



**STATE UNIVERSITY OF IOWA,
UNIVERSITY OF IOWA HEALTH CARE – HOSPITAL SYSTEM**

Financial Statements

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

**STATE UNIVERSITY OF IOWA,
UNIVERSITY OF IOWA HEALTH CARE – HOSPITAL SYSTEM**

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KPMG LLP
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Independent Auditors' Report

The Iowa Board of Regents:

Opinion

We have audited the financial statements of the University of Iowa Health Care – Hospital System (the “System”), a department of the State University of Iowa, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter – Basis of Presentation

As discussed in note 1(a), the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of that portion of the State University of Iowa that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State University of Iowa, as of June 30, 2025 and 2024, the changes in its financial position, or its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Adoption of New Accounting Pronouncement

As discussed in Note 1(o) to the financial statements, in 2025, the System adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences* (GASB 101). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not



a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and other required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

KPMG LLP

Minneapolis, Minnesota
October 31, 2025

**STATE UNIVERSITY OF IOWA,
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Management's Discussion and Analysis

June 30, 2025 and 2024

Introduction

This section of the State University of Iowa, University of Iowa Health Care – Hospital System (the System) annual financial report presents Management's Discussion and Analysis (MD&A) for the years ended June 30, 2025 and 2024. MD&A provides condensed comparative financial information with analysis of significant changes, a discussion of significant capital asset and long-term financing activity, and currently known facts. Beginning July 1, 2024, the reporting entity is referred to as University of Iowa Health Care – Hospital System, formerly known as University of Iowa Hospitals and Clinics (UIHC), see Note 1(a) – Reporting Entity. Readers should consider the MD&A in conjunction with the financial statements and accompanying notes.

Overview of the Financial Statements

The basic financial statements include the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows, prepared on the accrual basis in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Notes to the Financial Statements are an integral part of these statements and provide additional detail and required disclosures.

Financial Highlights

- *Key volumes* – Demand for core services remained strong as admissions increased 8%, acute patient days increased 2%, surgical cases increased 5%, emergency department visits increased 31%, and ambulatory visits increased 12%.
- *Operating results* – Operating income was \$296 million, down \$122 million (29%) year over year, as operating revenues grew 14% while operating expenses grew 21%.
- *Mission Cancer + Blood (MC+B)* – The Iowa Board of Regents approved an asset purchase agreement with Mission Cancer + Blood, PLLC, on October 8, 2024, advancing the System's goal of expanding access to high-quality cancer care across Iowa. The agreement was finalized on December 31, 2024, at which time the results from clinical operations were incorporated into the System's financial reporting. The System provided \$280 million of consideration to acquire substantially all assets and sustained access to MC+B's established brand, reputation, position in the oncology market, highly trained and specialized workforce, and rights to clinical facilities under long-term lease agreements. The asset purchase agreement was accounted for as a government acquisition under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The excess consideration over the net position acquired is presented as a deferred outflow of resources.
- *Medical Center North Liberty (MCNL)* – In fiscal year 2025 the System opened a new hospital and medical office building to expand access to orthopedic and rehabilitation services and add emergency and surgical capacity, including additional beds, operating and procedure rooms, exam rooms, advanced diagnostic imaging and lab services, as well as a retail pharmacy. Certificate of occupancy was granted in March 2025 resulting in \$472 million of capital assets being placed into service. Patient care operations began in late April 2025.
- *Nonoperating results* – Nonoperating revenue (expense), net declined by \$133 million (129%) versus fiscal year 2024, primarily due to increased support provided for State University of Iowa (University) managed capital projects and academic and research initiatives.

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- *Change in net position* – Net position increased \$268 million (8%) to \$3,473 million in fiscal year 2025, compared to an increase of \$509 million (19%) in fiscal year 2024.
- *Capital asset activity* – Capital assets, net, increased \$237 million to \$1,847 million in fiscal year 2025, primarily driven by capitalization of MCNL building and equipment assets.
- *Debt* – On February 13, 2025 the System issued \$242 million of Series S.U.I. 2025A Revenue Bonds whose proceeds are being used to support various capital projects.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

The condensed statements of revenues, expenses, and changes in net position present the System's results of operations in accordance with generally accepted accounting principles for a government entity.

Table 1 shows the changes in net position for fiscal year 2025, fiscal year 2024, and fiscal year 2023. Fiscal year 2024 and 2023 balances have been restated to reflect the retroactive adoption of GASB Statement No. 101, *Compensated Absences*, which increased the System's compensated absences liability by approximately \$4 million as of July 1, 2022, with no material impact on subsequent years' earnings or cash flows. Asset purchase agreements with Mercy Hospital, Iowa City, Iowa, and MC+B, were finalized on January 31, 2024, and December 31, 2024, respectively. Results from patient care operations are included from those respective dates forward.

Table 1
Condensed Statements of Revenues, Expenses, and Changes in Net Position
(In thousands)

	<u>2025</u>	<u>Restated 2024</u>	<u>Restated 2023</u>
Operating revenue:			
Net patient service revenue	\$ 3,447,676	3,024,754	2,760,854
Other revenue	72,892	67,004	59,751
Total operating revenue	<u>3,520,568</u>	<u>3,091,758</u>	<u>2,820,605</u>
Operating expenses:			
Salaries and benefits	1,157,631	1,029,919	920,884
Medical supplies and drugs	1,172,646	912,987	813,050
Other supplies and general expenses	726,097	589,201	541,756
Depreciation and amortization	168,529	142,317	134,818
Total operating expenses	<u>3,224,903</u>	<u>2,674,424</u>	<u>2,410,508</u>
Operating income	295,665	417,334	410,097

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	<u>2025</u>	<u>Restated 2024</u>	<u>Restated 2023</u>
Total nonoperating revenue, net	\$ (30,011)	103,054	42,039
Income before contributions and transfers	265,654	520,388	452,136
Contributions and transfers, net	2,524	(11,902)	(15,228)
Increase in net position	268,178	508,486	436,908
Net position, beginning of year	3,204,552	2,696,066	2,263,226
Cumulative effect of adoption of accounting standard	—	—	(4,068)
Net position, end of year	\$ <u>3,472,730</u>	<u>3,204,552</u>	<u>2,696,066</u>

Drivers of change:

- *Total operating revenue* – Increased \$429 million (14%) relative to fiscal year 2024 on higher volumes across inpatient and ambulatory operations.
- *Total operating expenses* – Increased \$550 million (21%) compared to fiscal year 2024 primarily due to increased volumes, inflationary effects on labor and medical supplies and drugs, and additional non-cash depreciation and amortization expenses stemming from MCNL building and equipment assets being placed in service and MC+B deferred outflow amortization.
- *Operating income* – Decreased \$122 million (29%) to \$296 million as growth in operating expenses outpaced growth in operating revenues.
- *Total nonoperating revenue, net* – Decreased by \$133 million (129%), primarily due to increased support provided for State University of Iowa (University) managed capital projects and academic and research initiatives.
- *Change in net position* – Increased \$268 million (8%) to \$3.5 billion in fiscal year 2025 as a result of the above items.

Condensed Statements of Net Position

The condensed statements of net position present the assets, deferred outflows, liabilities, deferred inflows, and net position of the System as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of the System, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

Table 2 summarizes the System's assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2025, 2024, and 2023. Fiscal year 2024 and 2023 balances have been restated to reflect the retroactive adoption of GASB Statement No. 101, *Compensated Absences*, which increased the System's compensated absences liability by approximately \$4 million as of July 1, 2022, with no material impact on

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Management's Discussion and Analysis

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subsequent years' earnings or cash flows. Asset purchase agreements with Mercy Hospital, Iowa City, Iowa, and MC+B, were finalized on January 31, 2024, and December 31, 2024, respectively. Results from patient care operations are included from those respective dates forward.

Table 2
Condensed Statements of Net Position
(In thousands)

	<u>2025</u>	<u>Restated 2024</u>	<u>Restated 2023</u>
Assets and Deferred Outflows			
Current assets	\$ 1,219,106	1,053,029	889,542
Capital assets, net	1,848,608	1,612,048	1,358,341
Noncurrent cash and investments	1,852,599	1,821,089	1,761,466
Other assets	<u>3,826</u>	<u>1,974</u>	<u>1,901</u>
Total assets	4,924,139	4,488,140	4,011,250
Deferred outflows	<u>314,269</u>	<u>64,197</u>	<u>52,924</u>
Total assets and deferred outflows	<u>\$ 5,238,408</u>	<u>4,552,337</u>	<u>4,064,174</u>
Liabilities, Deferred Inflows, and Net Position			
Current liabilities	\$ 482,828	393,519	388,260
Long-term debt	960,270	653,084	677,136
Long-term lease and subscription IT obligations	162,778	132,420	127,037
Other long-term liabilities	<u>124,757</u>	<u>126,989</u>	<u>137,559</u>
Total liabilities	<u>1,730,633</u>	<u>1,306,012</u>	<u>1,329,992</u>
Deferred inflows	35,045	41,773	38,116
Total net position	<u>3,472,730</u>	<u>3,204,552</u>	<u>2,696,066</u>
Total liabilities, deferred inflows, and net position	<u>\$ 5,238,408</u>	<u>4,552,337</u>	<u>4,064,174</u>

Drivers of change:

- *Current assets* – Increased by \$166 million (16%) in fiscal year 2025 consistent with volume growth and anticipated higher *balances* in cash, short-term investments, medical supply and drug inventories, and receivables.
- *Capital assets, net* – Increased by \$237 million (15%) in fiscal year 2025 largely due to capitalization of MCNL building and equipment assets.
- *Deferred outflows of resources* – Increased by \$250 million primarily driven by the excess consideration provided in the MC+B asset purchase agreement.

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Management's Discussion and Analysis

June 30, 2025 and 2024

- *Current liabilities* – Increased \$89 million (23%) in fiscal year 2025 partially due to growth in accounts payable consistent with volume increases and dues to related parties.
- *Long-term debt* – Increased \$307 million (47%) due to the \$242 million Series S.U.I. 2025A Revenue Bond issuance and recognition of an \$84 million deferred payment obligation stemming from the MC+B asset purchase agreement.
- *Net position* – Increased \$268 million (8%) in fiscal year 2024 as a result of the factors described in the statements of revenues, expenses, and changes in net position analysis.

Statements of Cash Flows

The statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. The System's overall liquidity increased during fiscal year 2025, with a net increase in cash and cash equivalents of \$18 million. Operating activities provided \$421 million, noncapital financing used \$115 million, driven by transfers to related parties. Capital and related financing activities used \$340 million largely due to MCNL building and equipment costs, outflows stemming from the MC+B asset purchase agreement, and inflows from the receipt of revenue bond proceeds. Investing activities provided \$52 million. See Statements of Cash Flows for additional details.

Adoption of New Accounting Standards

In fiscal year 2025, the System implemented GASB Statement No. 101, *Compensated Absences* (GASB 101), which establishes a single model for the recognition and measurement of leave-based liabilities. The System's existing policy to record compensated absence liabilities was consistent with the new standard, with the exception of discounting sick leave that is more-likely-than-not to be used to present value. Changes adopted to conform to the provisions of GASB 101 were applied retroactively by restating financial statements for all periods presented. The System adopted GASB 101 effective July 1, 2022, and increased the compensated absences liability by approximately \$4 million and a corresponding reduction in beginning net position due to measuring sick leave at current value on the transition date. Earnings, cash flows, and overall financial position were not materially impacted by the restatement.

In fiscal year 2025, the System also implemented GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), which improves financial reporting by providing users of financial statements with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. No concentrations or constraints met the disclosure criteria as of issuance.

Contacting Financial Management

This financial report provides the citizens of Iowa, the System's patients, bondholders, and creditors with a general overview of finances and operations. If you have questions about this report, please contact Mark Henrichs, Associate Vice President for Finance and Chief Financial Officer

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Statements of Net Position

June 30, 2025 and 2024

(In thousands)

Assets and Deferred Outflows	2025	Restated 2024
Current assets:		
Cash and cash equivalents	\$ 31,706	14,218
Short-term investments	280,044	222,087
Patient accounts receivable, net of estimated uncollectible of \$56,838 in 2025 and \$50,090 in 2024	420,022	384,060
Inventories, at lower of cost or market	96,654	74,536
Current investments for debt service – restricted	12,830	10,759
Due from government agencies	341,857	313,025
Prepaid expenses and other current assets	35,993	34,344
Total current assets	<u>1,219,106</u>	<u>1,053,029</u>
Noncurrent assets:		
Capital assets, net	1,848,608	1,612,048
Noncurrent cash and investments	1,852,599	1,821,089
Other noncurrent assets	3,826	1,974
Total noncurrent assets	<u>3,705,033</u>	<u>3,435,111</u>
Total assets	<u>4,924,139</u>	<u>4,488,140</u>
Deferred outflow of resources:		
Excess consideration provided for acquisition	256,350	3,456
Pension-related deferred outflows	39,796	38,510
OPEB-related deferred outflows	17,670	21,497
Debt refunding loss	453	734
Total deferred outflows	<u>314,269</u>	<u>64,197</u>
Total assets and deferred outflows	<u>\$ 5,238,408</u>	<u>4,552,337</u>
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 24,004	20,385
Current portion of lease and subscription IT obligations	29,503	21,636
Accounts payable and accrued expenses	315,477	268,884
Estimated third-party payer settlements	5,580	18,598
Due to related parties	55,530	16,174
Other current liabilities	40,588	40,146
Accrued interest	12,146	7,696
Total current liabilities	<u>482,828</u>	<u>393,519</u>
Long-term debt and other obligations, net of current maturities	960,270	653,084
Long-term portion of lease and subscription IT obligations	162,778	132,420
Other long-term liabilities	124,757	126,989
Total liabilities	<u>1,730,633</u>	<u>1,306,012</u>
Deferred inflow of resources:		
Pension-related deferred inflows	200	358
OPEB-related deferred inflows	33,293	40,269
Leases	905	409
Debt refunding gain	647	737
Total deferred inflows	<u>35,045</u>	<u>41,773</u>
Net position:		
Net investment in capital assets	841,580	797,441
Restricted by donors for specific purposes	14,782	12,791
Restricted for debt service	13,695	11,624
Unrestricted	2,602,673	2,382,696
Total net position	<u>3,472,730</u>	<u>3,204,552</u>
Total liabilities, deferred inflows, and net position	<u>\$ 5,238,408</u>	<u>4,552,337</u>

See accompanying notes to financial statements.

**STATE UNIVERSITY OF IOWA,
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Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2025 and 2024

(In thousands)

	<u>2025</u>	<u>Restated 2024</u>
Operating revenue:		
Net patient service revenue, net of provision for bad debts of \$74,374 in 2025 and \$49,902 in 2024	\$ 3,447,676	3,024,754
Other revenue	72,892	67,004
Total operating revenue	<u>3,520,568</u>	<u>3,091,758</u>
Operating expenses:		
Salaries and benefits	1,157,631	1,029,919
Medical supplies and drugs	1,172,646	912,987
Other supplies and general expenses	726,097	589,201
Depreciation and amortization	168,529	142,317
Total operating expenses	<u>3,224,903</u>	<u>2,674,424</u>
Operating income	<u>295,665</u>	<u>417,334</u>
Nonoperating revenue (expenses):		
(Loss) gain on disposal of capital assets	(1,205)	80
Noncapital gifts	457	391
Investment income	142,526	125,985
Interest expense	(30,901)	(23,402)
Net transfers out	(140,888)	—
Total nonoperating revenue, net	<u>(30,011)</u>	<u>103,054</u>
Income before contributions and transfers, net	265,654	520,388
Capital gifts and grants	2,524	2,404
Net transfers out	—	(14,306)
Increase in net position	268,178	508,486
Net position, beginning of year	3,204,552	2,696,066
Net position, end of year	<u>\$ 3,472,730</u>	<u>3,204,552</u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

	<u>2025</u>	<u>2024 Restated</u>
Cash flows from operating activities:		
Receipts from patient services	\$ 3,363,383	2,919,463
Other receipts	63,685	66,875
Payments to employees	(1,142,960)	(1,023,302)
Payments to suppliers and contractors	(1,863,284)	(1,512,393)
Net cash provided by operating activities	<u>420,824</u>	<u>450,643</u>
Cash flows from noncapital financing activities:		
Net transfers	(115,888)	(14,306)
Noncapital gifts	457	391
Net cash used in noncapital financing activities	<u>(115,431)</u>	<u>(13,915)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(307,634)	(365,996)
Acquisition of clinical operations	(192,081)	—
Proceeds from the sale of capital assets	71	455
Capital gifts and grants received	2,524	2,404
Proceeds from the issuance of long-term debt	241,665	—
Premium received on the issuance of long-term debt	9,246	—
Principal paid on long-term debt and other obligations	(62,701)	(45,271)
Interest paid on long-term debt and other obligations	(30,850)	(28,049)
Other capital and related financing receipts	14	12
Net cash used in capital and related financing activities	<u>(339,746)</u>	<u>(436,445)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	493,114	421,907
Purchase of investments	(507,923)	(472,570)
Interest and dividends received on investments	66,650	52,692
Net cash provided by investing activities	<u>51,841</u>	<u>2,029</u>
Net increase in cash and cash equivalents	17,488	2,312
Cash and cash equivalents at beginning of year	<u>14,218</u>	<u>11,906</u>
Cash and cash equivalents at end of year	<u>\$ 31,706</u>	<u>14,218</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 295,665	417,333
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	168,529	142,317
Provision for bad debts	74,374	49,902
Changes in assets and liabilities:		
Accounts receivable	(110,336)	(139,159)
Inventories and supplies	(15,431)	(8,825)
Other assets	(2,649)	(6,515)
Accounts payable and accrued expenses	46,593	33,117
Other liabilities	(8,427)	(6,011)
Due to (from) related parties	14,356	(21,917)
Estimated third-party payer settlements and due from government agencies	(41,850)	(9,599)
Net cash provided by operating activities	<u>\$ 420,824</u>	<u>450,643</u>
Supplemental schedule of noncash noncapital financing, capital financing, and investing activities:		
Unrealized change in fair value of investments	\$ 75,866	73,064
(Loss) gain on disposal of capital assets	(1,205)	80
Obligations acquired under lease agreements	80,520	32,459
Acquisition of right-of-use assets	80,423	34,472
Accrued transfer out to related party	25,000	—
Obligations incurred as part of acquisition of clinical operations	84,000	—

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

(1) Summary of Significant Accounting Policies and Related Matters

(a) Financial Reporting Entity

For purposes of this report, the State University of Iowa, University of Iowa Health Care – Hospital System (the System) includes the system of hospitals, health care centers, and medical office buildings of the State University of Iowa (the University) that are operated, controlled, and managed by the Board of Regents, State of Iowa (the Board).

The System is a department of the University for financial reporting purposes. The University is a component unit of the State of Iowa (the State). Accordingly, these financial statements present only the financial position and the changes in financial position and cash flows of the System and do not purport to present the financial position, changes in financial position, or cash flows for the University or the State of Iowa.

Beginning in fiscal year 2025, the reporting entity formerly referred to in these financial statements as University of Iowa Hospitals and Clinics (UIHC) is referred to as University of Iowa Health Care – Hospital System. This change reflects a branding update and does not change the scope of the reporting entity. References in the University's and Board's Trust Indenture and related bond documents to the System or UIHC correspond to the reporting entity presented herein.

The scope of the System is consistent with the Trust Indenture definition of the Hospital System and prior practice. The System includes substantially all the healthcare provider activities for patient care associated with the University except the following: (i) the physician, dentist services, and research activities provided by the faculties of the University's Colleges of Medicine, Dentistry, and Nursing; (ii) the University Hygienic Laboratory, Student Health Services, and Specialized Child Health Services outreach programs; and (iii) the University of Iowa Health System (UIHS), an affiliated Iowa nonprofit corporation, and its subsidiaries or joint-ventures. Transactions with these excluded entities are disclosed in Note 8 – Transactions with Related Parties.

The System includes:

- *Medical Center University (MCU)* – The primary comprehensive academic medical center located on the University campus in Iowa City. MCU includes Stead Family Children's Hospital (SFCH) and services associated with the Holden Comprehensive Cancer Center. MCU is a major tertiary and quaternary-level health care referral center offering a full range of clinical services in substantially all specialties and subspecialties of medicine serving as a resource for the State's primary and secondary healthcare providers.
- *Medical Center Downtown (MCD)* – On January 31, 2024, the University completed an asset purchase agreement with Mercy Hospital, Iowa City, including a hospital in Iowa City and primary and specialty care clinics in eastern Iowa. The acquired hospital located on the Downtown campus in Iowa City is referred to as MCD. The System's financial statements include activity related to the acquired operations from January 31, 2024, forward.

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- *Medical Center North Liberty (MCNL)* – A facility that houses orthopedics and rehabilitation services and provides for additional surgical capacity. Patient care services at MCNL began in April 2025.
- *Health Centers & Ambulatory Clinics* – A network of System-operated outpatient locations providing primary care, urgent care, diagnostic, and specialty services across Iowa.

(b) Basis of Presentation

The System's basic financial statements are prepared in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB) using the economic resources measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses when liabilities are incurred, regardless of the timing of related cash flows. The System is reported as a special purpose government entity (business-type activity) of the University.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the System's financial statements include patient accounts receivable allowances, third-party payer settlements, the valuation of investments, self-insurance and professional liability reserves, useful lives and recoverability of capital assets, compensated absences, and pension and other-post-employment-benefit amounts.

(d) Cash, Cash Equivalents, and Investments

Pooled arrangements – Certain balances of the System include specific investments and other cash and investments that are pooled with the cash and investments of the University and held in the name of the University. The System's share of pooled investments and income thereon is determined on a pro rata basis reflecting the System's amounts available for investment as compared with the amounts for the overall University.

Cash and cash equivalents – For purposes of the statements of net position and statements of cash flows, cash and cash equivalents are reported in accordance with Board policy, which states in part: to appropriately reflect the Board's overall investment strategy and as outlined in the Governmental Accounting Standards Board (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 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 and 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

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cash equivalents. Accordingly, cash and cash equivalents include demand deposits and short-term, highly liquid investments with original maturities of three months or less.

Short-term investments – Short-term investments are instruments with original maturities greater than three months and less than one year from the date of acquisition, including any portion of the pooled position that does not meet the cash equivalent definition above.

Investments - 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*; GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; and GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in certain commingled funds for which a quoted market price is not readily determinable are measured using net asset value (NAV) per share as a practical expedient and are excluded from the fair value hierarchy. Unrealized gains and losses on the carrying value of the investments are recognized in nonoperating investment income in the statements of revenues, expenses and changes in net position. Additional information about the restrictions, fair value hierarchy, and investment risk disclosures is presented in Note 2.

Current vs noncurrent classification – Cash, cash equivalents, and investments are classified as current when expected to be realized or available to fund obligations within one year. Amounts restricted for long-term purposes are reported as noncurrent regardless of expected liquidity.

Restrictions – Noncurrent cash and investments may be limited by bond resolutions or donor restrictions. See Note 2 – Cash and Investments for amounts and purposes at June 30, 2025 and 2024.

(e) Inventories and Supplies

Classification and recognition – Inventories consist primarily of medical, surgical, pharmaceutical, dietary, and other supplies and are reported as current assets and are recognized as expenses when consumed.

Measurement – Inventories are stated at the lower of cost or net realizable value. Cost is determined using the inventory method in place for the respective unit, which includes weighted average cost, first-in, first-out, or most recent cost depending on the perpetual or periodic system in use. Management believes the use of these methods approximates cost for financial reporting purposes and differences between methods are not material to the financial statements.

Reserves – Inventories are reduced for obsolete, expired, or slow-moving items and to reflect expected shrink or losses where applicable. Adjustments to valuation are recorded in the period identified.

(f) Capital Assets, Net

The System's capital assets (excluding intangible right-of-use lease and subscription-based IT assets) are reported at historical cost or acquisition-date fair value for donated assets. Construction in progress is capitalized as incurred and transferred to the appropriate class when placed in service.

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Expenditures are capitalized in accordance with the capitalization thresholds established by the System. All capital assets other than land are depreciated or amortized using the straight-line method of depreciation using the following asset lives:

Buildings and leasehold improvements	5–40 Years
Infrastructure and land improvements	5–20 Years
Equipment and software	3–10 Years

(g) Leases and Subscription-Based Information Technology Arrangements

The System is a lessee for various noncancellable leases of building and equipment. The System also has noncancellable subscription-based information technology agreements (SBITAs) for the right-of-use information technology software.

Short-term leases and SBITAs – For leases and SBITAs with a maximum possible term of 12 months or less at commencement, the System recognizes expense based on the provisions of the lease contract or subscription IT arrangement, respectively.

Lease and SBITAs other than short-term – For all other leases and SBITAs (i.e., those that are not short-term) whose total discounted minimum payment obligations are greater than the System's capitalization thresholds, the System recognizes a lease or SBITA liability and an intangible right-of-use lease asset (lease asset) or SBITA asset.

Measurement of lease and subscription IT amounts – At lease and SBITA commencement, the System initially measures the right-of-use liability at the present value of payments expected to be made during the lease or subscription term. Subsequently, the right-of-use liability is reduced by the principal portion of payments made. The related right-of-use asset is initially measured as the initial amount of the right-of-use liability, less payments made at or before the commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any incentives received at or before the commencement date. Subsequently, the right-of-use asset is amortized into amortization expense on a straight-line basis over the shorter of the lease or SBITA term or the useful life of the underlying asset. If the System is reasonably certain of exercising a purchase option contained in an agreement, the related asset will be amortized over the useful life of the underlying asset.

Key estimates and judgments – Key estimates and judgments include how the System determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription term, and (3) lease and subscription payments.

- The System generally uses published rates from United States Department of Treasury's State and Local Government Series (SLGS) as a proxy for its estimated incremental borrowing rate as the discount rate for leases and subscription agreements unless the rate that the lessor/vendor charges is known. The SLGS rate is determined based on the start date and length of the lease term. The System's incremental borrowing rate for leases and SBITAs is based on the rate of

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interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease under similar terms at the commencement or remeasurement date.

- The lease or subscription term includes the noncancellable period of the lease or SBITA, plus any additional periods covered by either the System or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the System and the lessor/vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by the System to determine if they should be included in the measurement of the lease or subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as variable payments, payments for termination penalties, and residual value guarantees.
- The System recognizes lease assets and liabilities for leases whose undiscounted minimum payment obligations exceed \$1,000,000. The System recognizes SBITA assets and liabilities for whose undiscounted minimum payment obligations exceed \$250,000.

Remeasurement of lease and SBITA amounts – The System monitors changes in circumstances that may require remeasurement of a lease or subscription arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or subscription liability, the liability is remeasured and a corresponding adjustment is made to the lease.

Presentation in statements of net position – Lease and subscription assets are reported with capital assets, net and lease and subscription liabilities are reported with current portion of lease and subscription IT obligations and long-term portion of lease and subscription IT obligations.

(h) Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods while deferred inflows of resources represent acquisitions of net position that apply to future periods. These amounts are recognized as expense (outflows) or revenue/reductions of expense (inflows) in the periods to which they relate.

Items reported by the System as deferred outflows and inflows of resources typically include:

- *Pensions and other postemployment benefits* – deferred outflows and inflows of resources related to these plans include: (i) differences between expected and actual experience, (ii) changes in assumptions, (iii) differences between projected and actual investment earnings, and (iv) contributions subsequent to the measurement date. Except for investment earnings differences, these amounts are recognized in expense over the average remaining service lives. Differences between projected and actual investment earnings are recognized in expense over five years, while contributions subsequent to the measurement date are recognized in the following fiscal year.

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- *Losses (gains) on debt refundings* – Deferred outflows for debt refunding losses (and deferred inflows for refunding gains) are amortized as a component of interest expense over the shorter of the remaining life of the old debt or the new debt.
- *Government acquisitions* – Deferred outflows that arise when excess consideration provided for acquisitions are recognized as amortization expense on a systematic and rational basis over the period of expected benefits to operations.
- *Leases* – A deferred inflow of resources is recognized and amortized as lease revenue over the lease term. Related receivables are presented in prepaid expenses and other current assets.

(i) Gifts and Grants

The System receives gifts from individuals and private organizations and grants from governmental and nongovernmental sources. Gifts and grants may be restricted for either specific operating purposes or capital purposes.

Recognition – Nonexchange gifts and grants are recognized as revenue when all eligibility requirements are met, which may include time requirements, purpose restrictions, incurrence of allowable costs, and other contingencies. Exchange grant awards are recognized as exchange revenues as services are provided. Gifts received through affiliated foundations and transferred to the System are recognized when control of the resources is obtained by the System.

Classification – Grants that support patient-care operations are reported in other revenue. Gifts and grants that are restricted for capital acquisition or construction are reported as capital gifts and grants.

(j) Restricted Resources

Resources whose use is externally restricted by creditors, grantors, contributors, laws or regulations are reported as restricted in the Statements of Net Position. When both restricted and unrestricted resources are available for the same purpose, the System's policy is to use restricted resources first.

(k) Net Position

Net position of the System is classified in the following four components:

- *Net investment in capital assets* – This category consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of debt, lease obligations, and subscription IT obligations that are attributable to the acquisition, construction, or improvement of those assets, and is adjusted for related deferred outflows and inflows of resources.
- *Restricted by donors* – This category comprises amounts whose use is externally restricted by donors or grantors.
- *Restricted for debt service* – This category comprises amounts for resources that are restricted for debt service obligations.

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- *Unrestricted* – This category represents the residual amount of net position that is not included in the categories above. Unrestricted net position may include Board-designated amounts for specific purposes. Such designations are subject to change by the Board.

(l) Operating Revenue and Expenses

The System's statements of revenue, expenses, and changes in net position distinguish operating and nonoperating activities. Operating revenues arise from providing patient care and related healthcare services, the System's principal operations. Operating expenses are costs incurred to provide those services.

Nonoperating revenues (expenses) primarily include investment income, interest expense, noncapital gifts, and certain government or other revenues not directly tied to patient services.

The statements of revenue, expenses, and changes in net position present a subtotal titled Excess of revenue over expenses before transfers. Capital gifts and grants are reported separately below this subtotal. Net transfers out to the University and affiliated entities are presented after capital gifts and grants.

(m) Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payers and estimated uncollectible amounts. Such estimates are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

In addition to base payments, the System participates in state Medicaid State-Directed Payment (SDP) and related intergovernmental transfer (IGT) programs where amounts are recognized in net patient service revenue when eligibility criteria are met and the amounts are measurable, with related retroactive settlements accrued and adjusted as information becomes available.

(n) Charity Care

The System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the System does not pursue collection of amounts once determined to qualify as charity care, they are not reported as net patient service revenue in the accompanying statements of revenue, expenses, and changes in net position.

(o) Compensated Absences

The System provides accumulating paid leave to employees, including vacation and sick leave under the provisions of the Code of Iowa and University policy. In accordance with GASB Statement No. 101,

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Compensated Absences, (GASB 101) the System recognizes a liability for (1) leave that has not been used and is more-likely-than-not to be used or paid, and (2) leave that has been used but not yet paid.

- *Vacation* – Vacation leave accumulates and is either taken or paid out upon retirement, death, or termination, with certain exceptions. The System considers vacation to be more-likely-than-not to be used or paid, therefore, unpaid accumulated vacation is recognized as a compensated absences liability.
- *Sick leave* – Sick leave accumulates but has a limited termination payout up to a maximum of \$2,000 upon retirement, death, or termination. Consistent with GASB 101, the System recognizes amounts for sick leave that has been used but not yet paid and recognizes any expected termination payouts to the extent they are more-likely-than-not to be paid. Accumulated unused sick leave that does not meet the more-likely-than-not criterion is not recognized as a liability.

Measurement – Compensated absences are measured at current value using pay rates in effect at the statement date. Amounts are not discounted. Estimates of usage and payout patterns are based on historical experience and other relevant factors.

Recognition and classification – Increases and decreases in the liability are recognized in operating expenses. The current portion is the amount expected to be paid within 12 months after the reporting date and is presented with accounts payable and accrued expenses, the remainder is reported with other long-term liabilities.

Adoption of GASB 101 – During fiscal year 2025, the System adopted GASB 101 effective July 1, 2022. The standard was adopted retroactively by restating all periods presented. On transition, the System increased compensated absences liabilities by approximately \$4 million and reduced beginning net position as of July 1, 2022. The change primarily reflects measuring sick-leave obligations at current value rather than on a discounted basis under prior guidance. The adoption did not materially impact the System's earnings or cash flows.

(p) Pension – Iowa Public Employees Retirement System

The System participates in the Iowa Public Employees' Retirement System (IPERS), a cost-sharing, multi-employer, defined benefit pension plan administered by IPERS.

For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources, and pension expense, the System recognizes its proportionate share of the collective amounts reported by IPERS. IPERS measures the collective net pension liabilities as of June 30 each year, the System's proportion is based on its contributions relative to total IPERS employer contributions.

At the plan level, benefit payments (including refunds of employee contributions) are recognized when due in accordance with plan terms, and investments are reported at fair value.

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The System recognizes as deferred outflows of resources employer contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the next fiscal year. Other deferred outflows/inflows include differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, and changes in proportion and differences between employer contributions and proportionate share of contributions; these amounts are amortized into pension expense over the average remaining service life (or five years for investment earnings differences).

Required statutory contribution rates, covered payroll, the System's proportion, and detailed schedules are presented in Note 5 Retirement Plans and in the Required Supplementary Information.

(q) Federal Income Taxes

The System, as part of the University, is exempt from federal income taxes, pursuant to Section 115 of the Internal Revenue Code. Accordingly, the University is subject to income taxes only on unrelated business income (UBI) under the provisions of Section 511-514 of the Internal Revenue Code. The University evaluates activities for UBI exposure and files returns as required. No provision for income taxes has been recorded in the accompanying financial statements.

(r) Accounting Pronouncements Issued but Not Yet Effective

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*, (GASB 103). Effective for fiscal years beginning after June 15, 2025, GASB 103 updates key elements of the financial reporting model, including MD&A structure and content, the presentation for unusual or infrequent items, and other model refinements for both governmental and business type activities. The System is assessing the effect of GASB 103 on its MD&A, terminology, and presentation.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, (GASB 104). Effective for fiscal years beginning after June 15, 2025, GASB 104 requires that certain types of capital assets, including lease assets in accordance with GASB 87 and Subscription-Based IT Arrangements in accordance with GASB 96 be disclosed separately in the capital asset note disclosures, and introduces disclosure requirements for capital assets held for sale. The System is assessing the impact of GASB 104 on its capital asset note disclosures.

(s) Government Acquisition – Mission Cancer + Blood, PLLC

On December 31, 2024, the System acquired substantially all assets of Mission Cancer + Blood, PLLC (MC+B) pursuant to an asset purchase agreement approved by the Board on October 8, 2024, advancing the System's goal of expanding access to high-quality cancer care across Iowa. Total consideration of \$280 million, including a deferred payment obligation of \$84 million, was provided. The transaction was accounted for as a government acquisition under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. Identifiable assets and liabilities were recognized at acquisition value as of the acquisition date. The excess consideration over the net position acquired was recognized as a deferred outflow of resources. The System's financial statements include activity related to the acquired operations beginning December 31, 2024.

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(2) Cash, Cash Equivalents, and Investments

The System's cash, cash equivalents, and investments include specific holdings and amounts pooled with the University and held in the University's name. The System's pro-rata share of pooled earnings is based on its relative average balances available for investment. Cash and cash equivalents include demand deposits and short-term, highly liquid investments with original maturities of three months or less. Investments are classified as either short-term or noncurrent based on expected use and contractual restrictions consistent with the statements of net position.

Cash, cash equivalents, and investments were comprised of the following at June 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 31,706	14,218
Short-term investments	280,044	222,087
Current investments for debt service - restricted	12,830	10,759
Noncurrent cash and investments:		
Limited by bond resolutions	171,140	14,149
Internally designated for capital projects and other purposes	1,666,133	1,793,602
Restricted by donors	15,326	13,338
	<u>\$ 2,177,179</u>	<u>2,068,153</u>

The System's investments are recorded at fair value. As of June 30, 2025, the System had the following investments and quality credit ratings:

Investment Type	Effective duration (years)	TSY/AGY	AAA	AA	A	BB	B	Not Rated	Total fair value
Fixed-income:									
U.S. government treasuries	4.79	\$	—	79,582	—	—	—	—	79,582
Fixed-income pooled funds	4.19		—	542,643	—	37,091	10,693	569,268	1,159,695
		\$	—	622,225	—	37,091	10,693	569,268	1,239,277
Equity and other:									
Common stock									3,973
Mutual funds									404,401
Real estate									78,551
Private market									42,297
Cash, money market, and other cash equivalents									408,680
Total investments June 30, 2025									<u>\$ 2,177,179</u>

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As of June 30, 2024, the System had the following investments and quality credit ratings:

Investment Type	Effective duration (years)	TSY/AGY AAA	AA	A	BB	B	Not Rated	Total fair value
Fixed-income:								
Fixed-income pooled funds	4.46	\$ —	555,933	—	39,747	10,470	559,742	1,165,892
		<u>\$ —</u>	<u>555,933</u>	<u>—</u>	<u>39,747</u>	<u>10,470</u>	<u>559,742</u>	<u>1,165,892</u>
Equity and other:								
Common stock								3,681
Mutual funds								396,694
Real estate								86,310
Private market								39,890
Cash, money market, and other cash equivalents								<u>375,686</u>
Total investments June 30, 2024								<u>\$ 2,068,153</u>

(a) Interest Rate Risk

Interest rate risk is the risk that 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 63 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.

(b) Credit Risk

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation to the University. Each fixed-income portfolio is managed to an appropriate benchmark.

(c) 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, no more than 5% of University direct investments are invested in securities of a single issuer at time of purchase. All direct investment purchases by the University in the operating portfolio are U.S. Treasury and Agency securities.

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(d) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles provide a hierarchy that prioritizes the inputs to fair value measurements based on the extent inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that would reflect the University's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements should maximize the use of observable inputs and minimize the use of the unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Unobservable inputs for the asset or liability that are used to measure fair value when observable inputs are not available. These inputs are developed based upon the best information available in such circumstances.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest-level input that is significant to the overall fair value measurement for a given asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer into a different level, such transfers are recognized at the end of the reporting period.

University investments that do not have a readily determinable fair value, such as ownership interest in partners' capital, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the University. Investment holdings using the NAV as a practical expedient consist of University interests in funds investing in nonmarketable private equity, private debt, real estate and infrastructure, as well as indirect holdings of publicly traded assets in fixed income and international equity commingled funds.

Due to the nature of the investments held by the funds, changes in market conditions, economic environment, regulatory environment, currency exchange rates, interest rates, and commodity price fluctuations may significantly impact the NAV of the funds and, consequently, the fair value of the University's interest in the funds and could materially affect the amounts reported in the consolidated financial statements. The University attempts to manage these risks through diversification, ongoing due diligence of fund managers, maintaining adequate liquidity, and continuously monitoring economic and market conditions.

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The following table reflects fair value measurements of investment assets at June 30, 2025, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2025				
	Level 1	Level 2	Level 3	NAV	Total
Fixed-income:					
U.S. government treasuries	\$ 79,582	—	—	—	79,582
Fixed-income pooled funds	590,427	—	—	569,268	1,159,695
Equity and other:					
Common stock	3,731	242	—	—	3,973
Mutual funds	276,454	—	—	127,947	404,401
Real estate	—	—	—	78,551	78,551
Private markets	—	—	—	42,297	42,297
	<u>\$ 950,194</u>	<u>242</u>	<u>—</u>	<u>818,063</u>	<u>1,768,499</u>
Money market/cash equivalents					<u>408,680</u>
Total cash and investments				<u>\$ 2,177,179</u>	

The following table summarizes the System's investments at June 30, 2025, for which NAV was used as a practical expedient to estimate fair value.

Asset class	Fair value determined using NAV 2025	Unfunded commitments at June 30, 2025	Redemption frequency	Redemption notice period
Fixed-income pooled funds	\$ 569,268	—	Daily to monthly	5–60 Days
Equity mutual funds	127,947	—	Daily to monthly	2–30 Days
Real estate:				
Redeemable	78,551	—	Quarterly to semi-annually	60–90 Days
Private markets:				
Nonredeemable	42,297	18,355		
Investments measured at NAV	<u>\$ 818,063</u>	<u>18,355</u>		

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The following table reflects fair value measurements of investment assets at June 30, 2024, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV:

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Fixed-income:					
Fixed-income pooled funds	\$ 606,150	—	—	559,742	1,165,892
Equity and other:					
Common stock	3,458	223	—	—	3,681
Mutual funds	275,952	—	—	120,742	396,694
Real estate	—	—	—	86,310	86,310
Private markets	—	—	—	39,890	39,890
	<u>\$ 885,560</u>	<u>223</u>	<u>—</u>	<u>806,684</u>	<u>1,692,467</u>
Money market/cash equivalents					<u>375,686</u>
Total cash and investments					<u>\$ 2,068,153</u>

The following table summarizes the System's investments at June 30, 2024, for which NAV was used as a practical expedient to estimate fair value.

Asset class	Fair value determined using NAV 2024	Unfunded commitments at June 30, 2024	Redemption frequency	Redemption notice period
Fixed-income pooled funds	\$ 559,742	—	Daily to monthly	5–60 Days
Equity mutual funds	120,742	—	Daily to monthly	2–30 Days
Real estate:				
Redeemable	86,310	—	Quarterly to semi-annually	60–90 Days
Private markets:				
Nonredeemable	39,890	21,463		
Investments measured at NAV	<u>\$ 806,684</u>	<u>21,463</u>		

The following information is provided for investments that are valued using the NAV per share as a practical expedient:

- **Fixed-Income Pooled Funds** – This category includes investments in mutual funds holding assets that provide stability, generate income, and diversify market risk.

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- **Equity Mutual Funds** – This category includes investments in global equities including both developed and emerging markets.
- **Real Estate** – This category includes funds that invest in open-end real estate. The University subscribes to purchase interests in the funds, which may be called up to 18 months after subscription date, based on the fund contribution queue. The University's interest in the funds is redeemable on a quarterly or semi-annual basis following an additional lock period, with withdrawals dependent on each fund's redemption queue per the terms of the limited partnership agreement.
- **Private Markets** – This category includes funds that invest in strategies such as private equity, private real estate, and private resource investments. Capital is committed during the course of the investment period, typically four years, of each fund, after which point capital commitments stop. The University's interest in the nonredeemable funds is considered to be illiquid in that from the liquidation of the underlying assets of the fund are at the discretion of the general partner per the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years, and include a mechanism to extend the length of the partnership with approval from limited partners.

(3) Capital Assets

Capital assets at June 30, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Land (nondepreciable)	\$ 31,908	31,908
Land improvements	4,446	3,895
Infrastructure	45,126	30,570
Buildings and leasehold improvements	2,116,243	1,668,220
Equipment and software	773,029	681,152
Construction in progress (nondepreciable)	179,673	447,894
	<u>3,150,425</u>	<u>2,863,639</u>
Less accumulated depreciation	1,499,767	1,407,294
Total capital assets, net excluding lease and subscription IT assets	1,650,658	1,456,345
Lease and subscription IT assets, net (note 12)	197,950	155,703
Total capital assets, net	<u>\$ 1,848,608</u>	<u>1,612,048</u>

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Capital asset additions, retirements, and balances as of and for the years ended June 30, 2025 and 2024 were as follows:

Cost basis summary	June 30, 2024 balances	Increases	Decreases	June 30, 2025 balances
Land (nondepreciable)	\$ 31,908	—	—	31,908
Land improvements	3,895	551	—	4,446
Infrastructure	30,570	14,556	—	45,126
Buildings and leasehold improvements	1,668,220	448,023	—	2,116,243
Equipment and software	681,152	121,517	(29,640)	773,029
Construction in progress (nondepreciable)	447,894	223,579	(491,800)	179,673
Total at historical cost	2,863,639	808,226	(521,440)	3,150,425
Less accumulated depreciation for:				
Land improvements	2,745	382	—	3,127
Infrastructure	20,765	1,782	—	22,547
Buildings and leasehold improvements	882,635	61,592	—	944,227
Equipment and software	501,149	56,604	(27,887)	529,866
Total accumulated depreciation	1,407,294	120,360	(27,887)	1,499,767
Total capital assets, net excluding lease and subscription IT assets	1,456,345	687,866	(493,553)	1,650,658
Lease and subscription IT assets, net (Note 12)	155,703	46,372	(4,125)	197,950
Total capital assets, net	\$ 1,612,048	734,238	(497,678)	1,848,608

Cost basis summary	June 30, 2023 balances	Increases	Decreases	June 30, 2024 balances
Land (nondepreciable)	\$ 23,356	8,638	(86)	31,908
Land improvements	3,895	—	—	3,895
Infrastructure	28,291	2,279	—	30,570
Buildings and leasehold improvements	1,619,688	48,566	(34)	1,668,220
Equipment and software	637,870	64,390	(21,108)	681,152
Construction in progress (nondepreciable)	206,612	296,900	(55,618)	447,894
Total at historical cost	2,519,712	420,773	(76,846)	2,863,639

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Cost basis summary	June 30, 2023 balances	Increases	Decreases	June 30, 2024 balances
Less accumulated depreciation for:				
Land improvements	\$ 2,372	373	—	2,745
Infrastructure	18,755	2,010	—	20,765
Buildings and leasehold improvements	828,238	54,398	(1)	882,635
Equipment and software	464,585	57,148	(20,584)	501,149
Total accumulated depreciation	1,313,950	113,929	(20,585)	1,407,294
Total capital assets, net excluding lease and subscription IT assets	1,205,762	306,844	(56,261)	1,456,345
Lease and subscription IT assets, net (Note 12)	152,579	6,084	(2,960)	155,703
Total capital assets, net	\$ 1,358,341	312,928	(59,221)	1,612,048

At June 30, 2025, construction in progress is related to various projects throughout the System. The estimated cost to complete the current phase of equipment and projects under construction at June 30, 2025 is \$324 million. Other projects at June 30, 2025, with an estimated cost of \$739 million, have been committed to by the Board and/or System; however, construction contracts had not been signed as of June 30, 2025. These projects are anticipated to be funded through existing designated funds, cash provided by future operations, and/or the issuance of additional long-term debt.

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(4) Long-term Debt and Other Obligations

Long-term debt and other obligations outstanding as of June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Hospital Revenue Bonds:		
Series S.U.I. 2016 – 5.000%; maturing serially on September 1 through 2027	\$ 9,235	12,020
Series S.U.I. 2016A – 3.000%; maturing serially on September 1 through 2028	8,730	10,775
Series S.U.I. 2018 – 3.000% to 5.000%; maturing serially on September 1 through 2043	27,740	28,740
Series S.U.I. 2019 – 3.000% to 5.000%; maturing serially on September 1 through 2039	34,990	36,640
Series S.U.I. 2020 – 2.000% to 5.000%; maturing serially on September 1 through 2036	18,480	19,630
Series S.U.I. 2021A – 2.000% to 5.000%; maturing serially on September 1 through 2051	98,900	102,820
Series S.U.I. 2022A – 2.375% to 5.000%; maturing serially on September 1 through 2051	178,705	179,705
Series S.U.I. 2022B – 3.000%; maturing serially on September 1 through 2061	100,220	100,220
Series S.U.I. 2022C – 4.000% to 5.000%; maturing serially on September 1 through 2038	119,465	125,220
Series S.U.I. 2025A – 4.000% to 5.000%; maturing serially on September 1 through 2050	241,665	—
Telecommunications Facilities Revenue Bonds:		
Series S.U.I. 2020 – 2.000% to 5.000%; maturing serially on July 1 through 2036	8,382	8,893
Series S.U.I. 2021 – 2.000% to 5.000%; maturing serially on July 1 through 2032	2,922	3,206
Total long-term bonds	849,434	627,869
Net unamortized bond premium	\$ 49,052	44,396
Total long-term bonds and net unamortized bond premiums	898,486	672,265
Notes payable	84,000	—
Financed purchase obligations	1,788	1,204
Lease and subscription IT obligations (note 12)	192,281	154,056
Total long-term debt	1,176,555	827,525
Long-term debt, lease and subscription IT obligations, current portion	(53,507)	(42,021)
	<u>\$ 1,123,048</u>	<u>785,504</u>

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Activity in long-term debt and other obligations for the years ended June 30, 2025 and 2024 were as follows:

	June 30, 2024 balance	Additions	Reductions	June 30, 2025 balance	Amounts due within one year
Hospital Revenue Bonds, Series 2016	\$ 12,020	—	(2,785)	9,235	2,930
Hospital Revenue Bonds, Series 2016A	10,775	—	(2,045)	8,730	2,110
Hospital Revenue Bonds, Series 2018	28,740	—	(1,000)	27,740	1,050
Hospital Revenue Bonds, Series 2019	36,640	—	(1,650)	34,990	1,735
Hospital Revenue Bonds, Series 2020	19,630	—	(1,150)	18,480	1,210
Hospital Revenue Bonds, Series 2021A	102,820	—	(3,920)	98,900	4,125
Hospital Revenue Bonds, Series 2022A	179,705	—	(1,000)	178,705	3,615
Hospital Revenue Bonds, Series 2022B	100,220	—	—	100,220	—
Hospital Revenue Bonds, Series 2022C	125,220	—	(5,755)	119,465	6,050
Hospital Revenue Bonds, Series 2025A	—	241,665	—	241,665	—
Telecommunications Facilities Revenue Bonds:					
Series 2020	8,893	—	(511)	8,382	541
Series 2021	3,206	—	(284)	2,922	304
Total bonds payable	627,869	241,665	(20,100)	849,434	23,670
Net unamortized bond premium	44,396	9,246	(4,590)	49,052	—
Total bonds payable & unamortized bond premiums	672,265	250,911	(24,690)	898,486	23,670
Notes Payable	—	84,000	—	84,000	—
Total Notes Payable	—	84,000	—	84,000	—
Financed purchase obligations	1,204	889	(305)	1,788	334
Lease and subscription IT obligations (Note 12)	—	—	—	192,281	29,503
Total long-term obligations	\$ 673,469	335,800	(24,995)	1,176,555	53,507

Series 2025A Hospital Revenue Bonds – In fiscal year 2025, the Board issued \$242 million of Hospital Revenue Bonds, Series 2025A (fixed-rate, stated interest 4.00%-5.00%, final maturity September 1, 2050). Proceeds are being used to fund capital projects, including MCNL and other approved projects. There were no refunding or defeasance transactions associated with this issuance.

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Notes Payable – In connection with the December 31, 2024, MC+B asset purchase agreement, the System recognized a deferred payment obligation of \$84 million to the seller. The obligation bears fixed at 8.00%, with interest-only payments due quarterly. The principal is payable in two equal installments, 50% on the third anniversary date of closing and the remaining 50% on the fifth anniversary date of closing. Interest expense on this obligation is reported in nonoperating activities. As of June 30, 2025, no principal is due within twelve months, accordingly the entire \$84 million is classified as long-term, and accrued interest due within twelve months is included in current liabilities.

	June 30, 2023 balance	Additions	Reductions	June 30, 2024 balance	Amounts due within one year
Hospital Revenue Bonds, Series 2016	\$ 14,685	—	(2,665)	12,020	2,785
Hospital Revenue Bonds, Series 2016A	12,780	—	(2,005)	10,775	2,045
Hospital Revenue Bonds, Series 2018	29,715	—	(975)	28,740	1,000
Hospital Revenue Bonds, Series 2019	38,210	—	(1,570)	36,640	1,650
Hospital Revenue Bonds, Series 2020	20,710	—	(1,080)	19,630	1,150
Hospital Revenue Bonds, Series 2021A	106,535	—	(3,715)	102,820	3,920
Hospital Revenue Bonds, Series 2022A	180,705	—	(1,000)	179,705	1,000
Hospital Revenue Bonds, Series 2022B	100,220	—	—	100,220	—
Hospital Revenue Bonds, Series 2022C	130,695	—	(5,475)	125,220	5,755
Telecommunications Facilities Revenue Bonds:					
Series 2020	9,062	—	(169)	8,893	510
Series 2021	3,481	—	(275)	3,206	285
Total bonds payable	646,798	—	(18,929)	627,869	20,100
Net unamortized bond premium	49,268	—	(4,872)	44,396	—
Total bonds payable & unamortized bond premiums	696,066	—	(23,801)	672,265	20,100
Notes Payable	—	84,000	—	84,000	—
Total Notes Payable	—	84,000	—	84,000	—
Financed purchase obligations	—	1,480	(276)	1,204	285
Lease and subscription IT obligations (Note 12)	—	—	—	154,056	21,636
Total long-term obligations	\$ 696,066	85,480	(24,077)	911,525	42,021

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(a) Long-Term Bonds

Hospital revenue bonds are special obligations of the Board payable solely out of hospital income, the general purpose of which is to expand and improve System facilities. "Hospital income" is defined as the gross income and funds received by the System, including the proceeds of rates, fees, charges, and payments for healthcare provider activities for patient care services rendered by the System, less current expenses (as defined in the resolution authorizing the issuance of the bonds, the Bond Resolution). Hospital income does not include State appropriations to the University. So long as the bonds or parity bonds remain outstanding, the entire hospital income shall be deposited to the revenue fund and shall be disbursed to the following funds in the following order: (1) the operation and maintenance fund, (2) the sinking fund, and (3) the system fund. The maximum amount of hospital income pledged representing the undiscounted principal and interest on the bonds is \$1.3 billion.

The Telecommunications Facilities Revenue Bonds (Telecommunications Bonds) represent the System's share of the remaining outstanding bonds that were issued by the University to pay costs of constructing and installing communications facilities and equipment. No specific revenue stream of the System has been pledged to service the Telecommunications Bonds. Monthly payments are required to be made to various sinking funds for payment of principal and interest. A portion of the monthly payments are supported by the System.

Scheduled principal and interest payments on the bonds for the next five years and five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2026	\$ 23,670	33,610	57,280
2027	29,887	31,381	61,268
2028	31,329	29,910	61,239
2029	29,450	28,455	57,905
2030	27,371	27,109	54,480
2031-2035	152,682	116,190	268,872
2036-2040	161,695	81,722	243,417
2041-2045	118,345	55,895	174,240
2046-2050	131,645	34,642	166,287
2051-2055	70,120	14,925	85,045
2056-2060	50,720	7,273	57,993
2061-2062	22,520	681	23,201
	<u>\$ 849,434</u>	<u>461,793</u>	<u>1,311,227</u>

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The following are deferred outflows of resources and deferred inflows of resources related to debt refundings as of June 30, 2025 and 2024:

	2025 Deferred outflows of resources	2025 Deferred inflows of resources
Deferred outflows and inflows from debt refunding:		
Revenue Bonds Series 2016 refunding loss	\$ 162	—
Revenue Bonds Series 2016A refunding loss	291	—
Revenue Bonds Series 2020 refunding gain	—	56
Revenue Bonds Series 2021A refunding gain	—	48
Revenue Bonds Series 2022C refunding gain	—	516
Telecommunications Bonds Series 2020 refunding gain	—	18
Telecommunications Bonds Series 2021 refunding gain	—	9
	<u>\$ 453</u>	<u>647</u>
	2024 Deferred outflows of resources	2024 Deferred inflows of resources
Deferred outflows and inflows from debt refunding:		
Revenue Bonds Series 2016 refunding loss	\$ 283	—
Revenue Bonds Series 2016A refunding loss	451	—
Revenue Bonds Series 2020 refunding gain	—	68
Revenue Bonds Series 2021A refunding gain	—	52
Revenue Bonds Series 2022C refunding gain	—	585
Telecommunications Bonds Series 2020 refunding gain	—	22
Telecommunications Bonds Series 2021 refunding gain	—	10
	<u>\$ 734</u>	<u>737</u>

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(b) *Financed Purchase Obligations*

Financed purchases are primarily comprised of debt obligations that arise from agreements where ownership of the underlying assets transfer to the System at the end of the agreement. Scheduled payments for financed purchase obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2026	\$ 334	107	441
2027	411	93	504
2028	476	73	549
2029	228	48	276
2030	339	29	368
	<u>\$ 1,788</u>	<u>350</u>	<u>2,138</u>

(c) *Notes Payable*

Scheduled payments for deferred payment obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2026	\$ —	6,720	6,720
2027	—	6,720	6,720
2028	42,000	5,880	47,880
2029	—	3,360	3,360
2030	42,000	2,520	44,520
	<u>\$ 84,000</u>	<u>25,200</u>	<u>109,200</u>

(5) Retirement Benefit Plans

(a) *Teachers Insurance and Annuity Association*

Eligible System employees may elect participation in either the University of Iowa Retirement Plan (the Plan), a defined-contribution plan providing benefits through the Teachers Insurance and Annuity Association (TIAA) or the Iowa Public Employees' Retirement System (IPERS), see Note 5(b).

Under the Plan, contributions vest immediately. During the first five years of employment, employees contribute 3½% of the first \$4,800 of retirement-eligible earnings and 5% of earnings above \$4,800; the System contributes 6⅔% of the first \$4,800 and 10% of earnings above \$4,800. After five years, employees contribute 5% and the System contributes 10% on all retirement-eligible earnings. Because the Plan is a defined-contribution plan, the System has no obligation beyond required contributions.

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System contributions to the Plan were \$52 million in fiscal year 2025 and \$47 million in fiscal year 2024.

(b) Iowa Public Employees Retirement System

Plan description – Eligible employees not electing to participate in the Plan are required to participate in the IPERS, which is a cost-sharing, multiple-employer, defined-benefit pension plan administered by the State. IPERS issues a stand-alone financial report, which is available to the public at www.ipers.org. Benefits are established by statute and generally provide a lifetime monthly benefit based on years of service, a multiplier, and the member's highest average salary; early retirement reductions apply per statute.

Contributions – Statutorily required contribution rates (member/employer) combined are set annually by the IPERS Investment Board. For fiscal year 2025 and fiscal year 2024 the rates were as follows for the respective membership groups:

<u>Fiscal year</u>	<u>Membership group</u>	<u>Member</u>	<u>System</u>	<u>Total</u>
2025	Regular	6.29 %	9.44 %	15.73 %
2025	Protection occupations	6.21	9.31	15.52
2024	Regular	6.29 %	9.44 %	15.73
2024	Protection occupations	6.21	9.31	15.52

The System contributions to IPERS for the years ended June 30, 2025 and 2024 were \$18 million and \$14 million, respectively. Payables to the pension plan at June 30, 2025 and 2024, were \$1,591 thousand and \$1,289 thousand, respectively, for legally required employer contributions and \$1,060 thousand and \$859 thousand, respectively, for legally required employee contributions, which had been withheld from employee wages but not yet remitted to IPERS.

Net pension liabilities – At June 30, 2025 and 2024, the System reported a liability in other long-term liabilities on the statements of net position of \$59 million and \$62 million. IPERS' measurement date is one year prior to the employer reporting date (June 30, 2024, and June 30, 2023). The System's proportion of the collective net pension liability was 1.62601% for the 2024 measurement and 1.38283% for the 2023 measurement.

Pension expense – For the years ended June 30, 2025 and 2024, the System recognized pension expense of \$14 million and \$10 million, respectively.

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Deferred outflows and inflows of resources – At June 30, 2025 and 2024, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025 Deferred outflows of resources	2025 Deferred inflows of resources
Difference between expected and actual experience	\$ 4,865	(37)
Changes of assumptions	—	(36)
Net difference between projected and actual earnings on pension plan investments	747	—
Changes in proportion and differences between contributions and proportionate share of contributions	15,861	(127)
Contributions subsequent to the measurement date	18,096	—
Other	227	—
Total	<u>\$ 39,796</u>	<u>(200)</u>
	2024 Deferred outflows of resources	2024 Deferred inflows of resources
Difference between expected and actual experience	\$ 5,412	(257)
Changes of assumptions	—	(38)
Net difference between projected and actual earnings on pension plan investments	5,835	—
Changes in proportion and differences between contributions and proportionate share of contributions	12,912	(63)
Contributions subsequent to the measurement date	14,351	—
Total	<u>\$ 38,510</u>	<u>(358)</u>

At June 30, 2025 the \$18 million reported as deferred outflows of resources related to pensions resulting from the System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. At June 30, 2025 amounts

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reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (benefit) as follows:

Year ending June 30:	
2026	\$ (4,278)
2027	34,969
2028	7,063
2029	258
2030	1,132
	<u>\$ 39,144</u>

Assumptions and discount rate – The discount rate used to measure the total pension liability was 7.0% for the 2024 and 2023 measurements.

Sensitivity of the System's proportionate share of the net pension liability to changes in the discount rate – The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.0% at June 30, 2025 as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate.

	<u>1% decrease</u>	<u>Discount rate</u>	<u>1% increase</u>
System's proportionate share of the net pension liability	\$ 146,468	59,211	(13,868)

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.0% at June 30, 2024, as well as what the System's proportionate share of the net pension liability would be if it was calculated using a discount rate that is one-percentage-point lower (6.0%) or one-percentage-point higher (8.0%) than the current rate.

	<u>1% decrease 6.0%</u>	<u>Discount rate 7.0%</u>	<u>1% increase 8.0%</u>
System's proportionate share of the net pension liability	\$ 133,355	62,416	2,968

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS's website at www.ipers.org. There are no nonemployer contributing entities.

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(6) Other Postemployment Benefits

Plan description – The University operates two single-employer, defined-benefit health benefit plans, which provide medical/prescription drug benefits for employees, retirees, and their spouses. The two plans are the Professional and Scientific and Faculty Plan (PSF) and the Merit Employee Plan (Merit Plan). Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting of Postemployment Benefits other than Pensions*.

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. System cash payments for OPEB were \$2 million in fiscal year 2025 and \$2 million in fiscal year 2024.

Total OPEB liability – The System's total OPEB liability for June 30, 2025 and 2024 was determined by an actuarial valuation with measurement dates of June 30, 2024 and 2023, respectively.

At June 30, 2025 and 2024, the System recognized a total other postemployment benefits (OPEB) liability of \$30 million and \$30 million, respectively, for its PSF and a liability of \$8 million and \$8 million for its Merit Plan, for a total OPEB liability of \$38 million and \$38 million, respectively.

At June 30, 2025 and 2024, \$35 million and \$36 million, respectively, of the total liability was recorded in other long-term liabilities while \$3 million and \$3 million, respectively, was recorded in other current liabilities.

The following tables reflect the changes in the total PSF and Merit Plan OPEB liability as required by GASB Statement No. 75:

Changes in total PSF OPEB liability	2025 total OPEB liability	2024 total OPEB liability
Total OPEB liability, beginning of year, July 1	\$ 30,173	44,586
Changes for the year:		
Service cost	1,584	1,536
Interest	1,123	1,280
Differences between expected and actual experiences	(139)	(3,910)
Changes of assumptions	(595)	(1,787)
Benefit payments	(1,896)	(3,136)
Other	(49)	(8,396)
Net changes	28	(14,413)
Total OPEB liability, end of year, June 30	\$ 30,201	30,173

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Changes in total Merit Plan OPEB liability	2025 total OPEB liability	2024 total OPEB liability
Total OPEB liability, beginning of year, July 1	\$ 7,934	12,187
Changes for the year:		
Service cost	501	561
Interest	297	386
Differences between expected and actual experiences	(2)	(2,390)
Changes of assumptions	(164)	(618)
Benefit payments	(592)	(686)
Other	(13)	(1,506)
Net changes	27	(4,253)
Total OPEB liability, end of year, June 30	\$ 7,961	7,934

Key assumptions – The System’s total OPEB liability for June 30, 2025 and 2024, was determined by an actuarial valuation with measurement dates of June 30, 2024, and 2023, respectively.

The June 30, 2025 and 2024, liabilities were determined using the following actuarial assumption and the entry-age normal actuarial cost method, applied to all periods included in the measurements.

	2025	2024
Rate of inflation	2.30 %	2.30 %
Rates of salary increase	3.00	3.00
Discount rate	3.93	3.65
Healthcare cost trend rate pre-65 (decreasing to an ultimate rate of 4.50%)	7.45	7.73
Healthcare cost trend rate post-65 (decreasing to an ultimate rate of 4.50%)	6.34	8.27

The June 30, 2025 and 2024, discount rate used to measure the total OPEB liability was 3.93% and 3.65%, respectively, which reflects the index rate for bond Buyer 20 Year GO Index as of the measurement date.

Mortality rates are from the Pub-2010 Aggregate Mortality Table projected using Scale MP-2021 for measurement date of June 30, 2024, and Scale MP-2021 for measurement date of June 30, 2023.

Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

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The actuarial assumption used in the determination of the liabilities as of June 30, 2025 and 2024 were based on the results of an actuarial experience study conducted with actual plan experience for the three-year period January 1, 2020 through December 31, 2022.

Sensitivity of the System's total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the System as of June 30, 2025 as well as what the System's total OPEB liability would be if it was calculated using a discount rate that is one-percentage-point lower (2.93%) or one-percentage-point higher (4.93%) than the current discount rate.

	1% decrease 2.93%	Discount rate 3.93%	1% increase 4.93%
System's PSF OPEB liability	\$ 32,329	30,201	28,221
System's Merit OPEB liability	8,502	7,961	7,461
	<u>\$ 40,831</u>	<u>38,162</u>	<u>35,682</u>

Sensitivity of the System's total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the System as of June 30, 2024, as well as what the System's total OPEB liability would be if it was calculated using a discount rate that is one-percentage-point lower (2.65%) or one-percentage-point higher (4.65%) than the current discount rate.

	1% decrease 2.65%	Discount rate 3.65%	1% increase 4.65%
System's PSF OPEB liability	\$ 32,448	30,173	28,065
System's Merit OPEB liability	8,561	7,934	7,359
	<u>\$ 41,009</u>	<u>38,107</u>	<u>35,424</u>

Sensitivity of the System's total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the System as of June 30, 2025 as well as what the System's total OPEB liability would be if it was calculated using a healthcare cost trend rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current healthcare cost trend rate for pre-65

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participants, and one-percentage-point lower (5.34%) or one-percentage-point higher (7.34%) than the current healthcare cost trend rate for post-65 participants.

		Healthcare cost	
	1% decrease	trend rate	1% increase
Pre-65 participants	6.45%	7.45%	8.45%
Post-65 participants	5.34%	6.34%	7.34%
System's PSF OPEB liability	\$ 33,618	30,201	27,985
System's Merit OPEB liability	8,948	7,961	7,262
	<u>\$ 42,566</u>	<u>38,162</u>	<u>35,247</u>

Sensitivity of the System's total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the System as of June 30, 2024, as well as what the System's total OPEB liability would be if it was calculated using a healthcare cost trend rate that is one-percentage-point lower (6.73%) or one-percentage-point higher (8.73%) than the current healthcare cost trend rate for pre-65 participants, and one-percentage-point lower (7.27%) or one-percentage-point higher (9.27%) than the current healthcare cost trend rate for post-65 participants.

		Healthcare cost	
	1% decrease	trend rate	1% increase
Pre-65 participants	6.73%	7.73%	8.73%
Post-65 participants	7.27%	8.27%	9.27%
System's PSF OPEB liability	\$ 33,533	30,173	27,967
System's Merit OPEB liability	8,895	7,934	7,248
	<u>\$ 42,428</u>	<u>38,107</u>	<u>35,215</u>

OPEB expense and deferred outflows and inflows of resources related to OPEB – For the years ended June 30, 2025 and 2024, the System recognized an OPEB benefit of \$(57) thousand and \$116 thousand, respectively, for the PSF and \$(181) thousand and \$(24) thousand, respectively, for the Merit Plan.

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At June 30, 2025 and 2024, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PSF		2025 Deferred outflows of resources	2025 Deferred inflows of resources
Difference between expected and actual experience	\$	5,002	(9,083)
Changes of assumptions		6,760	(15,633)
Contributions subsequent to the measurement date		2,201	—
Total	\$	<u>13,963</u>	<u>(24,716)</u>
Merit Plan		2025 Deferred outflows of resources	2025 Deferred inflows of resources
Difference between expected and actual experience	\$	757	(4,351)
Changes of assumptions		2,391	(4,226)
Contributions subsequent to the measurement date		559	—
Total	\$	<u>3,707</u>	<u>(8,577)</u>
PSF		2024 Deferred outflows of resources	2024 Deferred inflows of resources
Difference between expected and actual experience	\$	6,999	(10,534)
Changes of assumptions		8,212	(19,686)
Contributions subsequent to the measurement date		1,899	—
Total	\$	<u>17,110</u>	<u>(30,220)</u>
Merit Plan		2024 Deferred outflows of resources	2024 Deferred inflows of resources
Difference between expected and actual experience	\$	885	(5,039)
Changes of assumptions		2,910	(5,010)
Contributions subsequent to the measurement date		593	—
Total	\$	<u>4,388</u>	<u>(10,049)</u>

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The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	<u>PSF</u>
Year ending June 30:	
2026	\$ (2,764)
2027	(2,764)
2028	(1,296)
2029	(1,127)
2030	(1,721)
Total thereafter	<u>(3,282)</u>
Total	\$ <u><u>(12,954)</u></u>

	<u>Merit Plan</u>
Year ending June 30:	
2026	\$ (939)
2027	(938)
2028	(938)
2029	(481)
2030	(679)
Total thereafter	<u>(1,454)</u>
Total	\$ <u><u>(5,429)</u></u>

(7) Risk Management

Overview – The University, or the State on behalf of the System, self-insures workers' compensation, unemployment, medical, and dental benefits for eligible employees, automobile liability, professional liability, and general (tort) liability. The System pays the employer portion of the costs related to workers' compensation, unemployment, medical, and dental benefits. The System purchases commercial property insurance for its facilities, including business interruption insurance. The System also purchases commercial life and disability insurance for eligible employees as part of the University's benefit program. Claims liabilities are recorded by the System when probable and reasonably estimable, include amounts for incurred-but-not-reported (IBNR) claims, are not discounted, and are recognized in expense when established or revised.

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Employee medical and dental claims – The University, on behalf of the System, purchases life, health, dental, and disability insurance for eligible permanent employees. Based on actuarial analysis of employee medical and dental claims, the System has IBNR claims, which is included in other current liabilities, of \$14 million as of June 30, 2025 and 2024. The changes in that liability were as follows:

	<u>2025</u>	<u>2024</u>
Liability for unpaid healthcare claims at beginning of year	\$ 13,697	13,378
Healthcare expenses incurred during the year	224,300	195,865
Healthcare payments to the University during the year	<u>(224,116)</u>	<u>(195,546)</u>
Liability for unpaid healthcare claims at end of year	<u>\$ 13,881</u>	<u>13,697</u>

Professional liability – Effective September 1, 2023, the System, the University of Iowa Carver College of Medicine (CCOM), and the State entered an agreement that subjects the System and CCOM to a shared level of self-insurance on a claims-made basis up to \$6 million per claim and \$15 million annual aggregate per fiscal year. The State pays amounts in excess of the \$15 million aggregate.

The System engages independent actuaries to estimate the ultimate cost of settling reported and IBNR claims. At June 30, 2025 the System's share of estimated unpaid professional liability claims were \$23 million, and is included in other current liabilities on the statement of net position.

Other risks and coverages – The University and other Board institutions are self-insured for automobile liability up to \$250,000. Losses in excess of \$250,000 are paid by the State provided in Chapter 669 of the Code of Iowa.

The System is an agency of the State 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 System or its employees while acting within the scope of employment. By interagency 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.

The State maintains an employee fidelity bond where the first \$250,000 in losses is the responsibility of the System. Under the state coverage, losses in excess of the \$250,000 are insured up to \$2 million.

(8) Transactions with Related Parties

Relationship and basis for transactions – The System is a department of the University and is governed by the Board. Related parties include other non-System departments of the University, including the Roy J. and Lucille A. Carver College of Medicine (CCOM) as well as UIHS and its subsidiaries. Amounts are charged or transferred at approximate cost or at agreed upon rates.

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Services received from related parties – The University and UIHS provide administrative, facility, and clinical support services to the System at approximate cost. For the years ended June 30, 2025 and 2024, the System recognized operating expenses of \$353 million and \$290 million, respectively. At June 30, 2025 and 2024, approximately \$30 million and \$16 million, respectively, were due to related parties for services provided and reported in current liabilities.

Services provided to related parties – The System provides certain billing, collection, legal, compliance, and other support services to related parties at approximate cost. For the years ended June 30, 2025 and 2024, the System recognized revenue from these units of approximately \$16 million and \$13 million, respectively, for these services, which is recorded in operating revenue in the statements of revenue, expenses, and changes in net position.

Transfers to/from related parties – The System transfers to and receives transfers from non-System University departments and UIHS. Net transfers to these units totaled \$141 million and \$14 million for the years ended June 30, 2025 and 2024, respectively. Fiscal year 2025 activity primarily consisted of:

- Enabling project payments to the University for \$96 million for various capital project initiatives.
- Academic and research support to the CCOM for \$34 million, including approximately \$25 million accrued but unpaid at June 30, 2025 which is reported as due to related parties within current liabilities.
- Initial capital to University of Iowa Health System Medical Group, LLC (UIHSMG), a UIHS subsidiary for \$12 million.

All items above are included in *Net transfers out in the statements of revenue, expenses, and changes in net position*

UIHS background – UIHS was incorporated under the provisions of the Iowa Nonprofit Corporations Act on December 2, 1994. UIHS was formed to enhance and support the educational missions of the System and the College of Medicine, particularly as these missions apply to clinical activities and statewide and multistate network development activities. For the years ended June 30, 2025 and 2024, the System transferred \$12 million and \$1 million, respectively, which is recorded in net transfers in the statements of revenue, expenses, and changes in net position.

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(9) Net Patient Service Revenue

A summary of patient service revenues for the years ended June 30, 2025 and 2024, is as follows:

	<u>2025</u>	<u>2024</u>
Gross patient charges:		
Inpatient charges	\$ 4,344,341	3,812,850
Outpatient charges	<u>6,653,971</u>	<u>5,385,259</u>
Total gross patient charges	10,998,312	9,198,109
Less deductions from gross patient charges:		
Contractual adjustments – Medicare, Medicaid, and other	7,476,262	6,123,453
Provision for bad debts	<u>74,374</u>	<u>49,902</u>
Net patient service revenue	<u>\$ 3,447,676</u>	<u>3,024,754</u>

Net patient service revenue (NPSR) is reported net of contractual and bad debt provisions and reflects amounts expected to be collected from patients, third-party payers, and others for services provided. Management estimates contractual and bad debt allowances using historical collection experience, current trends in coverage and payer mix, aged receivables analyses, and other relevant factors. Estimates are updated each period and adjusted as settlements are finalized.

The System is reimbursed by Medicare, Medicaid, and commercial payers under a mix of prospectively determined rates, fee schedules, per diems, and negotiated discounts from charges.

In partnership with the State, the System participates in a federal directed payment program for Medicaid beneficiaries. The primary use of the supplemental funding will be to expand access and increase capacity for Iowa Medicaid beneficiaries through modernization and expansion of health care facilities. In fiscal years 2025 and 2024, the program generated \$418 million and \$369 million of net patient service revenue, respectively. Related receivables from the administering agency were \$342 million and \$313 million as of June 30, 2025 and 2024, respectively, and are reflected as a due from government agency and current assets on the statements of net position.

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. Laws and regulations governing Medicare and Medicaid are complex and subject to interpretation; accordingly, recorded estimates of third-party settlements could change materially in the near term.

(10) Charity Care and Uncompensated Cost of Services

The System provides care to patients who meet its financial assistance criteria. Amounts approved under the charity care policy are not billed, and therefore are not reported as revenue. State institution accounts are automatically classified as charity care, and therefore, the patient charges are written off as charity care

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in full. Patient charges written off for services and supplies furnished under the System's charity policy for the years ended June 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Charity care	\$ 25,342	17,762
Charity care for state institution patients	<u>61,269</u>	<u>52,452</u>
Charity care charges forgone	<u>\$ 86,611</u>	<u>70,214</u>

The cost of charges forgone for services and supplies furnished under the System's charity policy approximated \$22 million and \$18 million for the years ended June 30, 2025 and 2024, respectively.

The System also incurs unreimbursed costs for services to patients covered by government programs and others at reduced price services and free programs throughout the year. The total uncompensated cost of services other than charity care, for the years ended June 30, 2025 and 2024, approximate the following:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 243,612	146,090
Medicaid	7,730	4,921
Medicaid out of state	3,405	2,254
State institution	<u>12,263</u>	<u>9,921</u>
Uncompensated costs of services	<u>\$ 267,010</u>	<u>163,186</u>

(11) Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of whom are Iowa residents and are insured under third-party payer agreements. Credit risk is managed through established collection policies, financial-assistance programs, and monitoring of payer performance. The mix of gross receivables by patient accounts receivable primary payer at June 30, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Blue Cross Blue Shield	26 %	25 %
Commercial pay	27	25
Medicare	31	33
Medicaid	12	13
Self-pay	1	2
Other	<u>3</u>	<u>2</u>
	<u>100 %</u>	<u>100 %</u>

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June 30, 2025 and 2024

(Dollars in tables in thousands)

(12) Leases (Lessee and Lessor) and Subscription-Based Information Technology Arrangements

The System is a lessee for various noncancellable leases of buildings, equipment, and SBITAs and a lessor for buildings. Lease and SBITA asset activity during the years ended June 30, 2025 and 2024 are summarized as follows:

	June 30, 2024 balances	Increases	Decreases	June 30, 2025 balances
Right-of-use assets				
Buildings	\$ 152,234	34,552	(4,719)	182,067
Leasehold improvements	2,593	8,483	(714)	10,362
Equipment	21,121	13,619	(7,916)	26,824
Subscription IT assets	38,835	23,768	(5,327)	57,276
Total right-of-use assets	214,783	80,422	(18,676)	276,529
Less accumulated amortization:				
Buildings	30,838	13,462	(2,068)	42,232
Leasehold improvements	1,720	783	(705)	1,798
Equipment	11,226	6,518	(7,844)	9,900
Subscription IT assets	15,296	13,289	(3,936)	24,649
Total accumulated amortization	59,080	34,052	(14,553)	78,579
Total right-of-use assets, net	\$ 155,703	46,370	(4,123)	197,950
	June 30, 2023 balances	Increases	Decreases	June 30, 2024 balances
Right-of-use assets				
Buildings	\$ 133,244	19,373	(383)	152,234
Leasehold improvements	2,306	287	—	2,593
Equipment	19,020	2,895	(794)	21,121
Subscription IT assets	32,085	11,917	(5,167)	38,835
Total right-of-use assets	186,655	34,472	(6,344)	214,783
Less accumulated amortization:				
Buildings	17,105	11,744	1,989	30,838
Leasehold improvements	838	595	287	1,720
Equipment	6,318	5,516	(608)	11,226
Subscription IT assets	9,815	10,532	(5,051)	15,296
Total accumulated amortization	34,076	28,387	(3,383)	59,080
Total right-of-use assets, net	\$ 152,579	6,085	(2,961)	155,703

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June 30, 2025 and 2024

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Lease and SBITA liability activity during the years ended June 30, 2025 and 2024, are summarized as follows:

	<u>June 30, 2024 balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Retirements</u>	<u>June 30, 2025 balances</u>
Lease and subscription IT liabilities	\$ 154,056	80,520	(37,937)	(4,358)	192,281

	<u>June 30, 2023 balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Retirements</u>	<u>June 30, 2024 balances</u>
Lease and subscription IT liabilities	\$ 147,662	32,459	(25,995)	(70)	154,056

Future annual lease and subscription IT payments are as follows:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year(s) ending June 30:			
2026	\$ 29,503	5,836	35,339
2027	26,152	4,984	31,136
2028	19,837	4,270	24,107
2029	17,562	3,710	21,272
2030	15,282	3,208	18,490
2031–2035	43,729	10,789	54,518
2036–2040	20,857	5,846	26,703
2041–2045	16,700	2,120	18,820
2046–2050	2,659	131	2,790
Total	\$ <u>192,281</u>	<u>40,894</u>	<u>233,175</u>

(a) Variable lease and subscription IT payments

Lease and subscription IT payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense in the period in which the obligation for those payments is incurred.

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(Dollars in tables in thousands)

The amounts recognized as outflows (expense) for variable payments not included in the measurement of the lease and subscription IT liabilities were \$7 million and \$4 million during the years ended June 30, 2025 and 2024, respectively.

(b) Residual value guarantees of leases

As of June 30, 2025 the System current has no leases with residual value guarantees.

Lease revenue during the years ended June 30, 2025 and 2024, are as follows:

	<u>2025</u>	<u>2024</u>
Lease revenue	\$ 193	164
Interest revenue	14	12
Total	<u>\$ 207</u>	<u>176</u>

The amounts recognized as inflows (revenue) for variable receipts not included in the measurement of the lease assets were \$1 million and \$1 million during the years ended June 30, 2025 and 2024, respectively.

(13) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses reported as current liabilities at June 30, 2025 and 2024 consisted of the following amounts:

	<u>2025</u>	<u>Restated 2024</u>
Payable to employees (including compensated absences)	\$ 161,472	144,790
Payable to suppliers	146,693	117,594
Other	7,312	6,500
Total accounts payable and accrued expenses	<u>\$ 315,477</u>	<u>268,884</u>

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June 30, 2025 and 2024

(Dollars in tables in thousands)

(14) Other Long-Term Liabilities

Other long-term liabilities at June 30, 2025 and 2024, consisted of the following amounts:

	<u>2025</u>	<u>Restated 2024</u>
Pension liability	\$ 59,211	62,416
OPEB liability	35,402	35,615
Compensated absences	29,503	28,327
Bond arbitrage	641	631
Total other long-term liabilities	<u>\$ 124,757</u>	<u>126,989</u>

The below table presents the System's increases and decreases to other long-term liability balances by class of obligation.

	<u>Restated 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>2025</u>
Pension liability	\$ 62,416	—	(3,205)	59,211
OPEB liability	35,615	—	(213)	35,402
Compensated absences	28,327	1,176	—	29,503
Bond arbitrage	631	10	—	641
Unearned revenue	—	—	—	—
Total other long-term liabilities	<u>\$ 126,989</u>	<u>1,186</u>	<u>(3,418)</u>	<u>124,757</u>

(15) Law and Regulations

The healthcare industry is subject to extensive federal, state, and local laws and regulations, including, among others, licensure and accreditation requirements; participation and billing rules for Medicare and Medicaid; the federal 340B Drug Pricing Program; fraud-and-abuse laws (including the Stark Law and Anti-Kickback Statute); privacy and security requirements under HIPAA; and emergency treatment requirements under EMTALA. These laws and regulations are complex, subject to interpretation, and periodically change.

Management believes the System complies in all material respects with applicable laws and regulations. The System is routinely subject to reviews and audits by governmental agencies and their contractors. Adverse findings, if any, could result in repayment of amounts previously received, civil or criminal penalties, corrective action, or exclusion from government programs. As of the date of these financial statements, management is not aware of any pending matters expected to have a material effect on the System's financial position, results of operations, or cash flows; however, the ultimate outcome of regulatory reviews and interpretations cannot be predicted.

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June 30, 2025 and 2024

(Dollars in tables in thousands)

(16) Subsequent Events

The System has reviewed subsequent events through October 31, 2025 and concluded that there were no events or transactions during this period that would require recognition or disclosure in the financial statements.

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Schedule of Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last 10 Fiscal Years

(In thousands)

Required Supplementary Information

June 30, 2025

(Unaudited)

For the year ended	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability	Covered- employee payroll	Proportionate share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2025	1.62601 % \$	59,211	152,401	38.9 %	92.3 %
June 30, 2024	1.38283	62,416	122,817	50.8	90.1
June 30, 2023	1.31083	49,525	106,669	46.4	91.4
June 30, 2022	(0.33168)	1,145	89,374	1.3	100.8
June 30, 2021	0.99744	70,067	77,106	90.9	82.9
June 30, 2020	0.88403	51,191	62,910	81.4	85.5
June 30, 2019	0.77810	49,240	59,251	83.1	83.6
June 30, 2018	0.70459	46,934	52,104	90.1	82.2

The amounts presented for each fiscal year were determined as of June 30.

* Note: GASB Statement No. 68 requires 10 years of information to be presented in this table. However, until a full 10-year trend is compiled, presented information is limited to years for which information is available.

See accompanying independent auditors' report.

**STATE UNIVERSITY OF IOWA,
UNIVERSITY OF IOWA HEALTH CARE - HOSPITAL SYSTEM**

Schedule of Contributions

Iowa Public Employees' Retirement System

Last 10 Fiscal Years

(In thousands)

Required Supplementary Information

June 30, 2025

(Unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 18,096	14,351	11,566	10,053	8,431	7,260	5,921	5,224	4,623	3,603
Contributions in relation to the statutorily required contribution	<u>(18,096)</u>	<u>(14,351)</u>	<u>(11,566)</u>	<u>(10,053)</u>	<u>(8,431)</u>	<u>(7,260)</u>	<u>(5,921)</u>	<u>(5,224)</u>	<u>(4,623)</u>	<u>(3,603)</u>
Contribution deficiency	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
UIHC's covered-employee payroll	\$ 191,980	152,401	122,817	106,669	89,374	77,106	62,910	59,251	52,104	40,665
Contributions as a percentage of the covered-employee payroll	9.4 %	9.4 %	9.4 %	9.4 %	9.4 %	9.4 %	9.4 %	8.8 %	8.9 %	8.9 %

See accompanying independent auditors' report.

**STATE UNIVERSITY OF IOWA,
UNIVERSITY OF IOWA HEALTH CARE - HOSPITAL SYSTEM**

Schedule of Changes in Total OPEB Liability

Last 10 fiscal years ended June 30, 2025

(Unaudited)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
PSF Plan:						
Service cost	\$ 1,584	1,536	2,375	2,301	1,806	971
Interest	1,123	1,281	1,084	1,248	1,737	1,582
Differences between expected and actual experience	(139)	(3,910)	(52)	(1,082)	(27)	1,278
Changes of assumptions	(595)	(1,788)	(5,173)	(5,153)	7,480	6,895
Benefit payments	(1,896)	(3,136)	(2,916)	(3,449)	(3,459)	(3,323)
Other	(49)	(8,396)	(492)	(1,168)	561	(848)
Net change in total OPEB liability	28	(14,413)	(5,174)	(7,303)	8,098	6,555
Total OPEB liability, beginning of year	30,173	44,586	49,760	57,063	48,965	42,410
Total OPEB liability, end of year	<u>\$ 30,201</u>	<u>30,173</u>	<u>44,586</u>	<u>49,760</u>	<u>57,063</u>	<u>48,965</u>
Merit Plan:						
Service cost	\$ 501	561	868	927	735	408
Interest	297	386	296	378	510	421
Differences between expected and actual experience	(2)	(2,390)	82	(1,725)	(39)	305
Changes of assumptions	(164)	(618)	(1,486)	(1,917)	2,385	2,707
Benefit payments	(592)	(686)	(829)	(915)	(854)	(429)
Other	(13)	(1,506)	(132)	(347)	162	(217)
Net change in total OPEB liability	27	(4,253)	(1,201)	(3,599)	2,899	3,195
Total OPEB liability, beginning of year	7,934	12,187	13,388	16,987	14,088	10,893
Total OPEB liability, end of year	<u>\$ 7,961</u>	<u>7,934</u>	<u>12,187</u>	<u>13,388</u>	<u>16,987</u>	<u>14,088</u>

See accompanying independent auditors' report.

**STATE UNIVERSITY OF IOWA,
UNIVERSITY OF IOWA HOSPITALS AND CLINICS**

Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

(1) Pension Liability

(a) Changes of Benefit Terms

There were no changes of benefit terms reflected in the June 30, 2024, valuation.

(b) Changes of Assumption

The fiscal year 2025 total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Assumed investment return: 7%
- Projected salary increases: 3.25%-16.25% depending upon years of service
- Mortality tables: PubG-2010 Employee and Healthy Annuitant Tables, using MP-2021 generational adjustments
- Inflation rate: 2.6%
- Payroll increase assumption 3.25%.

The 2022 valuation incorporated the following refinements as a result of a June 2022 experience study:

- Changed mortality assumption to the PubG-2010 Employee and Healthy Annuitant Tables, using MP-2021 generational adjustments
- Adjusted retirement rates to partially reflect observed experience for regular members only
- Lowered disability rates
- Adjusted termination rates to partially reflect observed experience for all groups.

The 2018 valuation, which is used to determine the contribution rates effective July 1, 2019, incorporated the following refinements after a demographic assumption study:

- Changed mortality assumption to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017
- Adjusted retirement rates
- Lowered disability rates
- Adjusted the probability of a vested regular member electing to receive a deferred benefit
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of a March 2017 experience study:

- Decreased the inflation assumption from 3.00% to 2.60% per year

**STATE UNIVERSITY OF IOWA,
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Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year
- Decreased the long-term rate of return assumption from 7.50% to 7.00% per year
- Decreased the wage growth and payroll growth assumption from 4.00% to 3.25% per year
- Decreased the salary increase assumption by 0.75%.

(2) OPEB Liability

(a) Changes in the University's Total OPEB Liability and Related Ratios

- The 2024 valuation implemented the following refinements:
 - The financial accounting valuation reflects the following method changes:
 - There were no method changes in the financial accounting valuation.
 - The financial accounting valuation reflects the following assumption changes:
 - A change in the discount rate to 3.93% as of June 30, 2024
- The 2023 valuation implemented the following refinements:
 - The financial accounting valuation reflects the following assumption changes:
 - A change in the discount rate to 3.65% as of June 30, 2023
 - A change in the mortality projection scale from Scale MP-2020 to Scale MP-2021
 - The health care trend rate assumption was updated to a schedule of rates beginning at 7.73% in 2023, grading down to 4.50% in 2032 and beyond for pre-65 participants and 8.27% in 2023, grading down to 4.50% in 2032 and beyond for post-65 participants.
 - The marginal cost adjustment factors were changed from 65.2% to 64.6% for pre-65 participants and from 90.3% to 90.2% for post-65 participants.
 - A change in the inflation rate from 2.50% to 2.30%.
- The 2022 valuation implemented the following refinements:
 - The financial accounting valuation reflects the following method changes:
 - There were no method changes in the financial accounting valuation.
 - The 2022 financial accounting valuation reflects the following assumption changes:
 - A change in the discount rate to 3.54% as of June 30, 2022.

**STATE UNIVERSITY OF IOWA,
UNIVERSITY OF IOWA HOSPITALS AND CLINICS**

Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

- The 2021 valuation implemented the following refinements:
 - The financial accounting valuation reflects the following method changes:
 - There were no method changes in the financial accounting valuation.
 - The financial accounting valuation reflects the following assumption changes:
 - A change in the discount rate to 2.16% as of June 30, 2021
 - A change in the retirement rates for staff employees to better reflect recent experience
 - A change in the mortality projection scale from Scale MP-2018 to Scale MP-2020
 - The health care trend rate assumption was updated to a schedule of rates beginning at 6.12% in 2021, grading down to 4.5% in 2030 and beyond for pre-65 participants and 6.57% in 2021, grading down to 4.5% in 2030 and beyond for post-65 participants
 - The marginal cost adjustment factors were changed from 62.9% to 65.2% for pre-65 participants and from 89.5% to 90.3% for post-65 participants.
- The 2020 valuation implemented the following refinements:
 - The financial accounting valuation reflects the following method changes:
 - There were no method changes in the financial accounting valuation.
 - The financial accounting valuation reflects the following assumption changes:
 - A change in the discount rate to 2.21% as of June 30, 2020
 - A removal of the excise tax on high-cost plans from the future trend rates.
- The 2019 valuation implemented the following refinements:
 - The financial accounting valuation reflects the following method changes:
 - There were no method changes in the financial accounting valuation.
 - The financial accounting valuation reflects the following assumption changes:
 - A change in the discount rate to 3.50% as of June 30, 2019
 - A change in the mortality assumption for healthy lives from the RP-2014 Aggregate Mortality Table projected using the Scale MP-2016 to Pub-2010 Aggregate Mortality Table projected using the Scale MP-2018 by classification.
 - A change in the mortality assumption for disabled lives from the CIA 1988-94 LTD table to the Pub-2010 Disable Mortality Table projected using Scale MP-2018

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Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

- The health care trend rate assumption was updated to a schedule of rates beginning at 6.65% in 2019, grading down to 4.50% in 2028 and beyond for pre-65 participants and 7.61% in 2019 grading down to 4.50% in 2029 and beyond for post-65 participants.
- The marginal cost adjustment factors were changed from 60.1% to 62.9% for pre-65 participants and from 87.6% to 89.5% for post-65 participants.
- The impact of the excise tax on high-cost plans due to healthcare reform was updated, based on current claims and medical trend assumption.
- The 2018 valuation implemented the following refinements:
 - The financial accounting valuation reflects the following method changes:
 - There were no method changes in the financial accounting valuation
 - The financial accounting valuation reflects the following assumption changes:
 - A change in the discount rate to 3.87% as of June 30, 2018. The discount rate was 3.58% as of June 30, 2017.
 - A change in demographic assumption for the Merit employees from the State assumption to the University staff assumption.