other Revenues</b>	<b>93.3</b>	<b>53.4</b>	<b>47.9</b>
<b>Increase in Net Position</b>	<b>289.1</b>	<b>187.8</b>	<b>220.3</b>
Net position, beginning of year	3,278.7	3,090.9	2,870.6
Net position, end of year	<b>\$3,567.8</b>	<b>\$3,278.7</b>	<b>\$3,090.9</b>

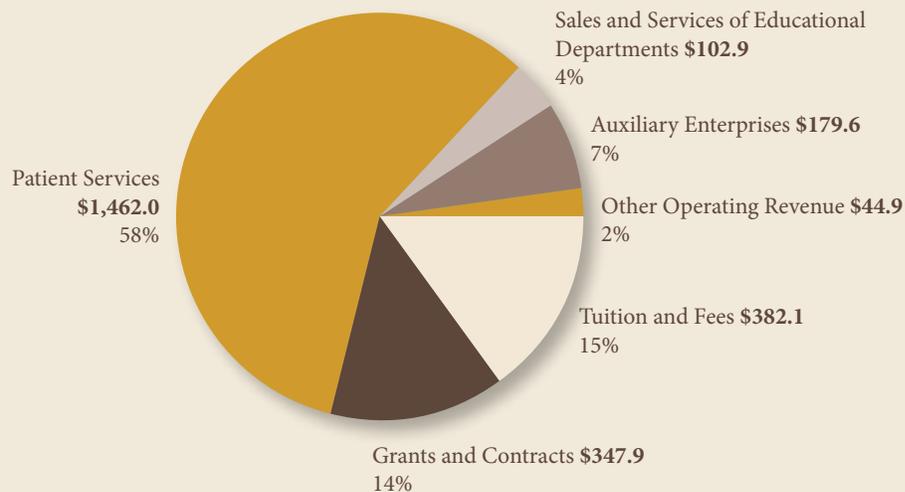
The Statement of Revenues, Expenses and Changes in Net position reflects a positive year with an increase in net position for the fiscal year ended June 30, 2014 of \$289.1 million (8.8%). During the fiscal year ended June 30, 2014, the University increased operating revenues and operating expenses by 5.3% and 5.8%, respectively. The net result from operating revenues and expenses is an operating loss of 9.0% compared to 8.5% last year. However, after factoring in state appropriations, investment income, gifts and other revenues, the University increased net position by \$289.1 million for the year ended June 30, 2014.

During the fiscal year ended June 30, 2014, net nonoperating revenues (expenses) increased by 24.4%.

### OPERATING REVENUES

For the fiscal years (FY) ended June 30, 2014, 2013 and 2012, operating revenues totaled \$2,519 million, \$2,393 million and \$2,375 million, respectively. Operating revenues increased \$126 million (5.3%) over FY 2013 revenues. The increase is primarily from patient services and other operating revenue. The following is a graphic illustration of revenues by source which are used to fund the University's operating activities for the year ended June 30, 2014.

#### FY2014 OPERATING REVENUES \$2,519.4 million

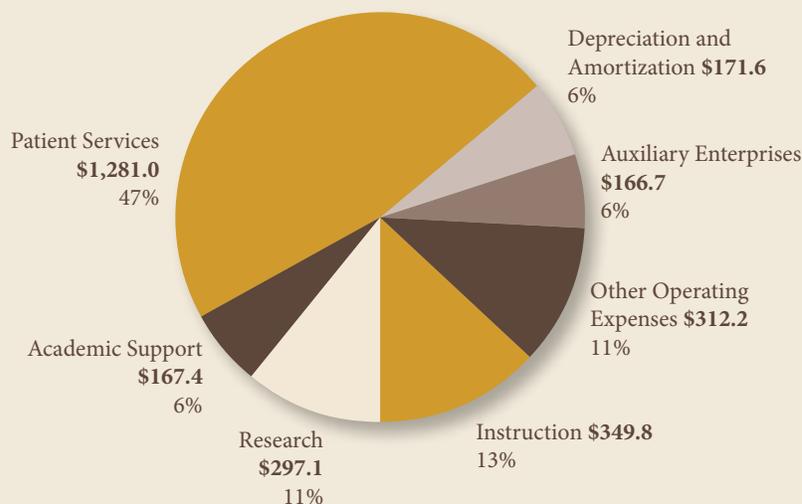


In the most recent National Science Foundation, Higher Education Research and Development survey (2012), the University of Iowa ranked 48th among public and private universities combined in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements operating revenue exceeded \$347 million in FY 2014, \$352 million in FY 2013 and \$372 million in FY 2012.

## OPERATING EXPENSES

For the fiscal years ended June 30, 2014, 2013 and 2012, operating expenses totaled \$2,746 million, \$2,597 million and \$2,542 million, respectively. Operating expenses increased \$149 million (5.7%) over FY 2013 expenses. The increase is primarily from patient services, instruction and other operating expenses. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2014.

### FY2014 OPERATING EXPENSES \$2,745.8 million



Other operating expenses include Public Service (2014, \$82 million; 2013, \$80 million), Student Services (2014, \$32 million; 2013, \$31 million), Institutional Support (2014, \$64 million; 2013, \$79 million), Operation and Maintenance of Plant (2014, \$79 million; 2013, \$75 million), Scholarships and Fellowships (2014, \$31 million; 2013, \$29 million), and Other (2014, \$24 million; 2013, \$3 million).

## NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive \$422.2 million for the fiscal year ended June 30, 2014 and \$339.4 million for the fiscal year ended June 30, 2013.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2014, 2013 and 2012.

### NONOPERATING REVENUES (EXPENSES) (in millions)

	2014	Restated 2013	Restated 2012
<i>Nonoperating Revenues (Expenses)</i>			
State appropriations	\$238.1	\$229.6	\$232.0
Grants and contracts	15.7	16.1	16.0
Investment income, net of investment expenses	131.8	61.2	56.7
Gifts	83.4	74.1	68.4
Interest expense	(35.5)	(36.2)	(32.1)
Loss on disposal of capital assets	(11.3)	(5.4)	(1.4)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>\$422.2</b>	<b>\$339.4</b>	<b>\$339.6</b>

State appropriations increased by \$8.5 million (3.7%) in the fiscal year ended June 30, 2014. Grants and contracts revenue decreased by \$0.4 million (2.5%), investment income increased by \$70.6 million (115.4%) and gifts increased by \$9.3 million (12.6%) in the fiscal year ended June 30, 2014.

### OTHER REVENUES AND EXPENSES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects, contributions and grants for capital projects and reimbursement from FEMA for capital costs, net of expenses. The other revenues and expenses increased from net revenue of \$51.0 million for the fiscal year ended June 30, 2013 to \$93.3 million for the fiscal year ended June 30, 2014, an increase of \$42.3 million, or 82.9%. Capital appropriations, contributions, and grants increased from \$29.1 million for the fiscal year ended June 30, 2013 to \$29.8 million for the fiscal year ended June 30, 2014, an increase of \$0.7 million, or 2.4%. For the fiscal years ended June 30, 2014 and 2013, \$63.5 million and \$24.3 million, respectively, was recognized in FEMA reimbursement for capital costs, net of expenses, an increase of \$39.2 million, or 161.3%. The net revenue is intended to fund flood-related expenses.

After insurance recoveries, FEMA has agreed to reimburse the University at 90% of actual cost of approved project work orders. All FEMA related activity is reported in Other Revenues and Expenses. In fiscal year 2014, the University received \$74.8 million in FEMA reimbursements towards flood-related costs expended (\$63.5 million for capital costs and \$11.3 million for expenses).

### STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information regarding the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate net cash flows and meet obligations as they come due. See Note 1 for a description of reporting changes that have occurred with cash and cash equivalents.

The following table summarizes the University's cash flow for the fiscal years ended June 30, 2014, 2013 and 2012.

#### CASH FLOWS FOR THE YEAR (in millions)

	2014	Restated 2013	Restated 2012
<i>Cash provided (used) by:</i>			
Operating activities	(\$51.4)	\$27.8	\$26.4
Noncapital financing activities	338.0	335.8	356.6
Capital and related financing activities	(298.4)	(85.2)	(277.7)
Investing activities	5.8	(290.0)	(103.1)
Net change in cash and cash equivalents	(6.0)	(11.6)	2.2
Cash and cash equivalents, beginning of year	238.0	249.6	247.4
Cash and cash equivalents, end of year	\$232.0	\$238.0	\$249.6

The University's overall liquidity decreased during the year, with a net decrease in cash and cash equivalents of \$6.0 million. The decrease is primarily due to the acquisition and construction of capital assets.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The following table summarizes the University's capital assets, net of depreciation and amortization, as of June 30, 2014, 2013 and 2012.

### CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION

(in millions)

	2014	2013	2012
<i>Nondepreciable/nonamortizable</i>			
Land	\$63.1	\$63.1	\$53.8
Construction in progress	585.3	386.9	256.3
Intangibles in development	15.6	6.4	5.1
Art & historical collections	25.0	33.7	33.3
Library materials	299.0	285.6	272.9
<i>Depreciable/amortizable</i>			
Land improvements, net	5.6	6.8	5.8
Infrastructure, net	272.0	236.9	220.2
Buildings, net	1,395.4	1,374.0	1,339.3
Equipment, net	219.3	211.0	213.7
Intangibles, net	41.6	45.2	45.0
<b>Total Capital Assets, Net</b>	<b>\$2,921.9</b>	<b>\$2,649.6</b>	<b>\$2,445.4</b>

The University of Iowa is currently in construction on numerous major, impactful projects accounting for a campus construction workload of roughly \$1.3 billion. A primary contributor to the current construction workload continues to be related to recovery from the 2008 flood. Construction is well underway on the three major flood replacement projects; Studio Art Building, Voxman Music Building and Hancher Auditorium. Combined, these FEMA-supported projects are budgeted at \$404.9 million and all three are scheduled for completion in 2016. There are a number of additional major flood repair, recovery and protection projects that are also under construction. The Iowa Memorial Union (\$27.3 million), the Theatre Building (\$8.3 million), the Mayflower Residence Hall (\$13.3 million) and the Iowa Advanced Technology Laboratory (\$18.3 million) are all scheduled to complete construction within the next year.

Construction work is coming to a close on the \$133.7 million Pappajohn Biomedical Discovery Building, and a follow-up project to fit out 35,000 gross square feet of research support space underneath the adjacent site for \$24.0 million will begin in the fall of 2014. Construction is well underway for the new 500-bed Mary Louise Petersen residence hall on the west side of the Iowa River. This 10-story \$53.4 million facility, the first new residence hall on the UI campus since 1968, will be complete in the summer of 2015. The second phase of the UI Football Operations project is scheduled to be complete in October, 2014. This project is budgeted at \$36.6 million. Interior renovations and modernization of the 1973-built College of Dentistry Building, budgeted at \$48.0 million, continue with completion scheduled for 2016. The first Design-Build/Alternative Delivery project by a Regents institution was completed in September, 2014; the delivery process for this \$15.0 million indoor turf addition to the Hawkeye Campus Tennis and Recreation Center has surpassed expectations and served as a model for future alternative delivery efforts. The UIHC Children's Hospital (\$292 million) and the associated parking structure (\$77.0 million) are well into construction and are scheduled for completion in 2016.

Projects in design or study phases include a \$96.3 million College of Pharmacy building, a \$37.1 million addition to the College of Engineering Seamans Center and a \$27.0 million building for the Department of Psychology, within the College of Liberal Arts and Sciences. This project will enable the modernization of the adjacent Seashore Hall complex, which was originally constructed in 1899.

Additionally, the University has begun planning and programming for a new Museum of Art to replace the flood damaged facility, which can no longer host the UI collection due to the inability to insure the collection in the riverside facility. This project will be delivered as a private-public partnership. While specific timing for these projects has yet to be determined, it is expected that construction may begin in 2015 and 2016.

Additional information about the University's capital assets is presented in Note 4 to the financial statements.

### **Debt**

As of June 30, 2014, the University had \$1,330.5 million in outstanding bonds, notes and capital leases, an increase of \$89.0 million over the prior year. Debt principal payments of \$61.1 million and interest payments of \$37.2 million were made during the fiscal year ended June 30, 2014.

The following table summarizes outstanding debt by type as of June 30, 2014, 2013 and 2012.

### **BONDS, NOTES AND CAPITAL LEASES**

(in millions)

	2014	Restated 2013	Restated 2012
Revenue bonds	\$1,257.7	\$1,198.1	\$957.3
Notes	52.4	22.1	16.8
Capital leases	20.4	21.3	-
<b>Total Debt Outstanding</b>	<b>\$1,330.5</b>	<b>\$1,241.5</b>	<b>\$974.1</b>

During the fiscal year ended June 30, 2014, \$105.5 million of new revenue bonds were issued. The revenue bond proceeds were \$57.6 million for Academic Buildings, \$27.9 million for construction of a new residence hall and \$20 million for construction of a new parking facility. The University carries an Aa1 institutional bond rating from Moody's and an AA rating from Standard & Poor's. UIHC carries a rating of AA2 and AA-. Additional information related to the University's long-term liabilities is presented in Note 5 to the financial statements.

## **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University of Iowa continues to have significant appeal to prospective students. This is attributable, in great part, to the University's high academic standards and its national reputation as a best buy for prospective students. The University continues to draw a high percentage of students from outside the state of Iowa, most notably from the state of Illinois. In addition international non-resident undergraduate enrollment continues to increase and is at an all-time high of 2,495 students. The University is pleased to report it has the most diversified student body in its history. Total first year undergraduate enrollment for the 2013-2014 academic term is 4,666, which is up 4.6% over the prior year. Total enrollment for fall 2014 is 31,387, the second highest enrollment in the University's history. It is forecasted that these trends will continue with strong enrollment demand at the University of Iowa, despite overall neutral high school graduation demographics within the state of Iowa.

The University continues to be one of the nation's top research-intensive universities with grant and contract research awards to the University exceeding \$400 million per year for the past 6 years. The recent completion of new research labs, hiring of highly productive faculty within focused clusters, and infrastructure improvements will enable the University's researchers to be more productive and better positioned to compete for external grants and contracts as new sponsored research opportunities emerge. Particular emphasis is on developing stronger partnerships with industry leading to improved marketability of intellectual capital generated by UI faculty and staff. The University's new Informatics Program and related facilities will add a competitive edge to many research categories.

As economic conditions continue to improve in the United States and around the globe, the University is experiencing benchmark or better returns in its operating, intermediate and long term investment pools. The University is benefitting from these returns, but doing so with attention to liquidity and risk. The Board of Regents investment advisor, Wilshire & Associates, is a partner in this process to ensure prudently managed and well diversified investment portfolios.

The University of Iowa Hospitals & Clinics continues to be recognized as one of the nation's best, and has achieved successful operating results for fiscal year 2014 with an operating margin of 4.6%. According to US News & World Report, UIHC was ranked among the top 3% in the U.S. in its annual "best hospitals" rankings. Seventeen programs were ranked in the top 50 in the country. Of the seventeen, nine are in adult specialties and eight are in pediatric specialty areas. The University of Iowa Health Care continues to report robust patient census data and strong financial performance overall. Iowa's future doctors are in a great learning environment attributable to outstanding medical faculty and exposure to a high complexity case mix at UIHC.

The state economy continues to report revenue growth over the prior year. The state increased the University's general education fund appropriation by \$8.9 million or approximately 4.0% for fiscal year 2015. These funds were invested toward increasing access and quality for Iowa students within the University's undergraduate, graduate and professional programs.

**Statement of Net Position**  
**June 30, 2014 (in thousands)**  
 With comparative statement as of June 30, 2013

<b>ASSETS</b>	<b>2014</b>	<b>Restated 2013</b>
<i>Current Assets:</i>		
Cash and cash equivalents	\$127,839	\$152,807
Deposits with trustees	31	-
Investments	220,007	176,914
Accounts receivable, net	305,263	282,192
Notes receivable, net	2,255	2,286
Interest receivable	1,442	1,242
Due from government agencies	77,097	70,830
Inventories	28,898	28,643
Prepaid expenses and other current assets	14,074	22,483
Total current assets	776,906	737,397
<i>Noncurrent Assets:</i>		
Cash and cash equivalents	104,151	85,235
Deposits with trustees	14,971	20,443
Investments	1,866,178	1,788,936
Notes receivable, net	24,647	23,866
Investment in wholly owned subsidiary	69,580	63,688
Capital assets, net	2,921,875	2,649,564
Total noncurrent assets	5,001,402	4,631,732
<b>Total Assets</b>	<b>5,778,308</b>	<b>5,369,129</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows	2,883	2,523
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$5,781,191</b>	<b>\$5,371,652</b>

# Statement of Net Position, continued

June 30, 2014 (in thousands)

With comparative statement as of June 30, 2013

<b>LIABILITIES</b>	<b>2014</b>	<b>Restated 2013</b>
<i>Current Liabilities:</i>		
Accounts payable	\$106,882	\$84,696
Salaries and wages payable	159,919	154,176
Unpaid claims	26,597	25,690
Unearned revenue	42,992	57,093
Interest payable	17,092	15,808
Long term debt	59,441	49,740
Other long term liabilities	95,073	92,854
Deposits held in custody for others	257,230	252,832
Total current liabilities	765,226	732,889
<i>Noncurrent Liabilities:</i>		
Accounts payable	27,250	33,596
Long term debt	1,271,084	1,191,875
Other long term liabilities	143,149	129,454
Total noncurrent liabilities	1,441,483	1,354,925
<b>Total Liabilities</b>	<b>2,206,709</b>	<b>2,087,814</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Debt refunding gain	6,551	5,152
Contract and grant deferred inflows	85	-
Total Deferred Inflows of Resources	6,636	5,152
 <b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,777,534	1,615,412
Restricted:		
Nonexpendable	117,437	108,231
Expendable	321,385	304,003
Unrestricted	1,351,490	1,251,040
Total Net Position	3,567,846	3,278,686
Total Liabilities, Deferred Inflows of Resources and Net Position	<b>\$5,781,191</b>	<b>\$5,371,652</b>

*The accompanying notes are an integral part of these financial statements.*

# Statement of Revenues, Expenses and Changes in Net Position

## For the year ended June 30, 2014 (in thousands)

With comparative statement for the year ended June 30, 2013

<i>Operating Revenues:</i>	2014	Restated 2013
Student tuition and fees, net of scholarship allowances of \$95,162 and \$91,907 for the years ended June 30, 2014 and 2013, respectively (pledged as payment on revenue bonds)	\$382,136	\$374,773
Federal grants and contracts	280,673	304,439
State and other governmental grants and contracts	18,118	13,653
Nongovernmental grants and contracts	49,126	34,210
Patient services, net of write-offs, contractual adjustments and indigent care of \$2,424,586 and \$2,280,759 for the years ended June 30, 2014 and 2013, respectively (pledged as payment on revenue bonds)	1,461,969	1,356,530
Sales and services of educational departments	102,949	108,291
Interest on student loans	702	763
Auxiliary enterprises, net of scholarship allowances of \$8,626 and \$8,365 for the years ended June 30, 2014 and 2013, respectively (pledged as payment on revenue bonds)	179,465	175,299
Other operating revenue	44,208	24,895
Total Operating Revenues	2,519,346	2,392,853
<i>Operating Expenses:</i>		
Instruction	349,814	335,972
Research	297,059	287,370
Public service	81,910	80,060
Academic support	167,424	163,080
Patient services	1,281,003	1,189,980
Student services	32,024	31,131
Institutional support	64,216	78,580
Operation and maintenance of plant	78,999	74,863
Scholarships and fellowships	30,833	28,726
Depreciation and amortization	171,609	167,827
Auxiliary enterprises	166,654	157,475
Other operating expenses	24,256	2,829
Total Operating Expenses	2,745,801	2,597,893
<b>Operating (Loss)</b>	<b>(226,455)</b>	<b>(205,040)</b>
<i>Nonoperating Revenues (Expenses):</i>		
State appropriations	238,097	229,634
Federal grants and contracts	15,661	16,146
Investment income, net of investment expenses of \$1,465 and \$1,059 for the years ended June 30, 2014 and 2013, respectively	131,766	61,192
Gifts	83,459	74,090
Interest expense	(35,457)	(36,235)
Loss on disposal of capital assets	(11,285)	(5,435)
Net Nonoperating Revenues (Expenses)	422,241	339,392
<b>Income Before Other Revenues</b>	<b>195,786</b>	<b>134,352</b>
<i>Other Revenues (Expenses)</i>		
Capital appropriations, State	21,440	19,888
Capital contributions and grants	8,428	9,164
FEMA reimbursement for capital costs, net of expenses	63,506	24,344
Net Other Revenues (Expenses)	93,374	53,396
<b>Increase in Net Position</b>	<b>289,160</b>	<b>187,748</b>
<i>Net Position</i>		
Net position, beginning of year	3,278,686	3,090,938
Net position, end of year	\$3,567,846	\$3,278,686

*The accompanying notes are an integral part of these financial statements.*

# Statement of Cash Flows

## For the Year ended June 30, 2014 (in thousands)

With comparative statement for the year ended June 30, 2013

	2014	Restated 2013
<i>Cash Flows From Operating Activities</i>		
Tuition and fees	\$383,829	\$371,771
Patient receipts	1,443,342	1,345,040
Grants and contracts	331,593	370,212
Payments for salaries and benefits	(1,541,729)	(1,492,044)
Payments for goods and services	(787,606)	(714,302)
Scholarships	(30,833)	(28,726)
Loans issued to students	(5,624)	(5,346)
Collections of loans from students	4,794	4,960
Sales of educational activities	99,052	111,720
Other receipts	45,089	45,263
Auxiliary enterprise receipts	173,396	176,697
Auxiliary enterprise payments	(166,654)	(157,475)
<b>Net Cash Provided by Operating Activities</b>	<b>(51,351)</b>	<b>27,770</b>
<i>Cash Flows From Noncapital Financing Activities</i>		
State appropriations	238,098	229,634
Grants and contracts	15,661	16,146
Proceeds from noncapital gifts	83,459	74,090
Funds held for others receipts	230,549	284,863
Funds held for others payments	(229,809)	(269,899)
William D. Ford Direct Lending & Plus Loans receipts	164,160	202,126
William D. Ford Direct Lending & Plus Loans made	(162,050)	(201,125)
Other noncapital receipts (payments)	(2,110)	(14)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>337,958</b>	<b>335,821</b>
<i>Cash Flows From Capital and Related Financing Activities</i>		
Acquisition and construction of capital assets	(453,903)	(355,438)
Interest paid on capital debt and leases	(37,239)	(34,751)
Proceeds from sale of capital assets	1,320	563
Capital appropriations	22,059	19,709
Capital gifts and grants received	7,356	8,436
Deposits with trustee	5,441	(1,234)
Principal paid on capital debt and leases	(61,089)	(45,123)
Proceeds from capital debt and leases	158,045	296,328
Defeased debt payments	(54,930)	(57,400)
Other capital and related financing receipts	114,496	83,723
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(298,444)</b>	<b>(85,187)</b>
<i>Cash Flows From Investing Activities</i>		
Interest and dividends on investments	31,610	35,679
Proceeds from sale and maturities of investments	1,158,442	1,017,184
Purchase of investments	(1,184,267)	(1,342,826)
<b>Net Cash (Used) by Investing Activities</b>	<b>5,785</b>	<b>(289,963)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(6,052)</b>	<b>(11,559)</b>
Cash and Cash Equivalents, beginning of year	238,042	249,601
Cash and Cash Equivalents, end of year	<b>\$231,990</b>	<b>\$238,042</b>

# Statement of Cash Flows

## For the year ended June 30, 2014 (in thousands)

With comparative statement for the year ended June 30, 2013

	2014	Restated 2013
<i>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</i>		
Cash and cash equivalents in current assets	\$127,839	\$152,807
Noncurrent cash and cash equivalents	104,151	85,235
<b>Total Cash and Cash Equivalents</b>	<b>\$231,990</b>	<b>\$238,042</b>
<i>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</i>		
Operating (loss)	(\$226,455)	(\$205,040)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	171,609	167,827
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, net	(19,677)	(9,988)
Interest receivable	(447)	315
Inventories	(255)	1,658
Prepaid expenses and other current assets	8,407	(11,093)
Due from government agencies, net of receivable from State for capital appropriations	(6,885)	30,459
Notes receivable, net	(750)	(77)
Accounts payable	14,663	26,423
Salaries and wages payable	5,743	5,668
Unpaid claims liability	908	2,574
Other long term liabilities	270	580
Unearned revenue	(14,124)	5,447
Other postemployment benefits other than pension liability	15,090	10,980
Compensated absences	3,004	5,444
Early retirement benefits	(2,452)	(3,407)
<b>Net Cash Provided by Operating Activities</b>	<b>(\$51,351)</b>	<b>\$27,770</b>
<i>Significant Noncash Transactions:</i>		
Assets acquired under capital leases	-	\$21,313
Assets acquired by gift	\$1,071	\$727
Net unrealized gain on investment	\$80,016	\$15,056

*The accompanying notes are an integral part of these financial statements.*

**Consolidated Statement of Financial Position**

June 30, 2014 (in thousands)

With comparative statement as of June 30, 2013

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$17,168	\$14,355
<i>Receivables:</i>		
Pledges, at net present value, less allowance for doubtful pledges	124,161	105,026
Other receivables and prepaids	356	434
	124,517	105,460
<i>Investments:</i>		
<b>Carried at fair value</b>		
U.S. Government and governmental agency securities	5,018	5,177
Corporation stocks, primarily common stocks	4,127	3,446
Managed separate investment accounts, primarily equity securities	1,021,633	922,708
Assets in living trusts, testamentary trusts and gift annuities	69,998	63,761
Beneficial interest in perpetual trusts	13,139	11,916
	1,113,915	1,007,008
<i>Other:</i>		
Real estate	6,123	6,135
Cash value of life insurance	5,762	5,433
Other	936	936
	12,821	12,504
Property leasehold interest and equipment, net	19,373	19,750
<b>Total Assets</b>	<b>\$1,287,794</b>	<b>\$1,159,077</b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Liabilities:</i>		
Accounts payable and accrued expenses	\$2,116	\$1,646
Annuity and life income obligations	28,992	28,123
Capital lease obligation	3,760	4,430
Amounts held on behalf of others	99,516	89,034
	134,384	123,233
<i>Net Assets:</i>		
Unrestricted	29,376	23,120
Temporarily restricted	562,831	486,934
Permanently restricted	561,203	525,790
	1,153,410	1,035,844
<b>Total Liabilities and Net Assets</b>	<b>\$1,287,794</b>	<b>\$1,159,077</b>

*The accompanying notes are an integral part of these financial statements.*

# Consolidated Statement of Activities

## For the year ended June 30, 2014 (in thousands)

With comparative statement for the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
<i>Support and revenue:</i>					
Total contributions raised	\$1,769	\$81,360	\$32,265	\$115,394	\$95,266
Change in value of life income gifts	-	3,940	3,320	7,260	6,534
Less amounts raised on behalf of others	-	(5,365)	(1,749)	(7,114)	(7,134)
Total contributions and change in value of life income gifts	1,769	79,935	33,836	115,540	94,666
<b>Investment income:</b>					
Interest and dividends	1,588	2,167	-	3,755	5,352
Asset based management and service fees	11,905	(11,718)	-	187	182
Change in fair value of investments	4,972	105,697	-	110,669	82,085
Less amounts attributed to others	-	(9,429)	-	(9,429)	(7,553)
Total investment income	18,465	86,717	-	105,182	80,066
<b>Other revenue:</b>					
Other, primarily fundraising service revenue	9,865	2,951	-	12,816	13,040
Less amounts attributed to others	-	(584)	-	(584)	(562)
Total other revenue	9,865	2,367	-	12,232	12,478
Net assets released from restrictions and changes in donor restrictions	91,544	(93,122)	1,578	-	-
Total support and revenue	121,643	75,897	35,414	232,954	187,210
<i>Expenditures on behalf of The State University of Iowa and Affiliates:</i>					
Student financial aid	22,376	-	-	22,376	16,161
Faculty support	13,887	-	-	13,887	12,337
Research	19,133	-	-	19,133	15,796
Facilities and equipment	22,741	-	-	22,741	22,104
Program support	11,268	-	-	11,268	16,916
Fundraising	6,312	-	-	6,312	6,079
Management and service fees	2,473	-	-	2,473	2,467
	98,190	-	-	98,190	91,860
Less amounts incurred on behalf of others	(6,646)	-	-	(6,646)	(6,672)
<b>Total</b>	<b>91,544</b>	<b>-</b>	<b>-</b>	<b>91,544</b>	<b>85,188</b>
<i>Expenses of The State University of Iowa Foundation and Affiliates:</i>					
Operating Expenses	23,844	-	-	23,844	23,065
Total expenses	115,388	-	-	115,388	108,253
Change in net assets	6,255	75,897	35,414	117,566	78,957
Net assets, beginning of year	23,120	486,934	525,790	1,035,844	956,887
Net assets, end of year	\$29,375	\$562,831	\$561,204	\$1,153,410	\$1,035,844

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements



Left: Progress continues on the new 14-story University of Iowa Children's Hospital, scheduled for completion in 2016. It takes construction crews three to four weeks to complete each floor. Right: Construction on the Voxman Music Building is under way on the corner of Burlington and Clinton streets. It will be occupied in fall 2016, replacing a facility destroyed by the 2008 flood.

## *Note 1—Organization and Summary of Significant Accounting Policies*

### **ORGANIZATION**

The State University of Iowa (University), located in Iowa City, Iowa, is a coeducational university owned and operated by the State of Iowa (State) under the supervision of the Board of Regents, State of Iowa (Board of Regents). The University was established by the First General Assembly on February 25, 1847, and has been in continuous operation since classes began in 1855.

The University is classified as a state instrumentality under Internal Revenue Code Section 115 and its income is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

### **BASIS OF PRESENTATION**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). These statements present the University as a whole. These GASB Statements establish standards for external financial reporting for public colleges and universities and require that resources be classified for accounting and reporting purposes into four net position categories:

- **Net investment in capital assets**—Capital assets, net of accumulated depreciation and amortization and reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted, nonexpendable**—Net position subject to externally imposed constraints in which the donors or other outside sources have stipulated as a condition that the principal is to be retained in perpetuity. Such assets include the University’s permanent endowments.
- **Restricted, expendable**—Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- **Unrestricted**—Net position not subject to externally imposed constraints which may be used by the governing board to meet current obligations for any purpose. Unrestricted net position is derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and are generally designated for academic, research and capital programs or to meet contractual obligations of the University.

When an expense is incurred in which both unrestricted and restricted net position are available, the University’s policy is to first apply the expense against the restricted, and then toward the unrestricted net position.

## **FINANCIAL REPORTING ENTITY**

The University’s financial statements include schools, colleges and departments, the University of Iowa Hospitals & Clinics (UIHC), the Iowa Medical Mutual Insurance Company (IMMIC, a captive insurance company) and certain affiliated operations determined to be a part of the University’s financial reporting entity. The University has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause the University’s financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. The GASB classification of these entities for the University’s financial reporting purposes does not affect their respective legal or organizational relationships with the University. As required by United States generally accepted accounting principles as prescribed by the GASB, these financial statements present the University and its component units. These component units are included in the University’s reporting entity because of the significance of their operational or financial relationships with the University. These component units are separate legal entities from the University, but are so intertwined with the University they are, in substance, the same as the University.

### ***Blended Component Units***

The Iowa Measurement Research Foundation, Miller Endowment, Incorporated and University of Iowa Research Park Corporation are included in the reporting entity as blended component units. These legally separate entities are included in the University’s financial reporting entity because of the nature of their relationship to the University.

The Iowa Measurement Research Foundation (IMRF) was formed in 1970 under the provisions of the Iowa Nonprofit Corporation Act. The primary purpose of the Foundation is to advance and extend knowledge in the field of educational measurement by providing financial assistance to The University of Iowa and its College of Education for promising research and educational projects in furtherance of this purpose.

Miller Endowment, Incorporated was established December 18, 1995 pursuant to the will and codicil of F. Wendell Miller. The will and codicil appointed the presidents of Iowa State University and the State University of Iowa as coexecutors of the Miller Estate and co-trustees of the Miller Endowment Trust, a charitable trust, and further directed that the two universities be equal beneficiaries of the income from said trust. The will and codicil also directed the trustees to have the right and discretion to create a charitable corporation, to be “Miller Endowment, Incorporated”, to own, administer and control the affairs and property of the trust. This corporation has been organized under Chapter 504A of the Code of Iowa and Section 501(C)(3) of the Internal Revenue Code. During fiscal year 1998, the assets of the trust were officially transferred to Miller Endowment, Incorporated. Since the net revenues and assets of the corporation are solely for the equal benefit of the two universities, one half of the value of the corporation’s transactions has been blended into the University’s operations.

The University of Iowa Research Park Corporation (Corporation) is a not-for-profit corporation and a component unit of the University of Iowa (University). The Corporation leases from the State of Iowa approximately 213 acres of land located in the University of Iowa Research Park. The land subject to this lease is designated as the University of Iowa Research Park and is platted as a subdivision of Coralville, Iowa. Under terms of its master lease with the State of Iowa, the Corporation subleases parcels of the University of Iowa Research Park to businesses (or to private developers working on behalf of businesses) wishing to locate close to the University and its research assets.

The Corporation’s revenues derive primarily from the proceeds of its leases to tenant companies or developers and from an annual special purpose appropriation from the State of Iowa.

### ***Discretely Presented Component Units***

The State University of Iowa Foundation and Affiliates (Foundation), the University of Iowa Research Foundation, and the University of Iowa Health System and Subsidiaries are included in the reporting entity as discretely presented component units. These legally separate entities are included in the University’s financial reporting entity because of the nature of their relationship to the University.

The State University of Iowa Foundation and Affiliates (Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation’s financial statements include its affiliated organization, the University of Iowa Facilities Corporation, wholly controlled by the Foundation. Additional information regarding the University of Iowa Facilities Corporation is provided in the footnote Investments in Subsidiaries (Foundation). The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University’s financial statements.

During the years ended June 30, 2014 and 2013, the Foundation distributed to the University or expended on behalf of the University \$91,544,000 and \$85,188,000, respectively, for both restricted and unrestricted purposes.

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Statements for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

The Foundation acts as an agent for other organizations benefiting the University. Since the Foundation is not considered to be financially interrelated to these organizations, as defined by SFAS No. 136, the total amount of funds held on behalf of these organizations has been reflected as a liability in the Consolidated Statement of Financial Position (Amounts held on behalf of others). The Foundation does not have variance power to redirect the assets held for others and the funds are generally payable on demand. In the Statement of Activities, the Foundation reports the gross amounts of support, revenue and expenses with the amount raised and expended on behalf of these organizations shown as a reduction in the gross amounts of support, revenue and expenses.

Assets held on behalf of these organizations include remainder interests in trusts, pledges and investments, which are for the benefit of the University.

The following table identifies these legally separate, tax-exempt organizations (in thousands):

	<b>Amounts Held on Behalf of Others</b>
Iowa Law School Foundation	\$80,579
Iowa Scholarship Fund	10,384
University of Iowa Alumni Association	7,140
Student Publications Incorporated	1,413
<b>Total</b>	<b>\$99,516</b>

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University in all respects. The Foundation is not a subsidiary or affiliate of the University and is not directly or indirectly controlled by the University. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to the University. The University is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. The University does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation are entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University. Third parties dealing with the University should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Complete financial statements for the Foundation can be obtained from The University of Iowa Foundation, One West Park Road, P.O. Box 4550, Iowa City, Iowa 52244-4550, Attn: Controller.

The University of Iowa Research Foundation (UIRF) – a 501(c)(3) corporation – commercializes University of Iowa (University) developed technologies and inventions through licensing and new venture formation, and manages the subsequent revenue stream. UIRF's primary functions are:

- Licensing: finding suitable partners for commercialization of University technologies and inventions;
- New Ventures: identifying and helping develop new high growth University technology spinout companies suitable for licensing UIRF technologies;
- Intellectual Property (IP) Management: protecting University inventions through patents and copyrights, advising on IP terms for Clinical Trials and Sponsored Research, and executing out-going material transfer agreements.

The University owns inventions made by faculty, staff, or students during the course of the inventor's employment by or association with the University, or if the invention was enabled by significant use of the University resources. The University may take an ownership stake in inventions stemming from privately sponsored research, and as a consequence of federal law, the Bayh-Dole Act. All inventions arising from federal research support must be disclosed to the University and must be reported to the associated funding agencies.

The UIRF was created in 1975 as a private, nonprofit, corporation tied to the University as the designated manager for these inventions and selected University intellectual properties. The intention of the UIRF is to effectively manage University intellectual property to successful outcomes including: transferring University inventions to the marketplace for public benefit; generating significant income; operating as a self-sustaining operation; and supporting the research mission.

University of Iowa Health System (UIHS) was incorporated under the provisions of the Iowa Nonprofit Corporation Act on December 2, 1994. UIHS was formed to support the clinical, academic, and research programs of the University of Iowa College of Medicine (UICOM) and the University of Iowa Hospitals and Clinics (UIHC).

UIHS does not have members with voting rights. Upon dissolution, any remaining assets will be transferred to the University of Iowa, or its successor, if in existence. Otherwise the assets may be transferred by the board of directors to various entities exclusively for public purposes in accordance with the articles of incorporation for UIHS.

UIHS has a for-profit wholly owned subsidiary, University of Iowa Community Medical Services, Inc. (UICMS), which was formed in 1995 and began operations in 1996. UICMS has a for-profit wholly owned subsidiary, University of Iowa Community Homecare, Inc. (UICH), which was also formed in 1995 and began operations in 1996.

UIHS has a wholly owned subsidiary, UI HealthWorks, L.L.C. (UIHW), which was formed and began operations in 1998.

## **BASIS OF ACCOUNTING**

For financial reporting purposes, the University is considered a special-purpose government engaged only in Business Type Activity as defined in GASB Statement No. 35 Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. Accordingly, the financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. As a result, revenues are recognized when earned, expenses are recorded when an obligation is incurred and all significant intra-agency transactions have been eliminated.

## **CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Net Position and Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents, State of Iowa policy Chapter 7.04, section H.2 ([www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm](http://www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm)), as amended, which states, in part: to appropriately reflect the Board's overall investment strategy and as outlined in the GASB Statement No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, paragraph 11), that all funds held by external investment managers, as defined in section 7.04.C.4 of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments. Investments purchased by the institutions through Board authorized brokerage firms that meet the definition of cash equivalents, investments with original purchase dates to maturity of three months or less shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

## **INVESTMENTS (UNIVERSITY)**

Investments are reported at fair value in accordance with GASB Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools and GASB Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

## **INVESTMENTS (FOUNDATION)**

In accordance with FASB 157, Fair Value Measurements, investments of the Foundation are carried at fair value as determined by values provided by an external investment manager and quoted market values. The carrying values of other investments and long-term liabilities approximate fair values because these financial instruments bear interest at rates that approximate current rates the Foundation could obtain on contracts or notes with similar maturities and credit qualities.

## **PLEDGES RECEIVABLE (FOUNDATION)**

Pledges receivable are recorded at the net present value of estimated cash flows based on appropriate rates commensurate with the risks involved, less an allowance for doubtful pledges. Conditional promises to give are not included as support until the conditions are met. The provision for losses on doubtful pledges is an adjustment to contributions at the time the pledge is made equal to 2.5% of gross pledges. Pledges written off totaled \$1,243,000 and \$3,283,000 for the years ended June 30, 2014 and 2013.

## **INVENTORIES**

Inventories, primarily expendable materials and supplies held for consumption, are valued using the lower of cost or market, with cost determined on the first-in, first-out or weighted average basis.

## **CAPITAL ASSETS**

Capital assets estimated to have a useful life greater than one year are stated at cost at the date of acquisition or estimated fair market value at date of receipt in the case of gifts. The capitalization thresholds for capital assets are as follows:

- Purchased equipment \$5,000
- Leased capital equipment \$50,000
- Intangible assets, non-UIHC \$500,000
- Intangible assets, UIHC \$5,000
- Art Assets \$5,000 (effective beginning with FY 2014)

Library materials for the Main Library and Law Library are capitalized as a collection and adjusted annually to account for additions, withdrawals, etc. Effective with fiscal year 2013, adjustments to library collections excluded acquisitions of electronic subscriptions to which the University does not have perpetual access. Routine repair and maintenance costs are expensed as incurred. Interest costs are capitalized on University construction projects when the interest cost during the construction period exceeds the interest earned on the investment of debt proceeds. Depreciation and amortization of capital assets is calculated using the straight-line method over the estimated useful lives (five to fifty years) of the respective assets.

## **WHOLLY OWNED SUBSIDIARY (UNIVERSITY)**

The University owns all of the outstanding stock of Musser-Davis Land Company (acquired by gift) and reports such ownership as a wholly owned subsidiary. The Company's operations consist primarily of leasing mineral rights to others and planting seedlings to be harvested by others. The Company's fiscal year ends December 31 and its financial statements are presented on a modified cash basis of accounting. As of December 31, 2013, assets (including investments of \$67,806,000) totaled \$69,580,000, liabilities were \$0 and net assets were \$69,580,000. As of December 31, 2012, assets (including investments of \$61,915,000) totaled \$63,688,000, liabilities were \$0 and net assets were \$63,688,000.

## **INVESTMENTS IN SUBSIDIARIES (FOUNDATION)**

The University of Iowa Facilities Corporation (Corporation) is an affiliate of the Foundation because the Foundation elects the Corporation's Board of Directors. The Corporation is organized to assist the Foundation in its programs which support the University. The Corporation accomplishes this objective by acquiring and holding property for the benefit and use of the University. The Corporation may incur debt obligations, either through the issuance of bonds or incurring commercial mortgages, for the purchase of properties. Simultaneously, the Corporation leases these buildings to the University. The lease agreements provide for the University to service the debt and pay for expenses related to the facilities. The leases also provide for the Corporation to convey title of the facilities to the University at the end of each lease term when the debt agreements are fully amortized.

Since the Corporation has not and will not have an economic interest in the outstanding bonds, the asset and the related debt and revenue and expenses related to the asset are not recorded on the financial statements of the Corporation. The asset and the related debt and revenue and expenses related to the asset are recorded as a segment of the University and included within the University's financial statements.

The Corporation also acquires and holds real estate, which will ultimately be deeded to the University after a period of time. These assets are recorded on the Corporation's books.

The assets and net income (loss) of the subsidiaries described above are not material to the financial statements and the Foundation uses the equity method of accounting for its investment in these controlled corporations.

### **BOND ISSUANCE COSTS, DISCOUNTS, AND PREMIUMS**

Bond issuance costs are expensed in the year the bonds are sold. Bond discounts and premiums are deferred and amortized over the life of the bonds using the effective interest rate method.

### **UNEARNED REVENUE**

Unearned revenue includes advance tickets sales, student tuition related to next fiscal year and amounts received from leases, grants and contracts that have not yet been earned.

### **COMPENSATED ABSENCES PAYABLE**

University employees accumulate vacation and sick leave under the provisions of Chapters 70A and 262 of the Code of Iowa. It is the policy of the State to liquidate these accrued benefits under specific circumstances. The State pays for accrued vacation at 100% of the employee's hourly rate upon retirement, death, or termination and, with certain exceptions, for accrued sick leave at 100% of the hourly rate to a maximum of \$2,000 upon retirement. The liability for accrued compensated absences as reported in the Statement of Net Position is based on the current rates of pay.

### **LONG TERM DEBT AND OTHER LONG TERM LIABILITIES**

Long term debt includes principal amounts of revenue bonds payable, notes payable and capital lease obligations with contractual maturities greater than one year. Long term debt also includes unamortized discounts and premiums, resulting from bond issuances. Other long term liabilities include estimated amounts for accrued early retirement benefits, accrued other postemployment benefits, compensated absences payable, refundable allowances on student loans and unearned revenue that will not be earned within the next fiscal year.

### **DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

Deferred outflows include unamortized bond refunding losses. Deferred inflows include unamortized bond refunding gains and qualifying receipts for sponsored programs. Bond refunding losses and gains are the difference between the reacquisition price of the new debt and the net carrying amount of the debt being refunded. The receipts for sponsored programs represent resources received before time requirements are met, but after all other eligibility requirements have been met.

## FRINGE BENEFITS

The University utilizes the fringe benefits pool method to account for fringe benefits. Under the fringe benefits pool method, fringe benefits are expensed as a percentage of actual salary or wage costs. The use of fringe benefits rates rather than actual fringe benefits costs is accepted by the Federal Government and widely used by universities. Rates are reviewed annually prior to the beginning of the fiscal year and adjusted to reflect differences between the rates charged and actual benefits costs as well as future benefits projections. The Federal Government must approve the annual rate study.

## DEFINITION OF OPERATING ACTIVITIES

Operating activities reported on the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state appropriations, gifts and investment income.

## NON-VESTED EQUIPMENT

Capital assets purchased with restricted contract and grant proceeds have been excluded from the Statement of Net Position.

## USE OF ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## RECLASSIFICATIONS

Certain amounts presented for the prior year have been reclassified to be consistent with the current years' presentation. Not all investments that qualify are required to be treated as cash equivalents. As permitted by GASB Statement No. 9, certain amounts previously reported as cash and cash equivalents in the prior year have been reclassified as investments to more closely conform to the purpose of those investments. Note 1 to the financial statements for Cash and Cash Equivalents describes the University's policy for determining which short-term, highly liquid investments are treated as cash equivalents.

### *Note 2—Cash, Cash Equivalents, Investments, And Deposits With Trustees*

## CASH AND CASH EQUIVALENTS

A summary of the book and bank balances for cash and cash equivalents at June 30, 2014 and 2013 is as follows (in thousands):

	2014	2013
Book Balance	\$231,990	\$238,042
Bank Balance	245,911	257,464
Covered by FDIC insurance or State Sinking Fund	99,681	63,391
Invested in money market funds as cash equivalents	146,230	194,073

The University's balances for current cash and cash equivalents represent amounts that are reasonably expected to be consumed within a year and are comprised of deposit and disbursement bank accounts, the liquidity pool components of money market funds, demand deposit accounts, savings accounts, and government securities for the debt service and construction fund balances for bonded enterprises. As defined by Board of Regents, State of Iowa policy Chapter 7.04 (<http://www.regents.iowa.gov/Policies/Chapter%207/chapter7.04.htm>) the primary goal of the liquidity pool is to maintain the necessary liquidity to match expected liabilities while seeking to preserve capital and obtain a reasonable return for a prudent level of risk. The liquidity pool shall be managed to ensure funds are available to support operations for the current budget year.

Cash and cash equivalents are used to fund obligations such as controlled disbursements for accounts payable, salaries and wages payable, bond principal and interest payments, and federal and state withholding taxes.

## **INVESTMENTS**

Investments are made in accordance with Chapter 12B.10A, section 5d of the Code of Iowa, and Board of Regents, State of Iowa policy. The University's portfolios may be invested in obligations of the U.S. government and its agencies, certificates of deposit, prime bankers' acceptances, commercial paper, repurchase agreements, investments authorized for the Iowa Public Employees' Retirement System in Section 97B.7A of the Code of Iowa, corporate debt, mortgage pass through and asset backed securities, bank loans, an open-end management investment company organized in trust form registered with the S.E.C. under the Investment Company Act of 1940, the Common Fund for nonprofit organizations, commingled vehicles/mutual funds/exchange traded funds, and common stocks. In order to achieve economies of scale, the University of Northern Iowa's endowments and a portion of its operating portfolio are pooled with the University's investments. The University's endowment portfolio included \$8,658,000 and \$7,872,000 at June 30, 2014 and 2013, respectively, held for the University of Northern Iowa. The University's operating portfolio included \$32,103,000 and \$37,884,000 at June 30, 2014 and 2013, respectively, held for the University of Northern Iowa, as well as \$6,309,000 invested in the University's intermediate term portfolio at June 30, 2014. The University of Northern Iowa investments are recorded as Deposits Held in Custody for Others.

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the University to spend the net appreciation of realized and unrealized earnings as the University determines to be prudent. The University's spending policy adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 6% of calendar year end market values.

Net appreciation of permanent endowment funds, which totaled \$14,288,000 and \$11,154,000 at June 30, 2014 and 2013, respectively, is available to meet spending rate distributions and is recorded in restricted nonexpendable net position.

The University's investments are recorded at fair value. As of June 30, 2014, the University had the following investments and quality credit ratings (in thousands):

INVESTMENT TYPE	Effective Duration (Years)	AAA/TSY/AGY	AA	A	BBB	BB	B	NA	Total Market Value
<i>Fixed Income</i>									
Corporate Notes and Bonds	1.74	\$7,741	\$1,061	\$8,831	\$6,433	-	-	-	\$24,066
U.S. Government Agencies	1.37	74,954	-	-	-	-	-	181	75,135
U.S. Treasury Obligations	1.97	81,539	-	-	-	-	-	-	81,539
Mutual Funds	3.90	-	282,648	56,878	5,195	63,118	197,034	-	604,873
<b>Total</b>		<b>\$164,234</b>	<b>\$283,709</b>	<b>\$65,709</b>	<b>\$11,628</b>	<b>\$63,118</b>	<b>\$197,034</b>	<b>\$181</b>	<b>785,613</b>
<i>Equity and Other</i>									
U.S. Equity Mutual Funds									246,998
Non-U.S. Equity Mutual Funds									203,633
Real Assets									250,056
Private Equity									19,356
Repurchase Agreement									115,503
Bank Investments									220,390
Money Market/Cash Equivalents									244,636
<b>Total Investments</b>									<b>\$2,086,185</b>

## INTEREST RATE RISK

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. This risk is measured using effective duration. At the time of purchase, the effective maturity of direct investment purchases by the University in the operating portfolio cannot exceed sixty-three months. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolios. Each fixed income portfolio is managed to an appropriate benchmark.

## CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation to the University. The University manages exposure to credit risk by measuring portfolios against benchmarks as established by the Board of Regents. As of June 30, 2014, the University's long term bond funds benchmark is AA (Barclays Capital Aggregate Bond Index).

## CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. Except for Treasury or Agency debentures, pass-throughs or REMICs, no more than 5% of University investment portfolios are invested in securities of a single issuer. All direct investment purchases by the University in the operating portfolio are U.S. Treasury and Agency securities.

## DEPOSITS WITH TRUSTEES

Investments on deposit with trustees, paying and copaying agents for the purpose(s) of paying current obligations of bond principal and interest, for holding Bond Reserve Funds or for holding Construction Funds as specified by bond resolutions at June 30, 2014 and 2013, totaled \$15,002,000 and \$20,443,000, respectively. At June 30, 2014, \$8,049,000 of the \$15,002,000 was invested in U.S. Government Agency securities with a credit quality rating of AAA and an effective duration of 0.88 years.

### *Note 3—Accounts Receivable, Pledges Receivable, Due From Government Agencies and Notes Receivable*

#### ACCOUNTS RECEIVABLE (in thousands)

	University and Blended Component Units	UIHC, Affiliates and UI Physicians	Total
Accounts Receivable	\$86,800	\$632,113	\$718,913
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	2,596	411,054	413,650
<b>Accounts Receivable, Net, June 30, 2014</b>	<b>\$84,204</b>	<b>\$221,059</b>	<b>\$305,263</b>
Accounts Receivable	\$89,924	\$553,231	\$643,155
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	2,290	358,673	360,963
<b>Accounts Receivable, Net, June 30, 2013</b>	<b>\$87,634</b>	<b>\$194,558</b>	<b>\$282,192</b>

#### PLEDGES RECEIVABLE (FOUNDATION)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2014 and 2013 is as follows (in thousands):

	2014	2013
Gross pledges receivable	\$147,087	\$123,197
Less present value discount of \$19,249 for 2014 and \$15,091 for 2013 and allowance for doubtful pledges of \$3,677 for 2014 and \$3,080 for 2013	22,926	18,171
<b>Total</b>	<b>\$124,161</b>	<b>\$105,026</b>

Pledges receivable at June 30, 2014 are expected to be collected in the following periods (in thousands):

	Total
In one year or less	\$53,792
Between one year and five years	67,312
More than five years	25,983
<b>Total</b>	<b>\$147,087</b>

## DUE FROM GOVERNMENT AGENCIES

Due from government agencies at June 30, 2014 and 2013 are comprised of \$5,853,000 and \$8,282,000, respectively, due from the State of Iowa and \$71,244,000 and \$62,548,000, respectively, due from United States government agencies.

## NOTES RECEIVABLE

Current notes receivable at June 30, 2014 and 2013 are \$2,255,000, net of an allowance of \$163,000, and \$2,286,000, net of an allowance of \$169,000, respectively. Noncurrent notes receivable at June 30, 2014 and 2013 are \$24,647,000, net of an allowance of \$1,784,000, and \$23,866,000, net of an allowance of \$1,763,000, respectively.

### Note 4—Capital Assets

A summary of capital assets activity for the year ended June 30, 2014 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
<i>Nondepreciable/Nonamortizable</i>					
Land	\$63,075	21	-	-	\$63,096
Construction in Progress	386,948	361,805	(163,486)	-	585,267
Intangibles in Development	6,374	10,615	(661)	727	15,601
Art and Historical Collections	33,716	83	-	8,829	24,970
Library Materials	285,568	15,275	-	1,892	298,951
Capital Assets, Nondepreciable/Nonamortizable	775,681	387,799	(164,147)	11,448	987,885
<i>Depreciable/Amortizable</i>					
Land Improvements	23,685	-	(531)	-	23,154
Infrastructure	533,243	-	52,904	-	586,147
Buildings	2,633,289	-	111,075	1,073	2,743,291
Equipment	624,697	67,598	38	45,188	647,145
Intangibles	83,695	3,040	661	516	86,880
Capital Assets, Depreciable/Amortizable	3,898,609	70,638	164,147	46,777	4,086,617
Less Accum. Depreciation/Amortization	(2,024,726)	(171,609)	-	(43,708)	(2,152,627)
Depreciable/Amortizable Assets, Net	1,873,883	(100,971)	164,147	3,069	1,933,990
<b>Capital Assets, Net</b>	<b>\$2,649,564</b>	<b>286,828</b>	<b>-</b>	<b>14,517</b>	<b>\$2,921,875</b>

### Note 5—Long-Term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2014 is as follows (in thousands):

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<i>Long-term debt:</i>					
Bonds payable	\$1,198,144	162,511	102,912	1,257,743	\$50,290
Notes payable	22,158	44,950	14,725	52,383	8,210
Capital lease payable	21,313	-	914	20,399	941
Total long-term debt	1,241,615	207,461	118,551	1,330,525	59,441
<i>Other long term liabilities:</i>					
Early retirement benefits payable	4,519	-	2,452	2,067	1,990
Other postemployment benefits other than pensions	59,941	22,300	7,208	75,033	-
Compensated absences	133,747	93,411	90,407	136,751	93,083
Refundable allowances on student loans	22,710	137	126	22,721	-
Unearned revenue	1,391	259	-	1,650	-
Total other long term liabilities	222,308	116,107	100,193	238,222	95,073
<b>Total long term liabilities</b>	<b>\$1,463,923</b>	<b>323,568</b>	<b>218,744</b>	<b>1,568,747</b>	<b>\$154,514</b>

## BONDS PAYABLE

Bonds have been sold to finance certain capital projects and are outstanding at June 30, 2014, as follows (in thousands):

	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
<i>Bond Issues</i>			
Academic Buildings	2.00 - 5.00	2015-2037	\$170,945
Add: Unamortized Premium			5,282
Athletic Facilities	2.50 - 5.30	2015-2037	141,400
Less: Unamortized Discount			(32)
Add: Unamortized Premium			531
Center for University Advancement	4.25 - 4.75	2015-2020	4,430
Hospital	2.00 - 6.125	2015-2039	330,105
Add: Unamortized Premium			13,013
Iowa Memorial Union	2.00 - 5.00	2016-2026	6,420
Add: Unamortized Premium			865
Parking System	2.00 - 4.00	2015-2041	61,070
Add: Unamortized Premium			1,200
Recreational Facilities	3.00 - 4.875	2015-2035	70,625
Add: Unamortized Premium			158
Residence Services	0.30 - 4.00	2015-2035	91,490
Add: Unamortized Premium			3,220
Telecommunications	2.00 - 4.50	2015-2037	37,125
Less: Unamortized Discount			(1)
Add: Unamortized Premium			184
University of Iowa Facility (UIFC) Corporation	2.00 - 5.00	2015-2038	159,385
Less: Unamortized Discount			(22)
Add: Unamortized Premium			2,460
Utility System	2.00 - 5.00	2015-2038	154,540
Add: Unamortized Premium			3,350
<b>Total</b>			<b>\$1,257,743</b>

As of June 30, 2014, unspent bond proceeds totaled \$177,655,000. Unspent bond proceeds by segment are: Academic Revenue Bonds \$27,647,000; Hospital Revenue Bonds \$115,486,000; Parking Revenue Bonds \$9,220,000; Residence Services Revenue Bonds \$25,302,000.

The bonds will mature as follows (in thousands):

	Principal	Interest	Total
<i>Year Ending June 30</i>			
2015	\$50,290	46,215	\$96,505
2016	52,810	44,538	97,348
2017	56,210	42,728	98,938
2018	58,940	40,770	99,710
2019	60,860	38,682	99,542
2020-2024	305,975	159,574	465,549
2025-2029	302,315	99,292	401,607
2030-2034	216,590	45,413	262,003
2035-2039	118,365	10,874	129,239
2040-2042	5,180	187	5,367
Less: Unamortized Discount	(55)	-	(55)
Add: Unamortized Premium	30,263	-	30,263
<b>Total</b>	<b>\$1,257,743</b>	<b>528,273</b>	<b>\$1,786,016</b>

As provided in the various bond resolutions, the University has the right to redeem certain bonds prior to the above maturity dates, under stated conditions.



Work on Hancher Auditorium, the UI's largest flood replacement project, is about one-third complete and is scheduled to host its first performance in fall 2016.

## NOTES PAYABLE

The University has the following notes payable outstanding at June 30, 2014:

<i>Purpose</i>	<b>Interest Rates</b>	<b>Maturity Dates</b>	<b>Amount</b>
Athletic Facility	2.48%	2015-2024	\$27,609
Fleet Services 1	1.60%	2015-2018	1,173
Fleet Services 2	1.69%	2015-2019	2,026
Kinnick Scoreboard	2.41%	2015-2019	6,635
Oakdale Research Park	2.23%	2015-2016	4,946
Parking Access & Revenue	2.24%	2015-2019	4,500
Plaza Centre One	4.59%	2015-2016	339
University Athletic Club	5.05%	2015-2016	4,155
Wells Fargo Line of Credit	0.20-1.155%	2015	1,000
<b>Total</b>			<b>\$52,383</b>

Assets acquired under these notes had a net book value of \$48,815,000 as of June 30, 2014.

As of June 30, 2014, unspent note proceeds totaled \$11,750,000. Unspent note proceeds by project are: Athletic Facility \$7,264,000; Parking Access and Revenue System \$4,486,000.

The notes will mature as follows (in thousands):

<i>Year Ending June 30</i>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$8,210	1,305	\$9,515
2016	14,378	936	15,314
2017	6,311	651	6,962
2018	6,138	506	6,644
2019	4,163	380	4,543
2020-2024	13,183	692	13,875
<b>Total</b>	<b>\$52,383</b>	<b>4,470</b>	<b>\$56,853</b>

## CAPITAL LEASES PAYABLE

Capital leases outstanding at June 30, 2014, are as follows (in thousands):

<i>Purpose</i>	Interest Rates	Lease Period	Amount
Parking structure - Iowa River Landing	2.95%-5.00%	2015-2031	\$20,399

The following is a schedule, by year, of future minimum payments required (in thousands):

<i>Year Ending June 30</i>	Principal	Interest	Total
2015	\$941	602	\$1,543
2016	969	574	1,543
2017	998	545	1,543
2018	1,027	516	1,543
2019	1,057	486	1,543
2020-2024	5,775	2,410	8,185
2025-2029	6,677	1,760	8,437
2030-2033	2,955	223	3,178
<b>Total</b>	<b>\$20,399</b>	<b>7,116</b>	<b>\$27,515</b>

Assets acquired under these capital leases had a net book value of \$20,399,000 as of June 30, 2014.

### **Note 6—Operating Leases**

The University has leased various buildings to house several departments of the University. These leases have been classified as operating leases. Accordingly, all rents are charged to expense as incurred. These leases expire from fiscal year 2015 to fiscal year 2034, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is an annual schedule of future minimum rental payments required under operating leases which have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2014 (in thousands).

<i>Year Ending June 30</i>	<b>Amount</b>
2015	\$10,713
2016	7,477
2017	4,359
2018	2,831
2019	2,304
2020-2024	7,107
2025-2029	1,498
2030-2034	73
<b>Total</b>	<b>\$36,362</b>

All leases contain non-appropriation clauses indicating that continuation of the lease is subject to funding by the Iowa State Legislature.

Rental expense for the year ended June 30, 2014, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$11,946,000.

#### ***Note 7—Retirement Programs***

##### **TEACHERS INSURANCE AND ANNUITY ASSOCIATION**

The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. During fiscal years 2014 and 2013, the University's required and actual contribution amounted to \$104,065,000 and \$101,144,000, respectively. During fiscal years 2014 and 2013, the employees' required and actual contribution amounted to \$52,030,000 and \$50,572,000, respectively.

## IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The University contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 5.95%, 5.78% and 5.38% respectively, of their annual covered salary and the University is required to contribute 8.93%, 8.67% and 8.07%, respectively, of annual covered payroll for the years ended June 30, 2014, 2013 and 2012. Contribution requirements are established by State statute. The required contribution paid by employees for the years ended June 30, 2014, 2013 and 2012 were \$3,812,000, \$3,145,000 and \$2,535,000, respectively. The University's required contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$5,722,000, \$4,718,000 and \$3,802,000, respectively, equal to required contributions for each year.

### Note 8—Post-Employment Benefits

#### EARLY RETIREMENT

The early retirement programs were approved by the Board of Regents in April, 2009, and in March, 2010. Those eligible for participation were faculty, professional-scientific employees, institutional officials, staff of the Board Office and all merit system employees employed by the Board of Regents who had attained the age of 57 by July 1, 2009 for the 2009 program and age 55 at time of termination and at least 10 years of service for the 2010 program. The employee's department head and the appropriate administrative officers approved the employee's participation. The following benefits are applicable during participation in the Early Retirement Program:

1. **Health and Dental Insurance**—The University will pay the full cost of the single employee premium for health and dental insurance or its standard share of any coverage other than single for a period of five years. This contribution shall be equal to the amount contributed for an active employee in the same plan.
2. **TIAA/CREF Contributions**—During the first three years, the University will pay both the employer and employee retirement contributions. During the next two years in the program, the university will pay only the employer contribution.

The University has recognized an early retirement benefit liability of \$2,067,000 as of June 30, 2014, calculated on merit, faculty and P & S employee personnel. The early retirement liability for health and dental insurance has been rolled into GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB). During fiscal year 2014, retirement expenditures for the four hundred twenty (420) participants in the early retirement incentive program totaled \$2,452,000.

## REGULAR RETIREMENT

GASB Statement No. 45 requires the University to record and disclose an actuarially determined liability for the present value of projected future benefits for retired and active employees.

## PLAN DESCRIPTION

The University operates a single-employer retiree benefit plan. For post-employment benefits of retirees, the University contributes toward the cost of University of Iowa health insurance and the entire cost to purchase a paid-up life insurance policy, which varies in amounts from \$2,000 to \$4,000, depending upon length of service.

## FUNDING POLICY

The contribution requirements of plan members are established and may be amended by the University. Benefits are financed centrally by the University on a pay-as-you-go basis. Health insurance total expenditures for fiscal year 2014 were \$5,026,000 with 1,735 eligible participants as of June 30, 2014. Life insurance total expenditures for fiscal year 2014 were \$58,000 with 3,074 eligible participants as of June 30, 2014.

## ANNUAL OPEB COST AND NET OPEB OBLIGATION FOR PROFESSIONAL & SCIENTIFIC AND FACULTY

For fiscal year 2014, the University contributed \$7.2 million to the plan. Plan members receiving benefits contributed 44 percent of the premium costs. In fiscal year 2014, total member contributions were \$5.7 million.

The University currently plans to continue to finance retiree healthcare benefits on a pay-as-you-go basis from internal University monies. However, the University plans to earmark internal assets in the amount of 65 percent of the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The University will amortize the initial unfunded accrued liability (UAL) over an open thirty year period. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess). The current ARC of \$19.9 million is 2.2% of annual payroll.

The following table presents the OPEB obligation for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2014 (in thousands):

Annual Required Contribution	\$19,916
Interest on Net OPEB Obligation	3,088
Adjustment to Annual Required Contribution	(2,425)
Annual OPEB Cost (Expense)	\$20,579
Contributions Made	(7,208)
Increase in Net OPEB Obligation	\$13,371
Net OPEB Obligation - Beginning of Year	41,182
<b>Net OPEB Obligation - End of Year</b>	<b>\$54,553</b>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are summarized as follows (in thousands):

<i>Fiscal Year Ended</i>	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$16,133	53.00%	\$32,879
6/30/13	\$17,272	51.90%	\$41,182
6/30/14	\$20,579	35.00%	\$54,553

### **FUNDED STATUS AND FUNDING PROGRESS**

As of June 30, 2014, the actuarial accrued liability (AAL) for benefits was \$276.3 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$276.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$924.2 million and the ratio of the UAAL to the covered payroll was 29.9 percent. As of June 30, 2014, there were no trust fund assets.

### **ACTUARIAL METHODS AND ASSUMPTIONS**

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the following, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects for legal or contractual funding limitations on the pattern of cost sharing between the employer and plan member in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 5 percent discount rate based on the University's funding policy (earmarking the ARC internally) and the expected long-term returns on the University's internal capital. The projected annual healthcare trend rate is initially 8 percent for pre-65 costs and 7 percent for post-65 costs, reduced in decrements to an ultimate rate of 5 percent after eight years. The expected long-term payroll growth rate is assumed to be 3.5 percent per year. The UAAL is being amortized as a level percent of pay on an open basis over thirty years.

## **TERMINATION**

The University continues faculty, P&S, and merit exempt terminated employees' benefits for health, dental, vision and hearing aid insurance under the Consolidated Omnibus Budget Reconciliation Act of 1985, modified by the Tax Reform Act and the Budget Reconciliation Act of 1986.

Four hundred forty-nine (449) terminated employees continued their benefits by assuming total financial responsibility. No University costs are associated with the premiums, but claims are the responsibility of the University since the insurance plans are self-insured.

## **OTHER POSTEMPLOYMENT BENEFITS**

The University's merit employees are participants in the State of Iowa postretirement medical plan (OPEB Plan). The State of Iowa recognized the implicit rate subsidy for the OPEB Plan as required by GASB Statement No. 45. The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. This method requires the calculation of an unfunded actuarial liability, which is approximately \$233.0 million for the State of Iowa at June 30, 2014. The University's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2014. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

The University recognized a net OPEB liability of \$20.5 million for other postemployment benefits, which represents the University's portion of the State's net OPEB liability. The University's portion of the net OPEB liability was calculated using the ratio of full time equivalent University merit employees compared to all full time equivalent employees of the State of Iowa.

The University recognized a net OPEB liability of \$54.5 million for its retiree benefit plan and a liability of \$20.5 million for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of \$75.0 million.

**Note 9—Other Commitments and Risk Management**

**COMMITMENTS**

At June 30, 2014 and 2013, the University had outstanding construction contract commitments of \$554,234,000 and \$393,883,000, respectively.

**RISK MANAGEMENT**

Following are risk financing and insurance related issues as defined by GASB Statement No. 10 Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.

**Property Loss**—The University purchases catastrophic property insurance for academic/general fund facilities with a single incident deductible of \$5 million. The University may seek reimbursement for property losses in excess of \$5,000 from the State of Iowa pursuant to Iowa Code Chapter 29C.20. Money from the state contingent fund may be requested for repairing, rebuilding, or restoring state property injured, destroyed, or lost by fire, storm, theft, or unavoidable causes. The University maintains conventional property insurance on self-supporting, revenue-producing, and auxiliary facilities which are an integral part of the operations of the University. Insured facilities include the Residence Halls, the Utility System, Telecommunications, Iowa Memorial Union, Athletic Facilities, University of Iowa Hospitals & Clinics, and other auxiliary operations. The University's annual limit is \$2 billion, the maximum available on the November 1, 2013 renewal.

The properties of the Utility and Telecommunications Systems are appraised annually and specific coverage and valuation data are as follows:

*Utility System specific coverage is as follows:*

Utility System Operations Building & Contents	\$784,646,000
Power Plant Building & Contents	\$196,848,000

*Telecommunications Facilities premium is based on the following values:*

Building	\$31,148,000
Contents	\$9,650,000
Income	\$5,758,000

**Tort Liability**—The University of Iowa is an agency of the State of Iowa and is covered by the State's self-insurance for tort liability. Tort claims against the State are handled as provided in the Iowa Tort Claims Act (Iowa Code, Chapter 669) which also sets forth the procedures by which tort claims may be brought. Claims under Chapter 669 may be filed against the State on account of wrongful death, personal injury or property damage incurred by reason of the negligence of

the University or its employees while acting within the scope of employment. By inter-agency agreement, tort liability claims under \$5,000 may be administered by the University subject to a maximum expenditure of \$100,000 per year. All other tort claims may be paid from the State's general fund.

**Motor Vehicle Liability**—The University of Iowa and other Board of Regents' institutions are self-insured for automobile liability up to \$250,000. Claims over \$250,000 are paid by the State of Iowa, as provided in Chapter 669 of the Code of Iowa. Coverage for physical damage (comprehensive and collision) to University vehicles is included in the Board of Regents' self-insurance program. Each loss is subject to a \$500 deductible.

**Fidelity/Crime Coverage**—The State maintains an employee fidelity bond where the first \$100,000 in losses is the responsibility of the University. Under the State coverage, losses in excess of the \$100,000 deductible are insured up to \$2,000,000. The University maintains separate fidelity and crime coverage, which extends to all employees, and includes coverage for robbery and theft. The University's bond provides an additional \$8,000,000 in coverage over the state bond.

**Workers' Compensation**—The University participates in a State self-funded program. The University pays a monthly premium for this coverage.

**Unemployment Compensation**—The University self-funds unemployment compensation claims received from Iowa Workforce Development on a reimbursement basis.

**College of Medicine Faculty Malpractice Claims**—Based on actuarial analysis, the College of Medicine has incurred a cumulative probable loss of \$15,489,000 as of June 30, 2014. Starting 1/1/03, the University of Iowa Faculty Practice plan (the Plan) became University of Iowa Physicians (UIP) and has self-funded its physician's professional liabilities with a \$5M per occurrence, \$9M aggregate limit of liability with the State of Iowa picking up loss amounts in excess of \$5M. Iowa Medical Mutual Insurance Company (IMMIC) was formed on 7/1/04 to provide claims-made coverage with a retroactive date of 7/1/04 for the \$2M excess of \$3M per occurrence layer that UIP retains. Claims reported after 7/1/04 with occurrence dates prior to 7/1/04 have a \$5M per occurrence retention, while claims reported after 7/1/04 with occurrence dates after 7/1/04 have a \$3M per occurrence retention.

**Employee Medical and Dental Claims**—The University purchases life, health, dental and disability insurance for eligible permanent employees. Based on actuarial analysis of employee medical and dental claims, the University has incurred but not reported claims of \$11,106,000 as of June 30, 2014.

**Reconciliation of Loss Contingencies (in thousands)—**

	FY 2014	FY 2013
Claims and contingent liabilities accrued at July 1	\$25,690	\$23,116
Claims incurred and contingent liabilities accrued for the current year	166,124	149,548
Payments on claims during the fiscal year	(165,217)	(146,974)
Claims and contingent liabilities at June 30	<u>\$26,597</u>	<u>\$25,690</u>

**Insurance Settlements**—For those risks that the University has purchased commercial insurance, only the property insurance has claims in excess of the commercial coverage due to the 2008 flood. All other settled claims have not exceeded commercial coverage in the past three years.

**Pollution Remediation** — In accordance with GASB Statement No. 49 Accounting & Financial Reporting for Pollution Remediation Obligation, we have identified two potential pollution remediation liability events. A description of the nature of the sites and allegations are described below. The two matters were both brought pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as “Superfund”. The potential associated liability is not reasonably estimable at this time.

1. The LWD Incinerator Site is a hazardous waste disposal site located in Kentucky. The University received a demand letter regarding this site, alleging that the University of Iowa, having contributed waste to the site, is a potentially responsible party. The demand letter alleged that according to EPA’s database the University of Iowa contributed 151,606 pounds of materials to the LWD Incinerator Site over the years covering 1983, 1986 and 1987. University General Counsel responded by letter to the attorney who submitted the demand letter, denying liability. A lawsuit was then filed in Federal District Court in Kentucky against the University and other potentially responsible parties, based upon the same claim involving the LWD Incinerator Site. The Attorney General’s Office filed a motion to dismiss and included supporting brief in the case. The federal court did not dismiss the lawsuit, and the Attorney General’s Office is planning to file a motion for summary judgment in the case. Currently, the litigation is still pending in the District Court of Kentucky.
2. The Marine Shale Processors site was a hazardous waste disposal site located in Louisiana. The University received a demand letter in September of 2012 from a group of potentially responsible parties (PRP) at the site alleging that the University of Iowa is a PRP at the site and had shipped between 5 and 10 tons of materials to the Marine Shale Processors site for disposal in 1991. University General Counsel responded by letter denying the liability on the part of The University of Iowa. The University has not heard anything further and is not aware of any claims filed.

### *Note 10—Debt Defeasance*

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In September of 2013, the University issued \$18,780,000 of Academic Building Revenue Refunding Bonds, Series S.U.I. 2013, with an average interest rate of 4.67% and accrued interest of \$9,000 to advance refund \$20,180,000 of outstanding Academic Building Revenue Bond, Series S.U.I 2004 with interest ranging between 4.0 and 4.5%.

Net bond proceeds of \$21,138,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Academic Building Revenue Bond, Series S.U.I 2004 will be called on July 1, 2014.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$1,438,000; and reduced the aggregate debt service payments by \$1,628,000 over the next eleven years.

In May of 2014, the University issued \$6,420,000 of Iowa Memorial Union Revenue Refunding Bonds, Series S.U.I. 2014, with an average interest rate of 4.34% and accrued interest of \$14,000 to advance refund \$7,120,000 of outstanding Iowa Memorial Union Revenue Bonds, Series S.U.I 2005 with interest rates ranging between 3.75 and 4.30%.

Net bond proceeds of \$7,275,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Iowa Memorial Union Revenue Bonds, Series S.U.I 2005 will be called on July 1, 2015.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$550,000; and reduced the aggregate debt service payments by \$588,000 over the next eleven years.

In May of 2014, the University issued \$17,905,000 of Utility System Revenue Refunding Bonds, Series S.U.I. 2014, with an average interest rate of 2.33% and accrued interest of \$23,000 to advance refund \$17,275,000 of outstanding Utility System Revenue Refunding Bonds, Series S.U.I 2006 with interest rates ranging between 4.0 and 4.375%.

Net bond proceeds of \$17,992,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Utility System Revenue Bonds, Series S.U.I 2006 will be called on November 1, 2015.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$1,205,000; and reduced the aggregate debt service payments by \$1,359,000 over the next twelve years.

In May of 2014, the University issued \$7,970,000 of University of Iowa Facilities Corporation (UIFC) Revenue Refunding Bonds, Series S.U.I. 2014 (Old Capitol Town Center), with an average interest rate of 2.73% and accrued interest of \$12,000 to advance refund \$8,065,000 of outstanding UIFC Revenue Refunding Bonds, Series S.U.I 2005 (Old Capitol Town Center) with interest rates ranging between 4.0 and 4.25%.

Net bond proceeds of \$8,193,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The UIFC Revenue Bonds (Old Capitol Center), Series S.U.I 2005 will be called on June 1, 2015.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$552,000; and reduced the aggregate debt service payments by \$578,000 over the next eleven years.

The amount of defeased debt outstanding but removed from the Statement of Net Position at June 30, 2014, is as follows:

	<b>Amount (in thousands)</b>
<i>Bond Issues</i>	
Academic	\$20,180
Iowa Memorial Union	7,620
Utility	18,375
Old Capitol Town Center	8,065
Parking	12,595
<b>Total</b>	<b>\$66,835</b>

### Note 11—Operating Expenses By Function

A summary of operating expenses by functional classification for the year ended June 30, 2014 follows (in thousands):

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	\$308,341	10,820	30,653	-	\$349,814
Research	201,623	34,104	61,332	-	297,059
Public service	50,543	9,569	21,798	-	81,910
Academic support	149,563	12,842	5,019	-	167,424
Patient services	770,720	260,633	249,650	-	1,281,003
Student services	21,971	2,442	7,611	-	32,024
Institutional support	54,120	5,087	5,009	-	64,216
Operations and maintenance of plant	866	2,396	75,737	-	78,999
Scholarships and fellowships	13,100	-	17,733	-	30,833
Depreciation and amortization	-	-	-	171,609	171,609
Auxiliary enterprises	77,037	11,825	77,792	-	166,654
Other operating expenses	6,277	3,734	14,245	-	24,256
<b>Total</b>	<b>\$1,654,161</b>	<b>353,452</b>	<b>566,579</b>	<b>171,609</b>	<b>\$2,745,801</b>

### Note 12—Restricted Net Position

A summary of restricted net position follows (in thousands):

	June 30, 2014	June 30, 2013
<i>Restricted - nonexpendable:</i>		
Permanent endowment	\$117,437	\$108,231
<i>Restricted - expendable:</i>		
Research and gifts	\$105,552	\$89,435
Student loans	20,522	19,749
Term endowments	32,767	38,819
Capital projects:		
Sinking	34,485	31,529
Reserve	103,913	98,253
Renewal & replacement	24,146	26,218
<b>Total</b>	<b>\$321,385</b>	<b>\$304,003</b>

The Foundation's temporarily restricted net assets at June 30, 2014 and 2013 were restricted for the following (in thousands):

	June 30, 2014	June 30, 2013
Program support	\$171,392	\$158,535
Student support	102,712	83,919
Faculty support	113,561	92,160
Facilities and equipment	69,881	69,913
Research	81,620	61,858
Remainder interest in trusts	23,665	20,549
<b>Total</b>	<b>\$562,831</b>	<b>\$486,934</b>

The Foundation's net position during the years ended June 30, 2014 and 2013 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence or passage of time.

The Foundation's permanently restricted net assets at June 30, 2014 and 2013 were restricted for the following (in thousands):

	June 30, 2014	June 30, 2013
Undesignated	\$6,852	\$6,882
Program support	97,104	93,330
Student support	172,803	160,539
Faculty support	189,638	176,165
Facilities and equipment	6,328	6,434
Research	68,662	65,053
Perpetual trusts	7,567	6,946
Remainder interest in trusts	12,249	10,441
<b>Total</b>	<b>\$561,203</b>	<b>\$525,790</b>

### ***Note 13— Other Discretely Presented Component Units***

GASB Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34, provides guidance in determining whether organizations are to be included as part of a reporting entity. The University of Iowa has determined that, in accordance with the provisions of these statements, the financial activity of the University of Iowa Research Foundation (UIRF) and University of Iowa Health Systems and Subsidiaries (UIHS) should be reported as discretely presented component units.

#### **A - The University of Iowa Research Foundation**

The University of Iowa Research Foundation (UIRF) - a 501(c)(3) corporation - commercializes University of Iowa developed technologies and inventions through licensing and new venture formation, and manages the subsequent revenue stream. See Note 1 for additional information. UIRF reports on a fiscal year ended June 30. Requests for the separately issued financial statements should be directed to the Controller's Office, University of Iowa, B5 Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIRF for the years ended June 30, 2014 and 2013 are presented below (in thousands):

### CONDENSED STATEMENT OF NET ASSETS

	2014	2013
<i>Assets</i>		
Cash, investments and other assets	\$22,650	\$24,344
Capital assets, net	4	14
<b>Total Assets</b>	<b>22,654</b>	<b>24,358</b>
<i>Liabilities</i>		
Accounts payable and other current liabilities	782	871
Long-term liabilities (current and noncurrent portions)	100	5
<b>Total Liabilities</b>	<b>882</b>	<b>876</b>
<i>Net Assets</i>		
Net investment in capital assets	4	14
Unrestricted	21,768	23,468
<b>Total Net Assets</b>	<b>21,772</b>	<b>23,482</b>
<b>Total Liabilities and Net Assets</b>	<b>\$22,654</b>	<b>\$24,358</b>

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2014	2013
<i>Program Expenses</i>		
Intellectual properties expense	\$6,333	\$5,565
Other	266	401
<b>Total Program Expenses</b>	<b>6,599</b>	<b>5,966</b>
<i>Program Revenues</i>		
Intellectual properties income	3,503	2,522
Investment income	1,167	483
Payment from primary government	219	343
<b>Total Program Revenues</b>	<b>4,889</b>	<b>3,348</b>
Change in Net Assets	(1,710)	(2,618)
Net Assets, Beginning of Year	23,482	26,100
Net Assets, End of Year	<b>\$21,772</b>	<b>\$23,482</b>

### B - University of Iowa Health System and Subsidiaries

University of Iowa Health System and Subsidiaries (UIHS) was incorporated under the provisions of the Iowa Nonprofit Corporations Act on December 2, 1994. UIHS was formed to support the clinical, academic, and research programs of the University of Iowa College of Medicine and the University of Iowa Hospitals and Clinics. See Note 1 for additional information. UIHS reports on a fiscal year ended December 31. Requests for the separately issued financial statements should be directed to the Controller's Office, University of Iowa, B5 Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIHS for the years ended December 31, 2013 and 2012 are presented below (in thousands):

### CONDENSED STATEMENT OF NET ASSETS

	2013	2012
<i>Assets</i>		
Cash, investments and other assets	\$22,408	\$23,352
Capital assets, net	220	274
<b>Total Assets</b>	<b>22,628</b>	<b>23,626</b>
<i>Liabilities</i>		
Accounts payable and other current liabilities	1,547	1,244
Accounts held for other component units	5,155	5,364
<b>Total Liabilities</b>	<b>6,702</b>	<b>6,608</b>
<i>Net Assets</i>		
Net investment in capital assets	220	274
Unrestricted	15,706	16,744
<b>Total Net Assets</b>	<b>15,926</b>	<b>17,018</b>
<b>Total Liabilities and Net Assets</b>	<b>\$22,628</b>	<b>\$23,626</b>

### CONDENSED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

	2013	2012
<i>Program Expenses</i>		
Patient Services	\$11,530	\$11,247
Management services	12,001	10,492
Depreciation	152	177
<b>Total Program Expenses</b>	<b>23,683</b>	<b>21,916</b>
<i>Program Revenues</i>		
Patient Services	7,816	7,385
Management services	13,107	11,860
Investment income	40	69
Other	1,628	2,555
<b>Total Program Revenues</b>	<b>22,591</b>	<b>21,869</b>
Change in Net Assets	(1,092)	(47)
Net Assets, Beginning of Year	17,018	17,065
Net Assets, End of Year	<b>\$15,926</b>	<b>\$17,018</b>

#### **Note 14—Subsequent Events**

In October 2014, the University received approval from the State Board of Regents to issue Academic Building Revenue Bonds, Series S.U.I. 2014A in the amount of \$24,560,000. The proceeds of the bonds will be used to pay or reimburse a portion of the costs of building, repairing, replacing, reconstructing and equipping flood damaged buildings and facilities on the campus of the University damaged by the flood of 2008; fund a reserve fund; and pay the costs of issuing the said Bonds. These bonds will bear interest at varying rates between 2.00% and 3.20% and will mature in varying amounts from July 1, 2016 through July 1, 2035.

#### **Note 15—Restatement**

As a result of adopting GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, unamortized bond issuance costs which were previously reported as assets have been expensed, as follows:

	<u>(in thousands)</u>
Net position at June 30, 2012, as previously reported	\$3,100,158
Unamortized bond issuance costs expensed	<u>(9,220)</u>
<b>Net position at June 30, 2012, as restated</b>	<b><u><u>\$3,090,938</u></u></b>

#### **Note 16—Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions—an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

## **Note 17—Segment Information**

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A segment represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding. Investors in Academic Building Revenue Bonds rely on pledged tuition and fees revenues generated by the University for repayment. Investors in bonds of all other bond enterprises rely solely on the revenue generated by the individual activities for repayment. The University's segments are described as follows:

### **ACADEMIC BUILDING REVENUE BONDS**

The Academic Building Revenue Bond Funds were created to defray the costs of constructing and renovating academic buildings of the University.

### **ATHLETIC FACILITIES REVENUE BONDS**

The Athletic Facilities Revenue Bond Funds were created to defray the costs of constructing and equipping certain athletic and recreational buildings and facilities at the University. The revenues pledged to these bonds are generated by student fees, tickets sold to athletic events and concessions at athletic events.

### **CENTER FOR UNIVERSITY ADVANCEMENT REVENUE BONDS**

The Center for University Advancement Revenue Bond Funds were created to defray the costs of constructing, furnishing, and equipping a building to be used as the Center for University Advancement at the University. The revenues pledged to these bonds are rental payments received from the University of Iowa Foundation for the use of the building.

### **HOSPITAL REVENUE BONDS**

The Hospital Revenue Bond Funds were created to defray the costs of various construction and renovation projects at the University of Iowa Hospitals & Clinics. The revenues pledged to these bonds consist of charges to patients for medical services.

### **IOWA MEMORIAL UNION (IMU) REVENUE BONDS**

The Iowa Memorial Union (IMU) Revenue Bond Funds were created to defray the cost of alterations and improvements to the IMU at the University. The revenues pledged to these bonds are generated by fees paid by users of the IMU and from student fees.

### **PARKING SYSTEM REVENUE BONDS**

The Parking System Revenue Bond Funds were created to defray additional costs of constructing, improving, and equipping various parking facilities at the University. The revenues pledged to these bonds are generated by fees paid by users of the parking facilities.

### **RECREATIONAL FACILITIES REVENUE BONDS**

The Recreational Facilities Revenue Bonds were created to defray the costs of building, furnishing, and equipping the Campus Recreation and Wellness Center and constructing improvements to the University Field House at the University. The revenues pledged to these bonds consist of student fees and charges.

### **RESIDENCE SERVICES REVENUE BONDS**

The Residence Services Revenue Bond Funds were created to defray additional costs of constructing, improving and maintaining various residence halls and related facilities at the University. The revenues pledged to these bonds are generated by fees paid by users of the residence halls' services.

### **TELECOMMUNICATIONS FACILITIES REVENUE BONDS**

The Telecommunications Facilities Revenue Bond Funds were created to defray the costs of constructing, equipping, furnishing, and improving the telecommunications facilities of the University. The revenues pledged to these bonds come from charges assessed to the users of the telecommunications facilities.

### **UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS**

The University of Iowa Facilities Corporation Revenue Bond Funds were created to provide financial assistance to the University of Iowa for the acquisition and construction of facilities for the benefit of the University of Iowa. The bonds are payable solely from the lease payments paid by the University of Iowa for the facilities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the University of Iowa.

### **UTILITY SYSTEM REVENUE BONDS**

The Utility System Revenue Bond Funds were created to defray additional costs to construct, equip and furnish the utility system of the University. The revenues pledged to these bonds come from charges assessed to the users of the utility system.

### **FUND ACCOUNTING**

In order to ensure the observance of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting. Each fund provides a separate set of self-balancing accounts which comprises its assets, liabilities, reserves, net position, revenues and expenses. Fund accounting is the procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds according to the activities or objectives specified. The University has set up accounts which are consistent with the flow of funds per requirements of the bond covenants.

### **TRANSFERS IN (OUT)**

After meeting certain requirements specified in the bond agreements, the balance of net receipts may be transferred to the University for its general operations. However, all such monies that have been transferred shall be returned by the University, if necessary, to satisfy the requirements of the bond indentures.

## Segment Reporting (in thousands)

Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
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### CONDENSED STATEMENT OF NET POSITION

#### Assets:

Current assets	\$17,125	\$21,505	\$773	\$429,990
Capital assets	492,094	127,807	6,633	699,136
Other noncurrent assets	40,453	11,568	938	721,399
Total assets	549,672	160,880	8,344	1,850,525

Deferred outflows of resources	-	-	-	452
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#### Liabilities:

Current liabilities	16,767	21,631	772	211,848
Noncurrent liabilities	170,482	137,114	3,760	413,588
Total liabilities	187,249	158,745	4,532	625,436

Deferred inflows of resources	1,400	-	-	16
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#### Net Position:

Invested in capital assets, net of related debt	341,651	(14,092)	2,202	457,748
Restricted - expendable	19,372	16,343	1,610	7,571
Unrestricted	-	(116)	-	760,206
Total net position	\$361,023	\$2,135	\$3,812	\$1,225,525

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues	\$358,548	\$33,906	-	\$1,189,532
Depreciation expense	(24,524)	(6,849)	(901)	(73,639)
Other operating expenses	(1,370)	(13,593)	-	(1,061,305)
Net operating income (loss)	332,654	13,464	(901)	54,588
Nonoperating revenues (expenses)	(4,270)	(5,130)	(194)	45,594
Transfers from/(to) University funds	(331,730)	(9,821)	852	(42,331)
Change in net position	(3,346)	(1,487)	(243)	57,851
Net position, beginning of year, as restated	364,369	3,622	4,055	1,167,674
Net position, end of year	\$361,023	\$2,135	\$3,812	\$1,225,525

### CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by operating activities	\$358,601	\$19,275	-	\$150,002
Net cash provided (used) by noncapital financing activities	(329,394)	(12,547)	852	(42,281)
Net cash provided (used) by capital and related financing activities	916	(9,759)	(862)	(155,461)
Net cash provided (used) by investing activities	(1,051)	(3,115)	31	47,765
Net increase (decrease) in cash	29,072	(6,146)	21	25
Cash and cash equivalents, beginning of year	12,560	27,705	797	2,129
Cash and cash equivalents, end of year	\$41,632	\$21,559	\$818	\$2,154

IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
\$3,063	\$2,981	\$5,776	\$9,606	\$4,754	\$43	\$12,782
34,945	93,480	94,704	129,667	32,946	208,909	266,225
642	24,231	9,609	53,848	12,586	14,971	16,841
38,650	120,692	110,089	193,121	50,286	223,923	295,848
-	-	-	57	-	1,564	810
3,614	4,596	5,777	10,740	4,358	9,838	9,749
7,284	60,850	67,858	90,081	34,838	152,458	150,815
10,898	65,446	73,635	100,821	39,196	162,295	160,564
700	630	-	1,247	38	336	2,200
26,960	39,800	23,920	59,067	(4,400)	48,314	106,940
633	4,080	10,884	26,993	5,873	14,542	15,980
(541)	10,736	1,650	5,050	9,579	-	10,974
\$27,052	\$54,616	\$36,454	\$91,110	\$11,052	\$62,856	\$133,894
\$14,161	\$18,531	\$4,127	\$67,855	\$23,555	-	\$87,827
(1,540)	(2,577)	(3,024)	(6,184)	(1,090)	(5,105)	(13,986)
(17,230)	(12,725)	(6,822)	(55,394)	(17,260)	(115)	(57,563)
(4,609)	3,229	(5,719)	6,277	5,205	(5,220)	16,278
(72)	(85)	(2,996)	148	(1,246)	(6,128)	(3,318)
4,448	(463)	19,984	1,055	(1,675)	31,542	(15,959)
(233)	2,681	11,269	7,480	2,284	20,194	(2,999)
27,285	51,935	25,185	83,630	8,768	42,662	136,893
\$27,052	\$54,616	\$36,454	\$91,110	\$11,052	\$62,856	\$133,894
(\$3,070)	\$4,870	(\$2,622)	\$11,031	\$6,226	-	\$28,828
(689)	(499)	890	(152)	(946)	14,679	(14,976)
2,144	(1,321)	1,709	(2,667)	(4,489)	(20,280)	(24,113)
995	228	(2,617)	(1,090)	(677)	(492)	(4,456)
(620)	3,278	(2,640)	7,122	114	(6,093)	(14,717)
692	9,470	11,775	46,464	11,824	6,124	29,795
\$72	\$12,748	\$9,135	\$53,586	\$11,938	\$31	\$15,078

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Center for University Advancement Revenue Bonds	Hospital Revenue Bonds
<b>DEBT SERVICE COVERAGE</b>				
Debt service coverage % - Required	N/A	125%	100%	130%
Debt service coverage % - Actual	N/A	204%	100%	651%

#### PORTION OF REVENUE PLEDGED

Annual debt service (principal & interest)	\$11,008	\$10,716	\$874	\$19,702
Net pledged revenue	348,095	21,852	874	128,228
Annual debt service/Net operating revenues (%)	3%	49%	100%	15%

#### REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2014, is as follows:

Beginning Balance, as restated	\$122,259	\$146,113	\$5,075	\$349,982
Additions	80,596	-	-	-
Reductions	26,628	4,214	645	6,864
<b>Ending Balance</b>	<b>\$176,227</b>	<b>\$141,899</b>	<b>\$4,430</b>	<b>\$343,118</b>

#### DEBT SERVICE REQUIREMENTS

A summary of revenue bond debt service for payment of principal and interest is shown below. As of June 30, 2014, the amount shown for debt service payments due on July 1 were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Mar & Sep 1st
Due on demand	\$25	-	-	-
2015	12,457	10,625	859	24,674
2016	12,006	10,596	850	24,533
2017	12,865	10,618	853	24,442
2018	13,916	10,673	834	24,305
2019	13,845	10,697	838	24,252
2020-2024	68,712	54,616	844	120,128
2025-2029	59,175	55,498	-	114,772
2030-2034	39,283	37,550	-	76,228
2035-2039	10,263	7,239	-	65,882
2040-2042	-	-	-	-
Unamortized Discount and Premium	5,282	499		13,012
<b>Total</b>	<b>\$247,829</b>	<b>\$208,611</b>	<b>\$5,078</b>	<b>\$512,228</b>

#### COMMITMENTS

As of June 30, 2014, the University has entered into contract commitments for construction projects as follows:

<b>Contract Commitments</b>	<b>\$158,567</b>	<b>\$356</b>	<b>-</b>	<b>\$186,725</b>
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	IMU Revenue Bonds	Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
	120%	120%	125%	135%	110%	N/A	120%
	191%	244%	132%	240%	165%	N/A	184%
	\$812	\$3,018	\$6,048	\$7,000	\$3,848	\$14,956	\$17,438
	1,553	7,369	7,965	16,776	6,355	N/A	32,007
	52%	41%	76%	42%	61%	N/A	54%
	\$8,100	\$43,030	\$73,546	\$70,351	\$40,266	\$171,029	\$168,393
	7,285	20,001	-	28,238	-	8,255	18,136
	8,100	761	2,763	3,879	2,958	17,461	28,649
	\$7,285	\$62,270	\$70,783	\$94,710	\$37,308	\$161,823	\$157,890
	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Dec & Jun 1st	May & Nov 1st
	-	-	-	-	-	-	-
	158	3,089	5,995	7,346	3,811	14,855	12,611
	698	3,420	4,856	8,519	3,113	14,731	14,026
	733	4,612	4,979	8,484	2,395	14,727	14,230
	739	4,511	5,116	8,327	2,391	14,725	14,173
	737	4,514	5,098	8,289	2,380	14,765	14,127
	3,689	19,529	27,179	35,485	11,976	58,112	65,279
	1,482	15,484	26,020	20,653	12,149	48,370	48,004
	-	13,195	24,795	19,047	11,500	23,493	16,912
	-	13,321	4,941	1,882	4,932	11,892	8,887
	-	5,367	-	-	-	-	-
	865	1,200	158	3,221	183	2,438	3,350
	\$9,101	\$88,242	\$109,137	\$121,253	\$54,830	\$218,108	\$211,599
	\$13,340	\$11,205	\$4,921	\$28,019	\$364	\$7,263	\$5,057

## Required Supplementary Information

### June 30, 2014

The following schedule represents the University's actuarially determined funding progress using the projected unit credit actuarial cost method. See Note 8 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, Net OPEB Obligation, and funded status and funding progress.

#### SCHEDULE OF FUNDING PROGRESS BY VALUATION DATE

(in thousands)

<i>Fiscal Year Ended</i>	<i>Valuation Date</i>	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a percentage of Covered Payroll
6/30/12	7/1/11	-	\$151,820	\$151,820	0.00%	\$836,794	18.10%
6/30/13	7/1/12	-	\$169,800	\$169,800	0.00%	\$906,000	18.70%
6/30/14	7/1/13	-	\$276,300	\$276,300	0.00%	\$924,200	29.90%

As a result of a change in the discount rate from 7.5% to 5.0%, the Actuarial Accrued Liability increased from the prior year. All other assumptions used in the calculation remained the same.



## OFFICE OF THE CONTROLLER ACCOUNTING & FINANCIAL REPORTING

**Terry L. Johnson**  
Associate Vice President and University Controller

**Selina J. Martin**  
Associate Controller

**Steve Romont**  
Director, Accounting & Financial Reporting

**Yan Huang**  
Assistant Director, Accounting & Financial Reporting

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This financial report is designed to provide users with a general overview of the University of Iowa's finances and to demonstrate the University's accountability for the funds received. Questions regarding this report, or requests for additional financial information, should be directed to the Controller's Office, University of Iowa, B5 Jessup Hall, Iowa City, IA 52242 or phone 319-335-0062. An electronic version can be found at [afr.fo.uiowa.edu/annual-reports](http://afr.fo.uiowa.edu/annual-reports).

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