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FOR IOWA AND THE WORLD

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

UNIVERSITY OF IOWA MISSION

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

THE UNIVERSITY IN 2019

University of Iowa achievements during 2018-2019 include:

- Enrolling the highest-achieving class of incoming freshman in UI history (Class of 2023: 4,986 students, mean GPA: 3.76)
- Conferring 5,782 baccalaureate degrees, 1,741 higher degrees, and 465 professional degrees
- Hiring Dr. Montserrat Fuentes as Executive Vice President and Provost
- Continuing construction of the new Psychological and Brain Sciences Building (to be completed January 2020) and completing the new College of Pharmacy Building.

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Fall 2019 Fall 2018

	Fall 2019	Fall 2018		Fall 2019	Fall 2018
Group			Group (by FTEs)		
Total students	32,535	32,948	Total faculty and staff	25,099	24,717
Undergraduates	23,482	23,989	Tenure-track faculty	1,478	1,490
Graduate and professional	9,053	8,959	Clinical-track faculty	853	811
Iowa residents	60.6%	59.8%	Postdoctoral and other faculty	801	799
Total non-residents	39.4%	40.2%	Institutional officers	20	19
International students	7.9%	9.3%	Professional and scientific staff	10,673	10,355
Minority enrollment	17.8%	18.4%	Merit staff	4,345	4,392
			Residents	840	831
			Graduate assistants	2,197	2,215
			Temporary	3,892	3,805



RAGBRAI went through Iowa City in July 2018 for the first time since 1976.

EXTERNAL SUPPORT AND GIVING

The University reported strong external support during FY2019.

• FY2019 total external funding: \$588.8 million

RECENT RANKINGS

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

- U.S. News & World Report rank among 146 national, public universities: 34
- *U.S. News & World Report* rank among best global universities: **159**
- Number of graduate programs ranked among the top 10 in their field by *U.S. News & World Report*: 11
- U.S. News & World Report rank among Iowa hospitals: 1
- Number of adult medical specialties among the top 50 in their fields by *U.S News & World Report*: **6**
- Number of pediatric specialties ranked among the top 50 in their fields by *U.S News & World Report*: 6



Luisa Caldwell, a UI grad and artist from New York, installs her sculpture, made from candy wrappers, in Hancher Auditorium in April 2019.

OFFICE OF AUDITOR OF STATE



STATE OF IOWA

Rob Sand Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying Statement of Net Position, and the related Statements of Revenues, Expenses and Changes in Net Position and Cash Flows, of the State University of Iowa, Iowa City, Iowa, (University of Iowa) and its aggregate discretely presented component units as of and for the years ended June 30, 2019 and 2018, and the related Notes to Financial Statements, which collectively comprise the University of Iowa's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Iowa Center for Advancement and Affiliate and the University of Iowa Health System discussed in Note 1, which represent 97% and 2%, respectively, of the assets and 84% and 14%, respectively, of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those financial statements, is based solely on the reports of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Iowa Center for Advancement and Affiliate were not audited in accordance with Government Auditing Standards.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Iowa and its aggregate discretely presented component units as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2019 and 2018 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in Note 1, the financial statements of the University of Iowa are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the University of Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2019 and 2018 and the changes in its financial position and its cash flows for the years ended June 30, 2019 and 2018 in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of Net Pension Liability, Schedule of University Contributions and the Schedule of Changes in the University's Total OPEB Liability, Related Ratios and Notes on pages 6 through 17 and 80 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Introduction and Highlights Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on them.

Other Reporting Required by Government Auditing Standards

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

Marlys K. Gaston, CPA
Deputy Auditor of State

Management's Discussion and Analysis



A rendering of the new Stanley Museum of Art, which is set to open in 2022. The ceremonial groundbreaking was held on June 7, 2019 in Gibson Square Park.

INTRODUCTION

The following discussion and analysis of the University of Iowa's financial statements presents an overview of the University's financial activities for the years ended June 30, 2019 and 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and related footnotes that follow.

FINANCIAL HIGHLIGHTS

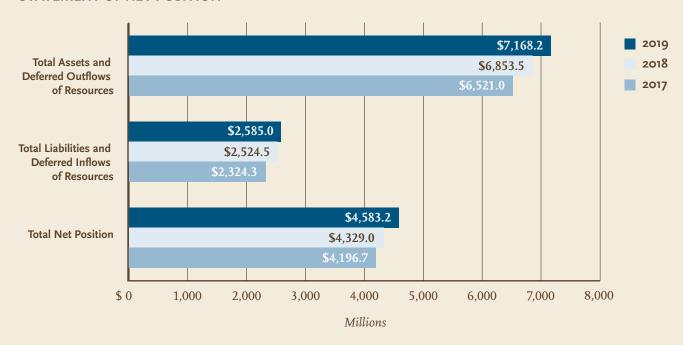
The University's financial position remained strong at June 30, 2019, with assets of \$7,055 million and liabilities of \$2,487 million as compared to June 30, 2018 assets of \$6,732 million and liabilities of \$2,434 million. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, increased by \$254.2 million (5.9%) from July 1, 2018 to June 30, 2019. The increase from June 30, 2017 to June 30, 2018 was \$132.3 million (3.2%).

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

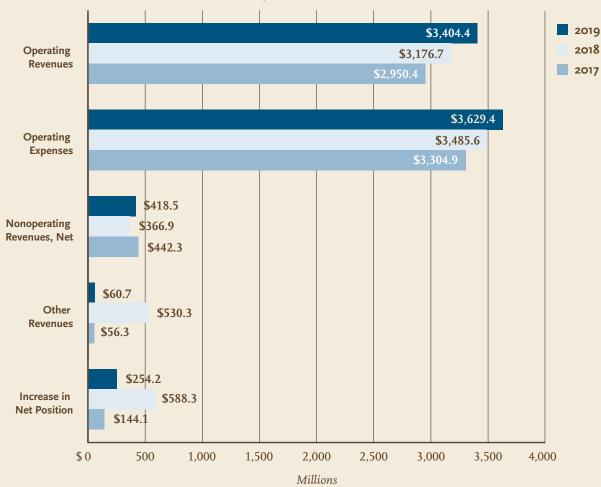
GASB Statement No. 83 Certain Asset Retirement Obligations and GASB Statement No. 88 <u>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</u> were implemented during fiscal year 2019. The University reported no Asset Retirement Obligations as of June 30, 2019.

The following charts compare Total Assets and Deferred Outflows of Resources, Total Liabilities and Deferred Inflows of Resources, and Total Net Position at June 30, 2019, 2018, and 2017 and the components of changes in Net Position at June 30, 2019, 2018 and 2017.

STATEMENT OF NET POSITION







USING THIS ANNUAL REPORT

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

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

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

 $The following \ table \ summarizes \ the \ University's \ assets, \ deferred \ outflows \ of \ resources,$ liabilities, deferred inflows of resources, and net position for the years ended June 30, 2019, 2018, and 2017.

NET POSITION, END OF YEAR (in millions)

Assets \$877.5 \$863.9 \$857.3 Capital assets, net 3,986.8 3,943.8 3,854.0 Other noncurrent assets 2,190.7 1,924.2 1,752.4 Total Assets 7,055.0 6,731.9 6,463.7 Deferred Outflows of Resources 113.2 121.6 57.3 Liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4 Total Net Position \$4,583.2 \$4,329.0 \$4,196.7				
Assets				
Current assets \$877.5 \$863.9 \$857.3 Capital assets, net 3,986.8 3,943.8 3,854.0 Other noncurrent assets 2,190.7 1,924.2 1,752.4 Total Assets 7,055.0 6,731.9 6,463.7 Deferred Outflows of Resources 113.2 121.6 57.3 Liabilities Current liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4		2019	2018	
Capital assets, net 3,986.8 3,943.8 3,854.0 Other noncurrent assets 2,190.7 1,924.2 1,752.4 Total Assets 7,055.0 6,731.9 6,463.7 Deferred Outflows of Resources Current liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Assets			
Other noncurrent assets 2,190.7 1,924.2 1,752.4 Total Assets 7,055.0 6,731.9 6,463.7 Deferred Outflows of Resources 113.2 121.6 57.3 Liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Current assets	\$877.5	\$863.9	\$857.3
Total Assets 7,055.0 6,731.9 6,463.7 Deferred Outflows of Resources 113.2 121.6 57.3 Liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Capital assets, net	3,986.8	3,943.8	3,854.0
Deferred Outflows of Resources 113.2 121.6 57.3 Liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Other noncurrent assets	2,190.7	1,924.2	1,752.4
Liabilities Current liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Total Assets	7,055.0	6,731.9	6,463.7
Liabilities Current liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4				
Current liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Deferred Outflows of Resources	113.2	121.6	57.3
Current liabilities 865.1 802.6 743.6 Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4				
Noncurrent liabilities 1,622.3 1,630.9 1,575.8 Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Liabilities			
Total Liabilities 2,487.4 2,433.5 2,319.4 Deferred Inflows of Resources 97.6 91.0 4.9 Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Current liabilities	865.1	802.6	743.6
Net Position 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Noncurrent liabilities	1,622.3	1,630.9	1,575.8
Net Position Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Total Liabilities	2,487.4	2,433.5	2,319.4
Net Position Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4				
Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Deferred Inflows of Resources	97.6	91.0	4.9
Net investment in capital assets 2,694.8 2,653.7 2,569.0 Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4				
Restricted 456.6 426.1 452.3 Unrestricted 1,431.8 1,249.2 1,175.4	Net Position			
Unrestricted 1,431.8 1,249.2 1,175.4	Net investment in capital assets	2,694.8	2,653.7	2,569.0
	Restricted	456.6	426.1	452.3
Total Net Position \$4,583.2 \$4,329.0 \$4,196.7	Unrestricted	1,431.8	1,249.2	1,175.4
	Total Net Position	\$4,583.2	\$4,329.0	\$4,196.7

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2019, 2018 and 2017.

REVENUES, EXPENSES AND CHANGES IN NET POSITION (in millions)

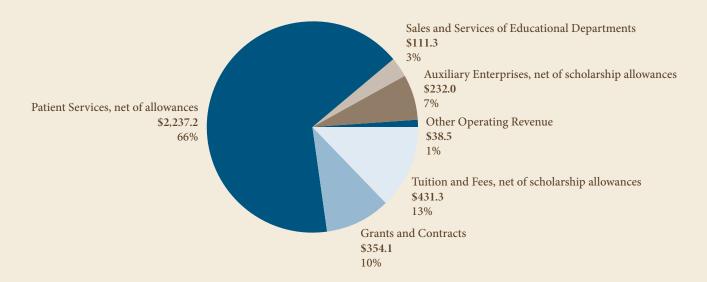
	2019	2018	Not Restated 2017
Operating Revenues:			
Tuition and fees, net of scholarship allowances	\$431.3	\$430.5	\$399.1
Grants and contracts	354.1	345.7	345.0
Patient services, net of allowances	2,237.2	2,040.2	1,846.5
Sales and services of educational departments	111.3	104.9	108.5
Auxiliary enterprises, net of scholarship allowances	232.0	222.0	216.3
Other operating revenue	38.5	33.4	35.0
Total Operating Revenues	3,404.4	3,176.7	2,950.4
Operating Expenses:			
Instruction	358.2	349.7	341.8
Research	334.3	334.7	330.3
Academic support	150.4	153.0	226.4
Patient services	1,967.5	1,848.9	1,621.7
Depreciation and amortization	250.6	247.3	226.7
Auxiliary enterprises	209.9	203.3	203.2
Other operating expenses	358.5	348.7	354.8
Total Operating Expenses	3,629.4	3,485.6	3,304.9
Operating (Loss)	(225.0)	(308.9)	(354.5)
Nonoperating Revenues (Expenses):			
State appropriations	231.1	227.3	239.3
Grants and contracts	20.5	20.2	18.2
Investment income	120.6	65.2	113.4
Gifts	101.5	97.2	109.2
Interest expense	(41.6)	(37.8)	(32.5)
Loss on disposal of capital assets	(13.6)	(5.2)	(5.3)
Net Nonoperating Revenues (Expenses)	418.5	366.9	442.3
Income Before Other Revenues	193.5	58.0	87.8
Other Revenues:			
Capital appropriations, State	32.3	53.0	20.6
Capital contributions and grants	28.4	10.5	33.6
FEMA reimbursement for capital costs, net of expenses	-	1.8	2.1
Other—OPEB benefit change	-	465.0	-
Net Other Revenues	60.7	530.3	56.3
Increase in Net Position	254.2	588.3	144.1
Net position, beginning of year	4,329.0	3,740.7	4,052.6
Net position, end of year	\$4,583.2	\$4,329.0	\$4,196.7

The Statement of Revenues, Expenses and Changes in Net Position reflects a positive year with an increase in net position for the fiscal year ended June 30, 2019 of \$254.2 million (5.9%). During the fiscal year ended June 30, 2019, the University increased operating revenues and operating expenses by 7.2% and 4.1%, respectively. The net result from operating revenues and expenses is an operating loss of 6.6% compared to 9.7% last year. However, after factoring in state appropriations, investment income, gifts and other net non-operating revenues (expenses), the University increased net position by \$193.5 million for the year ended June 30, 2019. During the fiscal year ended June 30, 2019, net nonoperating revenues (expenses) increased by 14.1%. Other revenues of state appropriations for capital projects, contributions and grants for capital projects, and FEMA reimbursement for capital costs, net of expenses decreased \$4.6 million (7.0%). This calculation does not include the restatement of net position as of July 1, 2017 required by the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during fiscal year 2018. The beginning net position was restated by \$456.0 million to retroactively report the increase in the OPEB liability as of July 1, 2017. Net position increased \$465.0 million during fiscal year 2018 due to the University's implementation of a change in OPEB benefit terms during fiscal year 2018. When these items are included, net position increased \$588.3 million for the fiscal year ended June 30, 2018.

OPERATING REVENUES

For the fiscal years (FY) ended June 30, 2019, 2018 and 2017, operating revenues totaled \$3,404.4 million, \$3,176.7 million and \$2,950.4 million, respectively. Operating revenues increased \$227.7 million (7.2%) over FY 2018 revenues. The increase is primarily from patient services. The following is a graphic illustration of revenues by source which are used to fund the University's operating activities for the year ended June 30, 2019.

FY 2019 OPERATING REVENUES \$3,404.4 million

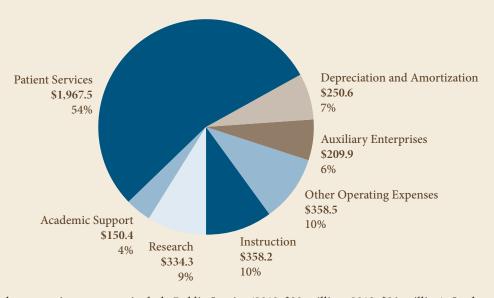


In the most recent National Science Foundation, Higher Education Research and Development survey (2017), the University of Iowa ranked 49th among public and private universities combined in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements operating revenue exceeded \$354 million in FY 2019, \$345 million in FY 2018 and \$344 million in FY 2017.

OPERATING EXPENSES

For the fiscal years ended June 30, 2019, 2018 and 2017, operating expenses totaled \$3,629.4 million, \$3,485.6 million and \$3,304.9 million, respectively. Operating expenses increased \$143.8 million (4.1%) over FY 2018 expenses. The increase is primarily from patient services, instruction, and auxiliary enterprises. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2019

FY 2019 OPERATING EXPENSES \$3,629.4 million



Other operating expenses include Public Service (2019, \$92 million; 2018, \$90 million), Student Services (2019, \$42 million; 2018, \$37 million), Institutional Support (2019, \$59 million; 2018, \$56 million), Operation and Maintenance of Plant (2019, \$81 million; 2018, \$84 million), Scholarships and Fellowships (2019, \$34 million; 2018, \$32 million), and Other (2019, \$50 million; 2018, \$49 million).

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive \$418.5 million for the fiscal year ended June 30, 2019 and \$366.9 million for the fiscal year ended June 30, 2018.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2019, 2018 and 2017.

NONOPERATING REVENUES (EXPENSES) (in millions)

2019	2018	2017
\$231.1	\$227.3	\$239.3
20.5	20.2	18.2
120.6	65.2	113.4
101.5	97.2	109.2
(41.6)	(37.8)	(32.5)
(13.6)	(5.2)	(5.3)
\$418.5	\$366.9	\$442.3
	\$231.1 20.5 120.6 101.5 (41.6) (13.6)	\$231.1 \$227.3 20.5 20.2 120.6 65.2 101.5 97.2 (41.6) (37.8) (13.6) (5.2)

State appropriations increased by \$3.8 million (1.7%) in the fiscal year ended June 30, 2019. Grants and contracts revenue increased by \$0.3 million (1.5%), investment income, net of investment expenses increased by \$55.4 million (85.0%) and gifts increased by \$4.3 million (4.4%) in the fiscal year ended June 30, 2019.

OTHER REVENUES AND EXPENSES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects, contributions and grants for capital projects and reimbursement from FEMA for capital costs, net of expenses. Other revenues decreased from \$530.3 million for the fiscal year ended June 30, 2018 to \$60.7 million for the fiscal year ended June 30, 2019, a decrease of \$469.6 million, or 88.6%. Other revenues included a decrease of \$465.0 million during fiscal year 2019 after the University's implementation of a change in OPEB benefit terms during fiscal year 2018. Capital appropriations, contributions, and grants decreased from \$63.5 million for the fiscal year ended June 30, 2018 to \$60.7 million for the fiscal year ended June 30, 2019, a decrease of \$2.8 million, or 4.4%. No FEMA reimbursement for capital costs, net of expenses was received in fiscal year 2019. The final \$1.8 million funding for expenses related to the 2008 flood was received in fiscal 2018, resulting in a 100% decrease in FEMA reimbursement for capital costs, net of expenses in fiscal 2019.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information regarding the University's cash receipts and disbursements during the fiscal year. This provides an assessment of the University's ability to generate net cash flows and meet obligations as they come due.

The following table summarizes the University's cash flow for the fiscal years ended June 30, 2019, 2018 and 2017.

CASH FLOWS FOR THE YEAR (in millions)

	2019	2018	2017
Cash provided (used) by:			
Operating activities	\$60.6	\$9.9	\$(123.7)
Noncapital financing activities	368.2	367.7	390.7
Capital and related financing activities	(290.3)	(264.3)	(420.9)
Investing activities	(174.7)	(49.5)	143.8
Net change in cash and cash equivalents	(36.2)	63.8	(10.1)
Cash and cash equivalents, beginning of year	271.1	207.3	217.4
Cash and cash equivalents, end of year	\$234.9	\$271.1	\$207.3

The University's overall liquidity decreased during the year, with a net decrease in cash and cash equivalents of \$36.2 million. The net decrease is primarily due to disbursements for investing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table summarizes the University's capital assets, net of depreciation and amortization, as of June 30, 2019, 2018 and 2017.

CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION (in millions)

	2019	2018	2017
Nondepreciable/nonamortizable			
Land	\$73.5	\$68.7	\$66.6
Construction in progress	294.6	261.1	293.5
Intangibles in development	0.2	0.3	1.8
Art & historical collections	28.9	28.8	28.2
Library materials	374.8	358.2	345.8
Depreciable/amortizable			
Land improvements, net	\$8.5	\$10.0	\$7.4
Infrastructure, net	322.8	296.3	285.1
Buildings, net	2,584.1	2,602.1	2,490.9
Equipment, net	262.6	274.9	284.8
Intangibles, net	36.8	43.4	49.9
Total Capital Assets, Net	\$3,986.8	\$3,943.8	\$3,854.0

Many important projects for the University of Iowa wrapped up construction this year, including the Relocation of Acute Leukemia and Bone Marrow Transplant Unit on Level 3 of John W. Colloton Pavilion (\$15.3 million), the Modernization of Building Systems in Bowen Science Building (\$18.5 million), the renovation of Lab Floors 1-5 within the John W. Eckstein Medical Research Building (\$9.1 million), Modifications to the College of Nursing Building (\$11.8 million), and the completion of the campus Water Plant Reverse Osmosis System installation (\$5.9 million).

Other important milestones were reached with the substantial completion of several building and utility infrastructure projects including: the replacement of the LL-L3 Air Handling Units serving John W. Colloton Pavilion (\$6.2 million), the final phase of the Riverside Drive/Grand Avenue Steam Distribution System replacement (\$17.9 million), the installation of a MRI Linear Accelerator in Pomerantz Family Pavilion (\$10.5 million), and increasing the Cooling Tower Capacity at the Chilled Water Plant 2 (West)—(\$5.2 million). Substantial completion was also reached for a project to expand the UIHC Pediatric Specialty Clinic and create a Conference Center (\$39 million).

Construction efforts continued with a few of our largest projects: Kinnick Stadium North End Zone (\$89.9 million), a three-year project heading towards completion later this year; two College of Pharmacy projects (the new College of Pharmacy Building (\$96.3 million) and the UIP Fit Out and Manufacturing Equipment (\$28.4 million) projects, the Psychological Brain Sciences Building—Construct Facility (\$33.5 million) which will allow for the razing of Seashore Hall, updating the Student Living Spaces in Burge Residence Hall which is in year two of a four year long project (\$8.4 million) and the Power Plant—Capacity Expansion (\$49.5 million) which adds a new boiler and replaces turbine generators at the main plant.

A project moratorium initiated in April 2018 impacted the capital project workload by postponing projects in design at the time. The moratorium ran for five months ending mid-September 2018. Projects that bid and were awarded following the moratorium include construction of a new Finkbine Golf Club House and Support Facility and razing of the existing facility (\$9.95 million), construction of the UIHC Central Sterilization Services facility that will consolidate sterilization services for the hospital into one facility and will be located on the Oakdale Campus (\$31.5 million), Renovation of Pathology Core Lab at Roy Carver Pavilion (\$20 million), the Roy J. Carver Pavilion – Inpatient Psychiatry Expansion and Renovation project (\$8.3 million), Renovation of the John Pappajohn Pavilion—Interventional Radiology Support Space (\$6.9 million), construction of a replacement of L3 Air Handling Units serving John W. Colloton Pavilion (\$6.2 million), the expansion and renovation of an MRI and Pet/MRI Suite in John W. Colloton Pavilion (\$5.4 million) and finally installation of a MRI Linear Accelerator in Pomerantz Family Pavilion (\$10.5 million)

Additionally, projects currently under design include the Renovation of 1st and 2nd Floors to the Lindquist Center (\$8.9 million), Utilities Distribution System—Replace Old Capital Tunnel (\$11.5 million) and Renovate Student Living Space in Hillcrest Residence Hall (\$8.5 million). The Stanley Museum of Art project design is complete and will bid next fiscal year, marking the last of the replacement projects from the flood of 2008 (\$50 million).

Debt

As of June 30, 2019, the University had \$1,361.3 million in outstanding bonds, notes and capital leases, a decrease of \$4.4 million from the prior year. Debt principal payments of \$74.1 million and interest payments of \$44.4 million were made during the fiscal year ended June 30, 2019.

The following table summarizes outstanding debt by type as of June 30, 2019, 2018 and 2017.

BONDS, NOTES AND CAPITAL LEASES

(in millions)

	2019	2018	2017
Revenue bonds	\$1,324.9	\$1,321.0	\$1,259.7
Notes	20.1	27.3	36.3
Capital leases	16.3	17.4	18.4
Total Debt Outstanding	\$1,361.3	\$1,365.7	\$1,314.4

During the fiscal year ended June 30, 2019, \$71.4 million of new revenue bonds were issued. The revenue bond proceeds were \$28.9 million for Athletic Facilities and \$42.5 million for Hospital. The University carries an Aa1 institutional bond rating from Moody's and an AA rating from Standard & Poor's. UIHC carries a rating of Aa2 and AA. Additional information related to the University's noncurrent liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University of Iowa maintains a strong credit rating with Moody's (Aa1) and S&P Global (AA). Achieving and maintaining this credit rating provides the University with significant flexibility in securing capital funds, on highly competitive terms, to finance capital projects necessary to advance the University's mission.

The University of Iowa continues to have significant appeal to prospective students. This is attributable, in large part, to the University's high academic standards and its national reputation as a best buy in undergraduate education. The University continues to draw a high percentage of students from outside the state of Iowa, most notably from the state of Illinois. The Class of 2023 is comprised of 4,986 students, making it the fourth largest, and one of the most academically gifted class in the University's 172-year history. Total enrollment for fall 2019 is 32,535, the fourth highest enrollment in the University's history. It is forecasted these trends will continue with strong enrollment demand at the University of Iowa, despite overall high school graduation demographics remaining flat within the state of Iowa.

The state increased its general fund appropriation to the University by \$3.2 million since the end of fiscal year 2018. This state support enables the University to maintain one of the lowest resident undergraduate tuition rates among its highly selective peer group. The state economy continues to report revenue growth over the prior year. In fact, the October 2019 projection from the state's revenue estimating committee estimates fiscal year 2020 General Fund will end with a \$414.0 million surplus and estimates that FY 2021 will end with a surplus of \$458.5 million.

The University continues to be one of the nation's top research-intensive universities with grant and contract research awards to the University exceeding \$400 million per year for the past eleven years. The continuation of hiring highly productive faculty within focused

clusters, and infrastructure improvements will enable the University's researchers to be more productive and better positioned to compete for external grants and contracts as new sponsored research opportunities emerge. Federally sponsored research increased 8% in FY 2019 while the University realized a decrease in industry research support. As a result, an area of emphasis in the upcoming years is on developing stronger partnerships with industry leading to improved marketability of intellectual capital generated by UI faculty and staff. Federal research continues to perform well in FY 2020 with the University receiving its single, largest federal award in its history valued at \$115 million from NASA.

Despite the increasing volatility in the investment markets over the last several years, investment income continues to be an important component of UI's ongoing revenue diversification with the University generating a 9.1% 10-year return on its endowment, placing it in the upper quartile of educational endowment returns across the U.S. The University achieved benchmark or better returns in its operating investment pool over the 3-year and 5-year return periods. The University will continue to employ its long-term investment strategy to maximize total returns, at an appropriate level of risk. The Board of Regents investment advisor, Marquette Associates is a partner in this process to ensure prudently managed and well diversified investment portfolios.

The University of Iowa Hospitals & Clinics (UIHC) continues to be recognized as one of the nation's best and has achieved successful operating results for fiscal year 2019 with an operating margin of 5.4% (unaudited) versus a budget of 3.2%. According to US News & World Report, UIHC has been included again as one of the top hospitals in the United States in its annual "best hospitals" rankings. Twelve programs are ranked in the top 50 in the country. Of the twelve programs, six are in adult specialties and six are in pediatric specialty areas. The University of Iowa Health Care is rated by US News & World Report as the #1 hospital in the state of Iowa and it continues to report robust patient census data with over 1 million clinic visits in fiscal year 2019. Iowa's future doctors and other health care professional students are in a great learning environment attributable to outstanding faculty and exposure to a high complexity case mix at 2.22 overall in FY 2019.

THE UNIVERSITY OF IOWA Statement of Net Position June 30, 2019 (in thousands)

With comparative statement as of June 30, 2018

ASSETS	2019	2018
Current Assets:		
Cash and cash equivalents	\$132,121	\$145,976
Deposits with trustees	1	1
Investments	222,900	217,992
Accounts receivable, net	381,190	364,630
Notes receivable, net	2,307	2,234
Interest receivable	1,360	1,308
Due from government agencies	67,065	65,028
Inventories	47,128	45,212
Prepaid expenses and other current assets	23,407	21,492
Total current assets	877,479	863,873
Noncurrent Assets:		
Cash and cash equivalents	102,773	125,109
Deposits with trustees	15,041	14,725
Investments	2,031,844	1,741,971
Notes receivable, net	25,035	26,922
Investment in wholly owned subsidiary	16,023	15,500
Capital assets, net	3,986,828	3,943,809
Total noncurrent assets	6,177,544	5,868,036
Total Assets	7,055,023	6,731,909
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflows	50,612	54,448
Pension related deferred outflows	47,223	49,227
Debt refunding loss	14,729	17,089
Other deferred outflows	642	879
Total Deferred Outflows of Resources	113,206	121,643
Total Assets and Deferred Outflows of Resources	\$7,168,229	\$6,853,552

THE UNIVERSITY OF IOWA Statement of Net Position, continued June 30, 2019 (in thousands)

With comparative statement as of June 30, 2018

LIABILITIES	2019	2018
Current Liabilities:		
Accounts payable	\$119,666	\$99,826
Salaries and wages payable	203,257	198,306
Unpaid claims	54,789	37,658
Unearned revenue	43,301	44,989
Interest payable	17,057	16,293
Long-term debt, current portion	78,276	74,204
Other long-term liabilities, current portion	124,353	122,246
Deposits held in custody for others	224,380	209,122
Total current liabilities	865,079	802,644
Noncurrent Liabilities:		
Accounts payable	18,349	35,074
Long-term debt, noncurrent portion	1,283,056	1,291,443
Other long-term liabilities, noncurrent portion	320,879	304,359
Total noncurrent liabilities	1,622,284	1,630,876
Total Liabilities	2,487,363	2,433,520
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred inflows	90,145	85,859
Debt refunding gain	2,102	2,803
Pension related deferred inflows Contract and grant deferred inflows	5,210 137	1,923 371
Total Deferred Inflows of Resources	97,594	90,956
NET POSITION		
NET POSITION		
Net investment in capital assets Restricted: Nonexpendable:	2,694,830	2,653,746
Permanent endowment Expendable:	47,953	47,798
Research and gifts	66,065	65,408
Student loans	16,960	15,901
Quasi endowments	83,814	82,245
Debt service and capital projects	241,802	214,729
Unrestricted	1,431,848	1,249,249
Total Net Position	4,583,272	4,329,076
Total Liabilities, Deferred Inflows of Resources and Net Position	\$7,168,229	\$6,853,552

THE UNIVERSITY OF IOWA

Statement of Revenues, Expenses and Changes in Net Position For the year ended June 30, 2019 (in thousands)

With comparative statement for the year ended June 30, 2018

Student tuition and fees, net of scholarship allowances of \$121.099 and \$121.815 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds) \$431.273			
Student tuition and fees, net of scholarship allowances of \$121,099 and \$121,815 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds) \$431,273		2019	2018
Student tuition and fees, net of scholarship allowances of \$121,099 and \$121,815 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds) \$431,273	Operatina Revenues		_
Pederal grants and contracts	Student tuition and fees, net of scholarship allowances of \$121,099 and \$121,815 for the years ended June 30, 2019 and 2018, respectively	¢421 272	¢420 515
State and other governmental grants and contracts	,		
Nongovernmental grants and contracts 49,633 50,142 Patient services, net of write-offs, contractual adjustments and indigent care of \$4,502,753 and \$3,938,026 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds) 2,237,228 2,040,227 Sales and services of educational departments 111,322 104,866 Interest on student loans 732 693 Auxiliary enterprises, net of scholarship allowances of \$10,280 and \$10,202 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds) 232,042 222,021 Other operating revenue 3,404,375 3,176,773 Operating Expenses 3,404,375 3,176,773 Operating Expenses 334,256 334,689 Public service 31,934 96,683 Research 334,256 334,689 Public service 91,934 90,402 Student services 1,967,510 1,848,906 Student services 1,967,510 1,848,906 Student services 1,967,510 1,848,906 Student services 1,967,510 1,848,906 Student services 3,202,708 1,842,			
Patient services, net of write-offs, contractual adjustments and indigent care of \$4,502,753 and \$3,938,026 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds)			
Sales and services of educational departments 111,322 104,866 Interest on student loans 732 693 Auxiliary enterprises, net of scholarship allowances of \$10,280 and \$10,202 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds) 232,042 222,021 Other operating revenue 3,404,375 3,767.73 Operating Expenses 34,0683 34,688 Instruction \$58,207 349,683 Research 334,256 334,689 Public service 91,934 90,402 Academic support 150,416 152,985 Patient services 1,967,510 1,848,906 Student services 42,421 56,867 Institutional support 59,237 63,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 320,78 Operation and amortization 250,635 247,336 Auxiliary enterprises 20,885 203,116 Other operating expenses 49,987 48,806 Total Operating Expenses 3	Patient services, net of write-offs, contractual adjustments and indigent care of \$4,502,753 and \$3,938,026 for the years ended June 30, 2019		
Auxiliary enterprises, net of scholarship allowances of \$10,280 and \$10,202 for the years ended June 30, 2019 and 2018, respectively (pledged as payment on revenue bonds) Other operating revenue		111,322	104,866
\$10,202 for the years ended June 30, 2019 and 2018, respectively (pledaged as payment on revenue bonds) 37,721 32,710 Total Operating Revenues 3,404,375 3,176,773 32,710	*	732	693
Other operating Revenues 37,721 32,710 Operating Expenses 3,404,375 3,176,773 Instruction 358,207 349,683 Research 334,256 334,688 Public service 19,1934 90,002 Academic support 150,416 152,985 Patient services 1,967,510 1,848,906 Student services 42,421 3,686,7 Institutional support 59,237 56,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating Revenues (Expenses) 231,134 227,289 State appropriations 231,134 227,289 Federal grants and contracts 10,0476 20,0476 Investment income 120,589 65,192	\$10,202 for the years ended June 30, 2019 and 2018, respectively	232,042	222,021
Total Operating Revenues 3,404,375 3,176,773 Operating Expenses 358,207 349,683 Research 334,256 334,689 Public service 19,193 90,402 Academic support 150,416 152,985 Patient services 1,967,510 1,848,906 Student services 42,212 36,867 Institutional support 59,237 56,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 32,738 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,988 203,316 Other operating Expenses 3,629,434 3,485,625 Operating (Loss) 225,059 308,852 Nonoperating Revenues (Expenses) 231,134 227,289 State appropriations 231,134 227,289 Federal grants and contracts 10,058 65,129 Investment income 110,565 97,209 <td></td> <td>37 721</td> <td>32 710</td>		37 721	32 710
Instruction	-		
Instruction	Total Operating Revenues	3,404,375	3,176,773
Research 334,256 334,689 Public service 91,934 90,402 Academic support 150,416 152,985 Patient services 1,967,510 1,848,906 Student services 1,967,510 1,848,906 Institutional support 95,237 56,313 Operation and maintenance of plant 81,420 48,424 Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,099) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (3136) (5,204) Net Nonoperating Revenues (Expenses) 418,5	Operating Expenses		
Public service 91,934 90,402 Academic support 150,416 152,985 Patient services 1,967,510 1,848,906 Student services 42,421 36,867 Institutional support 59,237 56,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,099) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 79,209 Interest expense 414,618 37,849 Loss on disposal of capital assets (31,614) (5,204) Net Nonoperating Revenues (Expenses) 418,530	Instruction	358,207	349,683
Academic support 150,416 152,985 Patient services 1,967,510 1,848,906 Student services 42,421 36,867 Institutional support 59,237 56,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues <	Research	334,256	334,689
Patient services 1,967,510 1,848,906 Student services 42,421 36,867 Institutional support 59,237 56,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues 193,471 58,025 Capital appropriations, State <td>Public service</td> <td>91,934</td> <td>90,402</td>	Public service	91,934	90,402
Student services 42,421 36,867 Institutional support 59,237 56,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,249 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues 32,295 58,025 Capital appropriations, State 28,430 10,496 Capital contributions and	11	150,416	152,985
Institutional support 59,237 56,313 Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 32,026 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating Revenues (Expenses) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues 32,295 52,994 Capital appropriations, State 32,430 10,496 FEMA reimbursement for capital costs, net of expenses - 1,843		1,967,510	1,848,906
Operation and maintenance of plant 81,420 84,244 Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues 193,471 58,025 Other Revenues 28,430 10,496 FEMA reimbursement for capital costs, net of expenses 1,843 Other—OPEB benefit change 60,725 530,341 Increase in Net Positio		*	
Scholarships and fellowships 33,526 32,078 Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,16 Other operating expenses 49,986 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues 193,471 58,025 Other Revenues 28,430 10,496 FEMA reimbursement for capital costs, net of expenses 28,430 10,496 FEMA reimbursement for capital costs, net of expenses 60,725 530,341 Increase in Net Position 254,196 588,366			
Depreciation and amortization 250,635 247,336 Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues 193,471 58,025 Other Revenues 28,430 10,496 Capital appropriations, State 32,295 52,994 Capital appropriations and grants 28,430 10,496 FEMA reimbursement for capital costs, net of expenses 465,008 Net Other Revenues 60,725 530,341 Increase in Net Position <td></td> <td></td> <td></td>			
Auxiliary enterprises 209,885 203,316 Other operating expenses 49,987 48,806 Total Operating Expenses 3,629,434 3,485,625 Operating (Loss) (225,059) (308,852) Nonoperating Revenues (Expenses) 231,134 227,289 Federal grants and contracts 20,476 20,240 Investment income 120,589 65,192 Gifts 101,565 97,209 Interest expense (41,618) (37,849) Loss on disposal of capital assets (13,616) (5,204) Net Nonoperating Revenues (Expenses) 418,530 366,877 Income Before Other Revenues 193,471 58,025 Other Revenues 28,430 10,496 Capital appropriations, State 28,430 10,496 Capital contributions and grants 28,430 10,496 FEMA reimbursement for capital costs, net of expenses - 465,008 Other—OPEB benefit change 60,725 530,341 Increase in Net Position 254,196 588,366 Net Posi	*		
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Net position, beginning of year 4,329,076 3,740,710			,
		4,329,076	3,740,710
p	Net position, end of year	\$4,583,272	\$4,329,076

THE UNIVERSITY OF IOWA Statement of Cash Flows

For the Year ended June 30, 2019 (in thousands)

With comparative statement for the year ended June 30, 2018

	2019	2018
Cash Flows From Operating Activities		
Tuition and fees	\$432,859	\$425,784
Patient receipts	2,216,282	2,038,262
Grants and contracts	350,279	354,793
Payments for salaries and benefits	(1,896,980)	(1,868,422)
Payments for goods and services	(1,189,433)	(1,068,122)
Scholarships	(33,526)	(32,078)
Loans issued to students	(2,824)	(6,545)
Collections of loans from students	5,293	6,413
Sales of educational activities	114,305	101,285
Other receipts	42,523	41,383
Auxiliary enterprise receipts	231,712	220,496
Auxiliary enterprise payments	(209,885)	(203,316)
Net Cash Provided by Operating Activities	60,605	9,933
Cash Flows From Noncapital Financing Activities		
	221 124	227 200
State appropriations Grants and contracts	231,134 20,476	227,289 20,240
Proceeds from noncapital gifts	101,565	97,209
Funds held for others receipts	297,623	235,441
Funds held for others payments	(282,617)	(212,488)
William D. Ford Direct Lending & Plus Loans receipts	175,517	173,396
William D. Ford Direct Lending & Plus Loans made	(174,048)	(173,487)
Other noncapital activities	(1,469)	91
Net Cash Provided by Noncapital Financing Activities	368,181	367,691
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(303,952)	(340,128)
Interest paid on capital debt and leases	(44,380)	(41,646)
Proceeds from sale of capital assets	1,276	915
Capital appropriations	33,084	52,963
Capital gifts and grants received	23,122	8,374
Deposits with trustee	(316)	(74)
Principal paid on capital debt and leases	(74,138)	(69,301)
Proceeds from capital debt and leases	75,007	125,253
Defeased debt payments Other capital and related financing receipts	-	(44,400) 43,725
Net Cash (Used) by Capital and Related Financing Activities	(290,297)	(264,319)
Cash Flows From Investing Activities		
Interest and dividends on investments	36,040	25,986
Proceeds from sale and maturities of investments	525,915	1,171,280
Purchase of investments	(736,635)	(1,246,787)
Net Cash (Used) by Investing Activities	(174,680)	(49,521)
Net (Decrease) Increase in Cash and Cash Equivalents	(36,191)	63,784
Cash and Cash Equivalents, beginning of year	271,085	207 201
		207,301
Cash and Cash Equivalents, end of year	\$234,894	\$271,085

THE UNIVERSITY OF IOWA Statement of Cash Flows

For the year ended June 30, 2019 (in thousands)

With comparative statement for the year ended June 30, 2018

	2019	2018
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:		
Cash and cash equivalents in current assets	\$132,121	\$145,976
Noncurrent cash and cash equivalents	102,773	125,109
Total Cash and Cash Equivalents	\$234,894	\$271,085
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:		
Operating (loss) Adjustments to reconcile operating (loss) to net cash provided by operating activities:	\$(225,059)	\$(308,852)
Depreciation and amortization expense	250,635	247,336
Changes in operating assets and liabilities:		
Accounts receivable, net	(15,963)	(11,974)
Interest receivable	(86)	56
Inventories	(1,916)	(2,862)
Prepaid expenses and other current assets	(1,914)	2,688
Due from government agencies, net of receivable from State for capital appropriations	(2,826)	10,903
Notes receivable, net	1,814	(947)
Accounts payable	3,677	14,587
Salaries and wages payable	4,950	7,205
Unpaid claims liability	17,131	11,657
Other long-term liabilities	4,801	(375)
Unearned revenue	(1,705)	(487)
Contract and grant deferred inflows	(233)	(14)
Pension liability	4,356	18,390
Pension related deferred outflows	2,004	(10,102)
Pension related deferred inflows	3,286	964
Other postemployment benefits other than pension liability	6,322	(11,883)
OPEB related deferred outflows	3,836	(54,448)
OPEB related deferred inflows	4,286	85,859
Other expenses—OPEB change benefit	-	9,048
Compensated absences	4,544	5,179
Early retirement benefits	(1,335)	(1,995)
Net Cash Provided by Operating Activities	\$60,605	\$9,933
Significant Noncash Transactions:		
Receivable from State for capital appropriations	\$1,076	\$1,865
Assets acquired by gift	\$5,308	\$2,121
Net unrealized gain (loss) on investment	\$70,246	\$(30,890)

THE UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2019 (in thousands)

With comparative information as of June 30, 2018

ASSETS	2019	2018
Cash and cash equivalents	\$90,768	\$66,865
Receivables:		
Pledges, at net present value, less allowance for losses Other receivables and prepaids	164,500 211	156,141 268
	164,711	156,409
Investments:		
Carried at fair value U.S. Government securities Corporation stocks, primarily common stocks Managed separate investment accounts Assets in living trusts and gift annuities Beneficial interest in perpetual and remainder trusts	3,961 13,900 1,208,348 58,731 17,197	3,736 8,735 1,210,930 56,931 17,076
	1,302,137	1,297,408
Other: Real estate Cash value of life insurance Other	5,204 7,457	4,548 6,741 864
	12,661	12,153
Property leasehold interest and equipment, net	17,304	17,096
Total Assets	\$1,587,581	\$1,549,931
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued expenses Annuity and life income obligations Capital lease obligation	\$2,601 22,218	\$2,046 22,618 825
Amounts held on behalf of others	86,025	92,507
	110,844	117,996
Net Assets:		
Without donor restrictions	34,933	33,651
With donor restrictions	1,441,804	1,398,284
	1,476,737	1,431,935
Total Liabilities and Net Assets	\$1,587,581	\$1,549,931

THE UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT AND AFFILIATE

Consolidated Statement of Activites

For the year ended June 30, 2019 (in thousands)

With summarized comparative information for the year ended June 30, 2018

	Net Assets Without Donor Restrictions	Restricted Net Assets With Donor Restrictions	2019 Total	2018 Total
Support and revenue:	- Kestrictions	Restrictions	2017 10tai	2010 10141
Total contributions raised Change in value of life income gifts	\$467	139,021 1,507	\$139,488 1,507	\$134,267 4,618
Subtotal	467	140,528	140,995	138,885
Less amounts attributed to others	-	(2,054)	(2,054)	(1,762)
Total contributions and change in value of life income gifts	467	138,474	138,941	137,123
Investment income (expense): Interest and dividends Asset based service fees	4,347 12,520	1,005 (12,327)	5,352 193	5,119 207
Change in fair value of investments, net of investment fees	4,335	40,547	44,882	93,518
Subtotal	21,202	29,225	50,427	98,844
Less amounts attributed to others	-	(2,084)	(2,084)	(6,892)
Total investment income	21,202	27,141	48,343	91,952
Other revenue: Other, primarily fundraising service revenue Less amounts attributed to others	12,848	3,916 (118)	16,764 (118)	14,456 (193)
Total other revenue	12,848	3,798	16,646	14,263
Net assets released from restrictions and changes in donor restrictions	132,187	(132,187)	-	-
Total support and revenue	166,704	37,226	203,930	243,338
Transfers to and Expenses of The State University of Iowa				
Student support Faculty support Research	27,636 17,782 21,853		27,636 17,782 21,853	28,640 19,394 26,564
Facilities and equipment	39,876	-	39,876	23,204
Program support Fundraising	17,192 8,687	-	17,192 8,687	16,322 7,633
Management and service fees	3,596	-	3,596	3,637
Subtotal	136,622	-	136,622	125,394
Less amounts attributed to others	(4,443)	-	(4,443)	(7,818)
Total program and expense disbursements	132,179	-	132,179	117,576
Expenses of The University of Iowa Center for Advancement and Affiliate				
Operating Expenses	33,243	-	33,243	29,819
Total expenses	165,422	-	165,422	147,395
Change in net assets, prior to contribution	1,282	37,226	38,508	95,943
Contribution of ISF (2019) and UIAA (2018)		6,294	6,294	6,802
Change in net assets	1,282	43,520	44,802	102,745
Net assets, beginning	33,651	1,398,284	1,431,935	1,329,190
Net assets, ending	\$34,933	1,441,804	\$1,476,737	\$1,431,935

Notes to Financial Statements



The Light Art Grand Tour USA, presented by world-renowned Swiss Light Artist Gerry Hofstetter and daughter Celine Hofstetter, displayed a spectacular sight on the Pentacrest buildings in October 2018. Iowa City was one of 50 stops along the tour.

Note 1—Organization and Summary of Significant Accounting Policies

ORGANIZATION

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

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

BASIS OF PRESENTATION

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

- Net investment in capital assets—Capital assets, net of accumulated depreciation and amortization and reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**, **nonexpendable**—Net position subject to externally imposed constraints in which the donors or other outside sources have stipulated as a condition that the principal is to be retained in perpetuity. Such assets include the University's permanent endowments.

- **Restricted**, **expendable**—Net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time.
- **Unrestricted**—Net position not subject to externally imposed constraints which may be used by the governing board to meet current obligations for any purpose. Unrestricted net position is derived from student tuition and fees, state appropriations, and sales and services of auxiliary enterprises and are generally designated for academic, research and capital programs or to meet contractual obligations of the University.

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

FINANCIAL REPORTING ENTITY

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

Blended Component Units

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

The Iowa Measurement Research Foundation (IMRF) was formed in 1953 under the provisions of the Iowa Nonprofit Corporation Act and received its tax exemption in 1970 under IRC section 501(c)(3). The primary purpose of the Foundation is to advance and extend knowledge in the field of educational measurement by providing financial assistance to the University of Iowa and its College of Education for promising research and educational projects in furtherance of this purpose.

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

The University of Iowa Research Park Corporation (Corporation) is a not-for-profit corporation and a component unit of the University of Iowa (University). The Corporation leases from the State of Iowa approximately 185 acres of land located in the University of Iowa Research Park. The land subject to this lease is designated as the University of Iowa Research Park and is platted as a subdivision of Coralville, Iowa. Under terms of its master lease with the State of Iowa, the Corporation subleases parcels of the University of Iowa Research Park to businesses (or to private developers working on behalf of businesses) wishing to locate close to the University and its research assets.

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

Discretely Presented Component Units

The University of Iowa Center for Advancement and Affiliate, the University of Iowa Research Foundation, and the University of Iowa Health System are included in the reporting entity as discretely presented component units. These legally separate entities are included in the University's financial reporting entity because of the nature of their relationship to the University.

The purpose of The University of Iowa Center for Advancement (UICA), formerly known as The State University of Iowa Foundation (UIF), is to solicit, receive and manage gifts for the benefit of research and education at The State University of Iowa (University of Iowa). The UICA is legally a not-for-profit corporation that is organizationally and operationally independent of the University of Iowa, but is generally subject to restrictions imposed by donors and holds investments primarily for restricted uses of the University of Iowa.

During the year ending June 30, 2019, the Iowa Scholarship Fund (ISF) merged into the UICA. This transaction was treated as an acquisition in accordance with accounting principles generally accepted in the United States of America. The effective date of the transaction was end of day June 30, 2019 with UICA acquiring all assets and assuming all liabilities of ISF on this date, which has been reflected in the financial statements as of and for the year ending June 30, 2019 as follows (in thousands):

	2019
Due from the UICA	\$80
Pledges, at net present value	2
Investments	6,212
Contribution of ISF (A)	\$6,294

(A) Prior to June 30, 2019, ISF's investments were recorded by UICA with a corresponding liability, amounts held on behalf of others. Upon merger, the amounts held on behalf of others is included in the contribution of ISF in the consolidated statement of activities.

During the years ended June 30, 2019 and 2018 the UICA distributed to the University or expended on behalf of the University \$136,622,000 and \$125,394,000, respectively, for both restricted and unrestricted purposes.

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

The UICA acts as a financial agent for other organizations benefiting the University of Iowa. Since the UICA is not considered to be financially interrelated to these organizations, the total amount of funds held on behalf of these organizations has been reflected as a liability on the consolidated statement of financial position. The UICA does not have variance power to re-direct the assets held for others and the funds are generally payable quarterly with a 15 day notification period. On the consolidated statement of activities, the UICA reports the gross amounts of support, revenue and expenses with the amount raised and expended on behalf of these organizations shown as a reduction in the gross amounts of support, revenue and expenses.

Assets held on behalf of these organizations include remainder interests in trusts, pledges and investments, which are for the benefit of the University. The following table identifies these legally separate, tax-exempt organizations.

Amounts Held on Behalf of Others (in thousands)	2019	2018
Iowa Law School Foundation	\$85,239	\$85,210
Iowa Scholarship Fund	-	6,396
Student Publications Incorporated	786	901
Total	\$86,025	\$92,507

Complete financial statements for the UICA can be obtained from The University of Iowa Center for Advancement, One West Park Road, P.O. Box 4550, Iowa City, Iowa 52244-4550, Attn: CFO & Treasurer.

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

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

The UIRF is a private nonprofit corporation tied to the University and was created in 1975 as the designated manager for these inventions and selected University intellectual properties. UIRF aspires to maximize the public benefit of University research through commercial use of University technologies. The intention of the UIRF is to effectively manage University intellectual property to successful outcomes including: champion the commercialization of selected University inventions for public benefit, catalyze economic development and an entrepreneurial culture in Iowa, build the vitality and sustainability of the University and the community through technology commercialization, and serve the research mission for continued innovation.

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

The UIRF takes ownership of selected inventions through assignment from the inventor(s) based on University Intellectual Property Policy. For these inventions, the UIRF exercises the right and the obligation to manage the intellectual property, with activities and authorities that include: performing market and intellectual property opportunity analysis; filing patent applications and managing the patent portfolio; seeking licensees for technologies; receiving and distributing earnings derived from the license(s); monitoring licensee performance; and enforcing intellectual property rights. Note that the UIRF retains ownership of intellectual property (i.e., patents are not "sold"), and instead licenses the use there-of.

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

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

UIHS has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with UIHS are such that exclusion would cause UIHS' financial statements to be misleading or incomplete. Government Accounting Standards Board (GASB) has set forth the criteria to be considered in determining financial accountability. The GASB classification of these entities for UIHS financial reporting purposes does not affect their respective legal or organizational relationship with UIHS.

These financial statements present UIHS and its component units. These component units are included in the UIHS reporting entity because of the significance of their operational or financial relationship with UIHS. These component units are separate legal entities from UIHS, but are so intertwined with UIHS, they are, in substance, the same as UIHS. Below are the blended component units of UIHS:

- University of Iowa Community Medical Services, LLC (UICMS) is a for-profit wholly owned subsidiary, which was formed in 1995 and began operations in 1996. During 2018, several UICMS operational units either ceased operations or the operational oversight was transitioned to UIHC. Operating divisions impacted were the UIHC owned offsite clinic network, Community Connect and ehealth. As of December 31, 2018, the UICMS business unit within UIHS consists of two services lines, Homecare and Occupational Health.
- Pediatric Associates of the University of Iowa Children's Hospital, LLC (PAUICH) is a wholly owned subsidiary, which was purchased and formed in 2014. PAUICH has been organized as a physician specialty practice providing pediatric services to communities served by UIHS.
- Iowa City Cancer Treatment Center, LLC (ICCTC) is a wholly owned subsidiary, which was purchased and formed in 2015. ICCTC is organized as a physician specialty practice providing radiation oncology services in the Iowa City area.

BASIS OF ACCOUNTING

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

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Net Position and Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents, State of Iowa policy Chapter 2.2, section 4.C.ix (http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-businessprocedures/%23Investment%20Policy), which states in part: to appropriately reflect the Board's overall investment strategy and as outlined in the GASB Statement No. 9 Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, paragraph 11 that all funds held by external investment managers, as defined in section 2.2.4.C.iv of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments. Investments purchased by the institutions through Board authorized brokerage firms that meet the definition of cash equivalents, investments with original purchase dates to maturity of three months or less shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

INVESTMENTS (UNIVERSITY)

Investments are reported at fair value in accordance with GASB Statement No. 31 Accounting and Financial Reporting for Certain Investments and for External Investment Pools, 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. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position. Please see Note 2 for further discussion.

INVESTMENTS (UI CENTER FOR ADVANCEMENT (UICA))

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The UICA elected to report the fair value of alternative investments, comprised of hedge funds and private capital funds, included in managed separate investment accounts using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the UICA management based on various factors including consideration of contributions and withdrawals to the fund and monitoring unaudited interim reporting provided by the fund related to investment returns to calculate NAV as of June 30. Realized and unrealized gains and losses on investments are included in the change in fair value of investments in the consolidated statements of activities and absent donor restrictions, are reported in net assets without donor restrictions. This amount is also reported net of fees on the statement of activities.

PLEDGES RECEIVABLE (UI CENTER FOR ADVANCEMENT (UICA))

Pledges receivable are recorded at the net present value of estimated cash flows based on appropriate rates commensurate with the risks involved, 5 percent for pledges held at June 30, 2019, less an allowance for doubtful pledges. Conditional promises to give are not included as support until the conditions are substantially met. The provision for losses on doubtful pledges is an adjustment to contributions at quarter-end equal to 2.5 percent of gross pledges. The loss netted in contribution revenue on the statement of activities totaled \$7,287,000 and \$2,975,000 for the years ended June 30, 2019 and 2018, respectively.

INVENTORIES

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

CAPITAL ASSETS

Purchased capital assets. Purchased capital assets with a useful life greater than one year are stated at cost as of the acquisition date.

Donated capital assets. Donated capital assets acquired prior to FY 2016, are reported at estimated fair value at the time of acquisition. In accordance with GASB Statement No. 72 Fair Value Measurement and Application, donated capital assets acquired after FY 2015 are reported at their acquisition value as of the date of acquisition. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Library collections. Library materials exist in the Law Library and the Main Library (includes all library branches). The University capitalizes library materials as a collection (including perpetual electronic subscriptions). Additions to the collection are catalogued in the library where detailed records of the inventory are maintained. The library does not routinely digitize their physical collection. However, for items that are digitized, the cost incurred is typically internal staff time and is not capitalized. The Main Library and Law Library prepare annual reports which include the annual expenditures for collection additions, the amount of in-kind gifts, the number of volumes added and the number of volumes withdrawn. This information is used to adjust the capitalized value of additions and withdrawals. Since the University deems the library materials as a collection and adjusts the capitalized balance for additions and withdrawals, the University considers the collection to be inexhaustible and, therefore, does not depreciate the capitalized balance.

Interest costs. Interest costs are capitalized on University construction projects when the interest cost during the construction period exceeds the interest earned on the investment of debt proceeds.

Depreciation and amortization. Depreciation and amortization of capital assets is calculated using the straight-line method over the estimated useful lives (five to fifty years) of the respective assets.

Capitalization thresholds.

- Purchased equipment \$5,000
- Leased capital equipment \$50,000
- Intangible assets, non-UIHC \$500,000
- Intangible assets, UIHC \$5,000
- Art assets \$5,000

WHOLLY OWNED SUBSIDIARY (UNIVERSITY)

Musser-Davis Land Company (the Company) is a wholly-owned subsidiary of the State University of Iowa (the University). It is a separate legal entity governed by a Board of Directors. The Company's directors consist of eight members, including representatives of the Office of the Senior Vice President for Finance and Operations and the Office of the Dean of the Roy J. and Lucille A. Carver College of Medicine (CCOM). The other directors are appointed by the University. Based on this relationship, the Company is a wholly-owned subsidiary of the University and its financial statements are reported using the Governmental Accounting Standards framework.

The Company was formed in 1916, and its stock was gifted to the University of Iowa over a number of years for the benefit of the CCOM. The University became the sole stockholder in 1977, and in 1981 the Company was granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. It is authorized to make distributions for the benefit of the CCOM. The Articles of Incorporation bar any transfer or assignment of common stock.

The Company owns land in Louisiana subject to a number of agreements that produce royalties from oil production and timber rights. The Company owns a total of 14,499 acres of land.

The Company's fiscal year ends December 31 and its financial statements are presented on a modified cash basis of accounting. A summary of balances at December 31 and June 30 is as follows (in thousands):

	As of December 31		
	2018	2017	
Assets (primarily investments)	\$18,023	\$17,900	
Liabilities	-	-	
Net Assets	\$18,023	\$17,900	
	As of June 30		
	2019	2018	
Distributions to Carver College of Medicine	(2,000)	(2,400)	
Assets (primarily investments)	16,023	15,500	
Liabilities	-	-	
Net Assets	\$16,023	\$15,500	

INVESTMENT IN SUBSIDIARY (UICA)

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

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

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

The assets and net income (loss) of the subsidiary described above is not material to the financial statements and the UICA uses the equity method of accounting for its investment in the controlled corporation.

BOND ISSUANCE COSTS, DISCOUNTS, AND PREMIUMS

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

UNEARNED REVENUE

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

COMPENSATED ABSENCES PAYABLE

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

REFUNDABLE ALLOWANCES ON STUDENT LOANS

Refundable allowances on student loans consist of federal capital contributions to the University from the Perkins or Health Profession student loan programs. The federal capital contribution amounts are refundable to the United States government if the loan programs are discontinued or the University closes an associated degree program.

NONCURRENT DEBT AND OTHER NONCURRENT LIABILITIES

Noncurrent debt includes principal amounts of revenue bonds, notes and capital leases payable with contractual maturities greater than one year. Noncurrent debt also includes unamortized discounts and premiums, resulting from bond issuances. Other noncurrent liabilities include estimated amounts for accrued early retirement, other postemployment and pension benefits, compensated absences payable, refundable allowances on student loans, and unearned revenue that will not be earned within the next fiscal year. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For purposes of measuring the total OPEB liability, deferred outflows and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the university's actuary report. For this purpose, benefit payments are recognized when due and payable when in accordance with the benefit terms.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. Deferred outflows of resources include:

- · Unamortized bond refunding losses.
- Pension or OPEB related amounts derived from differences in experience, assumptions, investment earnings and University contributions as well as contributions subsequent to measurement date.
- University Hospital acquisition of clinics.

A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. Deferred inflows include:

- Unamortized bond refunding gains.
- Pension or OPEB related amounts derived from differences in experience, assumptions, investment earnings and University contributions.
- Qualifying receipts for sponsored programs (resources received before time requirements are met, but after all other eligibility requirements have been met).

FRINGE BENEFITS

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

DEFINITION OF OPERATING ACTIVITIES

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

NON-VESTED EQUIPMENT

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

USE OF ESTIMATES

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

Note 2—Cash, Cash Equivalents, Investments, and Deposits with Trustees

CASH AND CASH EQUIVALENTS

A summary of the book and bank balances for cash and cash equivalents at June 30, 2019 and 2018 is as follows (in thousands):

	2019	2018
Book Balance	\$234,894	\$271,085
Bank Balance	267,968	294,986
Covered by FDIC insurance or State Sinking Fund	121,217	33,043
Invested in money market funds as cash equivalents	146,751	261,943

The University's balances for current cash and cash equivalents represent amounts that are reasonably expected to be consumed within a year and are comprised of deposit and disbursement bank accounts, money market funds, demand deposit accounts, savings accounts, and government securities for the debt service and construction fund balances for bonded enterprises. The liquidity pool shall be managed to ensure funds are available to support operations for the current budget year.

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

DEPOSITS WITH TRUSTEES

Investments on deposit with trustees, paying and copaying agents for the purpose(s) of paying current obligations of bond principal and interest, for holding Bond Reserve Funds or for holding Construction Funds as specified by bond resolutions at June 30, 2019 and 2018, totaled \$15,042,000 and \$14,726,000, respectively. At June 30, 2019, \$8,957,000 of the \$15,042,000 was invested in U.S. Government Agency securities with a credit quality rating of AAA and an effective duration of 0.81 years.

INVESTMENTS

Investments are made in accordance with Chapter 12B.10, of the Code of Iowa, and Board of Regents, State of Iowa policy. (http://www.iowaregents.edu/plans-and-policies/board-policymanual/22-business-procedures/#Investment Policy). In order to achieve economies of scale, the University of Northern Iowa's endowments and a portion of its operating portfolio are pooled with the University's investments. The University's endowment portfolio included \$13,405,000 and \$10,462,000 at June 30, 2019 and 2018, respectively, held for the University of Northern Iowa. The University's operating portfolio included \$49,348,000 and \$46,639,000 at June 30, 2019 and 2018, respectively, as well as \$23,141,000 and \$21,830,000 invested in the University's intermediate term portfolio at June 30, 2019 and 2018, respectively, held for the University of Northern Iowa. The University of Northern Iowa investments are recorded as Deposits Held in Custody for Others.

For donor restricted endowments, Chapter 540A of the Code of Iowa permits the University to spend the net appreciation of realized and unrealized earnings as the University determines to be prudent. The University's spending policy adjusts dollar payouts by the trailing calendar year Consumer Price Index (inflation rate). Total payout is banded at no less than 4% and no greater than 5% of calendar year end market values.

Net appreciation of permanent endowment funds, which totaled \$14,048,000 and \$13,893,000 at June 30, 2019 and 2018, respectively, is available to meet spending rate distributions and is recorded in restricted nonexpendable net position.

INTEREST RATE RISK

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

CREDIT RISK

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

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.

The University's investments are recorded at fair value. As of June 30, 2019 and 2018, the University had the following investments and quality credit ratings (in thousands):

INVESTMENT TYPE	Effective Duration (Years)	TSY/	AGY/	AA	Α	BBB	ВВ	В	Total Fair Value
Fixed Income:									
Corporate Notes and Bonds	0.00	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies	0.45		-	86,575	-	-	-	-	86,575
U.S. Government Treasuries	0.89		-	36,468	-	-	-	-	36,468
Mutual Funds	4.52		-	715,415	161,738	60,150	127,248	79,919	1,144,470
Total	=	\$	-	\$838,458	\$161,738	\$60,150	\$127,248	\$79,919	1,267,513
Equity and Other:									
Common Stock									13,253
Mutual Funds									475,249
Real Assets									160,850
Private Equity									92,224
Bank Investments									66,593
Money Market/Cash Equivale	nts								179,062
Total Investments June 3								_	\$2,254,744
INVESTMENT TYPE	Effective Duration (Years)	TSY/	AGY/ AAA	AA	А	BBB	ВВ	В	Total Fair Value
Fixed Income:									
rixea income.									
Corporate Notes and Bonds	0.00	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	0.00	\$	- -	\$ - 68,848	\$ - -	\$ - -	\$ - -	\$ -	\$ - 68,848
Corporate Notes and Bonds		\$	- - -		\$ - -	\$ - -	\$ - -	\$ - -	
Corporate Notes and Bonds U.S. Government Agencies	1.33	\$	- - - -	68,848	\$ - - - 151,141	\$ - - 51,200	\$ - - - 97,211	\$ - - 85,381	68,848
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries	1.33 1.29	\$	- - - - -	68,848 43,109	-	-	· -	· -	68,848 43,109
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries Mutual Funds Total	1.33 1.29			68,848 43,109 599,513	151,141	51,200	97,211	85,381	68,848 43,109 984,446
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries Mutual Funds	1.33 1.29			68,848 43,109 599,513	151,141	51,200	97,211	85,381	68,848 43,109 984,446
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries Mutual Funds Total Equity and Other:	1.33 1.29			68,848 43,109 599,513	151,141	51,200	97,211	85,381	68,848 43,109 984,446 1,096,403
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries Mutual Funds Total Equity and Other: Common Stock	1.33 1.29			68,848 43,109 599,513	151,141	51,200	97,211	85,381	68,848 43,109 984,446 1,096,403
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries Mutual Funds Total Equity and Other: Common Stock Mutual Funds	1.33 1.29			68,848 43,109 599,513	151,141	51,200	97,211	85,381	68,848 43,109 984,446 1,096,403 14,465 436,155
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries Mutual Funds Total Equity and Other: Common Stock Mutual Funds Real Assets	1.33 1.29			68,848 43,109 599,513	151,141	51,200	97,211	85,381	68,848 43,109 984,446 1,096,403 14,465 436,155 155,144
Corporate Notes and Bonds U.S. Government Agencies U.S. Government Treasuries Mutual Funds Total Equity and Other: Common Stock Mutual Funds Real Assets Private Equity	1.33 1.29 4.53 _ =		-	68,848 43,109 599,513	151,141	51,200	97,211	85,381	68,848 43,109 984,446 1,096,403 14,465 436,155 155,144 71,379

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 and real assets, 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.

The following tables reflect fair value measurements of investment assets at June 30, 2019 and 2018, respectively, as categorized by level of the fair value hierarchy according to the lowest level of inputs significant to each measurement or NAV (in thousands):

INVESTMENT TYPE	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
Corporate Notes and Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies	-	86,575	-	-	86,575
U.S. Government Treasuries	36,468	-	-	-	36,468
Mutual Funds	576,919	-	-	567,551	1,144,470
Equity and Other:					
Common Stock	12,549	704	-	-	13,253
Mutual Funds	329,758	-	-	145,491	475,249
Real Assets	-	-	-	160,850	160,850
Private Equity	-	-	-	92,224	92,224
Subtotal	955,694	87,279	-	966,116	2,009,089
Bank Investments					66,593
Money Market/Cash Equivalents					179,062
Total Investments June 30, 2019					\$2,254,744

INVESTMENT TYPE	Level 1	Level 2	Level 3	NAV	Total Fair Value
Fixed Income:					
Corporate Notes and Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies	-	68,848	-	-	68,848
U.S. Government Treasuries	43,109	-	-	-	43,109
Mutual Funds	490,103	-	-	494,343	984,446
Equity and Other:					
Common Stock	13,860	605	-	-	14,465
Mutual Funds	224,890	-	-	211,265	436,155
Real Assets	-	-	-	155,144	155,144
Private Equity	-	-	-	71,379	71,379
Subtotal	771,962	69,453		932,131	1,773,546
Bank Investments					64,892
Money Market/Cash Equivalents					121,525
Total Investments June 30, 2018				_	\$1,959,963

The following tables summarize the University's investments at June 30, 2019 and 2018, respectively, for which NAV was used as a practical expedient to estimate fair value (in thousands):

INVESTMENT TYPE	Fair Value determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	\$567,551	\$ -	daily–monthly	5–60 days
Equity Mutual Funds	145,491	-	daily-monthly	2–30 days
Real Assets:				
Redeemable	124,377	-	quarterly	60–90 days
Nonredeemable	36,473	56,602	N/A	N/A
Private Equity:				
Redeemable	-	-		
Nonredeemable	92,224	9,896	N/A	N/A
Investments measured at NAV at June 30, 2019	\$966,116	\$66,498		

INVESTMENT TYPE	Fair Value determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	\$494,343	\$ -	daily–monthly	5–60 days
Equity Mutual Funds	211,265	-	daily-thrice-monthly	2-30 days
Real Assets:				
Redeemable	116,825	-	quarterly	60–90 days
Nonredeemable	38,319	58,693	N/A	N/A
Private Equity:				
Redeemable	-	-	N/A	N/A
Nonredeemable	71,379	26,343	N/A	N/A
Investments measured at NAV at June 30, 2018	\$932,131	\$85,036		

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

- Fixed Income Mutual Funds—This category includes investments in mutual funds holding assets that provide stability, generate income, and diversify market risk.
- Equity Mutual Funds—This category includes investments in global equities including both developed and emerging markets.
- Real Assets—This category includes investments in private real estate and natural resource equities funds. 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 distributions from liquidation of the underlying asset 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 the limited partners.
- **Private Equity**—This category includes funds that invest in strategies such as venture capital, leveraged buyouts and mezzanine debt. 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 distributions from liquidation of the underlying asset 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 the limited partners.

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

ACCOUNTS RECEIVABLE

A summary of the accounts receivable at June 30, 2019 and 2018 is as follows (in thousands):

University UUIG

	and Blended Component Units	OIHC, Affiliates and UI Physicians	Total
Accounts Receivable	\$102,291	\$1,015,529	\$1,117,820
	\$102,271	\$1,013,327	\$1,117,020
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(7,420)	(729,210)	(736,630)
Accounts Receivable, Net, June 30, 2019	\$94,871	\$286,319	\$381,190
Accounts Receivable	\$95,293	\$942,184	\$1,037,477
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(6,886)	(665,961)	(672,847)
Accounts Receivable, Net, June 30, 2018	\$88,407	\$276,223	\$364,630

PLEDGES RECEIVABLE (UICA)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2019 and 2018 is as follows (in thousands):

	2019	2018
Gross pledges receivable	\$196,716	\$191,057
Less present value discount of \$27,298 for 2019 and \$30,140 for 2018 and allowance for doubtful pledges of \$4,918 for 2019 and \$4,776 for 2018	(32,216)	(34,916)
Total	\$164,500	\$156,141

Gross pledges receivable at June 30, 2019 and 2018, respectively, are expected to be collected as follows (in thousands):

	2019	2018
In one year or less	\$54,309	\$47,012
Between one year and five years	112,760	101,172
More than five years	29,647	42,873
Total	\$196,716	\$191,057

DUE FROM GOVERNMENT AGENCIES

Due from government agencies at June 30, 2019 and 2018 are comprised of \$14,183,000 and \$11,434,000, respectively, due from the State of Iowa and \$52,882,000 and \$53,594,000, respectively, due from United States government agencies.

NOTES RECEIVABLE

Current notes receivable at June 30, 2019 and 2018 are \$2,307,000, net of an allowance of \$139,000, and \$2,234,000, net of an allowance of \$148,000, respectively. Noncurrent notes receivable at June 30, 2019 and 2018 are \$25,035,000, net of an allowance of \$1,505,000, and \$26,922,000, net of an allowance of \$1,787,000, respectively.

Note 4—Capital Assets

A summary of capital assets activity for the year ended June 30, 2019 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable/Nonamortizable					
Land	\$68,729	4,741	-	-	\$73,470
Construction in Progress	261,085	221,032	(177,238)	(10,220)	294,659
Intangibles in Development	267	575	(647)	-	195
Art and Historical Collections	28,794	121	-	-	28,915
Library Materials	358,194	19,345	-	(2,771)	374,768
Capital Assets, Nondepreciable/ Nonamortizable	717,069	245,814	(177,885)	(12,991)	772,007
Depreciable/Amortizable					
Land Improvements	31,537	-	-	-	31,537
Infrastructure	689,198	-	47,125	(332)	735,991
Buildings	4,398,924	-	130,113	(2,974)	4,526,063
Equipment	830,277	61,628	-	(44,706)	847,199
Intangibles	115,614	1,396	647	(3,393)	114,264
Capital Assets, Depreciable/ Amortizable	6,065,550	63,024	177,885	(51,405)	6,255,054
Less Accumulated Depreciation/Amortization	(2,838,810)	(250,635)	-	49,212	(3,040,233)
Depreciable/Amortizable Capital Assets, Net	3,226,740	(187,611)	177,885	(2,193)	3,214,821
Capital Assets, Net June 30, 2019	\$3,943,809	58,203	-	(15,184)	\$3,986,828

A summary of capital assets activity for the year ended June 30, 2018 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
Nondepreciable/Nonamortizable					
Land	\$66,646	2,083	-	-	\$68,729
Construction in Progress	293,545	260,940	(292,470)	(930)	261,085
Intangibles in Development	1,814	133	(1,680)	-	267
Art and Historical Collections	28,182	777	-	(165)	28,794
Library Materials	345,784	13,896	-	(1,486)	358,194
Capital Assets, Nondepreciable/ Nonamortizable	735,971	277,829	(294,150)	(2,581)	717,069
Depreciable/Amortizable					
Land Improvements	27,599	-	3,938	-	31,537
Infrastructure	656,485	-	32,713	-	689,198
Buildings	4,148,878	-	255,819	(5,773)	4,398,924
Equipment	819,791	64,926	-	(54,440)	830,277
Intangibles	114,296	1,171	1,680	(1,533)	115,614
Capital Assets, Depreciable/ Amortizable	5,767,049	66,097	294,150	(61,746)	6,065,550
Less Accumulated Depreciation/Amortization	(2,648,971)	(247,336)	-	57,497	(2,838,810)
Depreciable/Amortizable Capital Assets, Net	3,118,078	(181,239)	294,150	(4,249)	3,226,740
Capital Assets, Net June 30, 2018	\$3,854,049	96,590		(6,830)	\$3,943,809

Note 5— Noncurrent Liabilities

A summary of the changes in noncurrent liabilities for the year ended June 30, 2019 and 2018 is as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent debt:					
Bonds payable	\$1,320,990	75,007	(71,050)	1,324,947	\$70,920
Notes payable	27,270	-	(7,178)	20,092	6,232
Capital leases payable	17,387	-	(1,094)	16,293	1,124
Total noncurrent debt	1,365,647	75,007	(79,322)	1,361,332	78,276
Other noncurrent liabilities:					
Early retirement benefits	2,655	-	(1,335)	1,320	1,320
Other postemployment benefits other than pensions	139,835	30,684	(24,362)	146,157	10,498
Pension	98,758	4,356	-	103,114	-
Compensated absences	160,386	114,763	(110,219)	164,930	112,535
Refundable allowances on student loans	22,787	4,911	(110)	27,588	-
Unearned revenue and other	2,184	-	(61)	2,123	-
Total other noncurrent liabilities	426,605	154,714	(136,087)	445,232	124,353
Total noncurrent liabilities June 30, 2019	\$1,792,252	229,721	(215,409)	1,806,564	\$202,629

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Noncurrent debt:					
Bonds payable	\$1,259,703	170,417	(109,130)	1,320,990	\$65,865
Notes payable	36,280	-	(9,010)	27,270	7,245
Capital leases payable	18,449	-	(1,062)	17,387	1,094
Total noncurrent debt	1,314,432	170,417	(119,202)	1,365,647	74,204
Other noncurrent liabilities:					
Early retirement benefits	4,650	-	(1,995)	2,655	1,335
Other postemployment benefits other than pensions	607,679	37	(467,881)	139,835	10,692
Pension	80,367	18,391	-	98,758	-
Compensated absences	155,207	110,584	(105,405)	160,386	110,219
Refundable allowances on student loans	22,706	428	(347)	22,787	-
Unearned revenue and other	2,701	-	(517)	2,184	-
Total other noncurrent liabilities	873,310	129,440	(576,145)	426,605	122,246
Total noncurrent liabilities June 30, 2018	\$2,187,742	299,857	(695,347)	1,792,252	\$196,450

GASB Statement No. 83 Certain Asset Retirement Obligations was implemented during fiscal year 2019. As of June 30, 2019, the University reported no Asset Retirement Obligations.

BONDS PAYABLE

Bonds have been sold to finance certain capital projects and are outstanding at June 30, 2019, as follows (in thousands):

	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
Bond Issues			
Academic Buildings	2.00-5.00	2020–2037	169,915
Add: Unamortized Premium			5,503
Athletic Facilities	2.00-5.00	2020-2039	208,935
Add: Unamortized Premium			3,733
Hospital	1.25-5.00	2020-2044	341,845
Add: Unamortized Premium			15,602
Iowa Memorial Union	3.00 - 5.00	2020–2026	4,385
Add: Unamortized Premium			374
Parking System	2.00-4.00	2020-2041	49,320
Add: Unamortized Premium			468
Recreational Facilities	2.00-5.00	2020-2035	57,010
Add: Unamortized Premium			4,624
Residence Services	2.00-4.00	2020-2043	160,460
Less: Unamortized Discount			(91)
Add: Unamortized Premium			1,422
Telecommunications	3.00-4.50	2020-2037	29,255
Add: Unamortized Premium			118
University of Iowa Center for Advancement	4.75	2020	825
University of Iowa Facility Corporation	2.00-5.00	2020–2038	110,275
Add: Unamortized Premium			1,254
Utility System	2.00-5.00	2020-2043	154,650
Add: Unamortized Premium		_	5,065
Total		_	\$1,324,947

As of June 30, 2019, unspent bond proceeds totaled \$56,705,000. Unspent bond proceeds by segment are: Athletic Facilities Revenue Bonds \$21,284,000; Hospital Revenue Bonds \$28,489,000; Utility Systems Revenue Bonds \$6,932,000.

The bonds will mature as follows (in thousands):

	Principal	Interest	Total
Year Ending June 30			
2020	\$70,920	44,038	\$114,958
2021	69,290	41,662	110,952
2022	70,960	39,410	110,370
2023	73,390	37,011	110,401
2024	74,325	34,449	108,774
2025-2029	370,630	132,743	503,373
2030-2034	301,255	72,826	374,081
2035-2039	211,805	25,231	237,036
2040-2044	44,300	2,561	46,861
Less: Unamortized Discount	(91)	-	(91)
Add: Unamortized Premium	38,163	-	38,163
Total	\$1,324,947	429,931	\$1,754,878

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

NOTES PAYABLE The University has the following notes payable outstanding at June 30, 2019 (in thousands):

	Interest Rates (Percent)	Maturity Dates	Amount
Purpose			
Athletic Facility	2.48	2020-2024	\$13,182
Fleet Services 3	2.00	2020	449
Market Street Property	2.50	2020–2025	1,748
Oakdale Research Park	2.42	2020–2021	1,277
Athletics Recreation Building Banked Track	2.55	2020–2022	1,384
Athletics Carver Audio and Video System	3.60	2020–2022	2,052
Total		=	\$20,092

Assets acquired under these notes had a net book value of \$39,688,000 as of June 30, 2019.

The outstanding Market Street Property note transfers possession on July 31, 2020. The seller may accelerate the transfer to any date prior to July 31, 2020, and demand a balloon payment of the remaining contract balance by providing 90 days advance written notice of its intent to close on the transaction.

The notes will mature as follows (in thousands):

	Principal	Interest	Total
Year Ending June 30			
2020	\$6,232	440	\$6,672
2021	5,458	281	5,739
2022	3,722	157	3,879
2023	3,590	69	3,659
2024	533	11	544
2025	557	4	561
Total	\$20,092	962	\$21,054

CAPITAL LEASES PAYABLE

Capital leases outstanding at June 30, 2019, are as follows (in thousands):

	Interest Rates (Percent)	Lease Period	Amount
Purpose	_		
Parking structure - Iowa River Landing	2.95–5.00	2020–2031	\$15,407
Burlington Street Properties	3.00	2020–2035	886
Total			\$16,293

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

	Principal	Interest	Total
Year Ending June 30			
2020	\$1,124	480	\$1,604
2021	1,158	447	1,605
2022	1,193	413	1,606
2023	1,230	624	1,854
2024	1,267	564	1,831
2025–2029	6,941	1,842	8,783
2030–2034	3,300	259	3,559
2035	80	1	81
Total	\$16,293	4,630	\$20,923

Assets acquired under these capital leases had a net book value of \$16,940,000 as of June 30, 2019.

The outstanding Burlington Street Properties capital lease terminates on June 30, 2035, with two five-year renewal options after that date. However, pursuant to the irrevocable gift agreement between the parties, the leased properties shall transfer upon the death of the Landlord, or prior to death, upon transfer of ownership from the Landlord to the University.

Note 6—Operating Leases

The University has leased various buildings to house several departments of the University. These leases have been classified as operating leases. Accordingly, all rents are charged to expense as incurred. These leases expire from fiscal year 2020 to fiscal year 2039, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is an annual schedule of future minimum rental payments required under operating leases which have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2019 (in thousands).

	Amount
Year Ending June 30	
2020	\$16,090
2021	14,889
2022	10,572
2023	9,906
2024	9,557
2025–2029	41,827
2030–2034	19,367
2035–2039	5,551
Total	\$127,759

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

Rental expense for the year ended June 30, 2019, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$16,371,000.

Note 7—Retirement Programs

TEACHERS INSURANCE AND ANNUITY ASSOCIATION

The University contributes to the University Funded Retirement Plan through the Teachers Insurance and Annuity Association (TIAA), which is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regents policy and the Code of Iowa, all eligible University employees must participate in a retirement plan from the date they are employed.

Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. During fiscal years 2019 and 2018, the University's

required and actual contribution amounted to \$122,265,000 and \$121,054,000, respectively. During fiscal years 2019 and 2018, the employees' required and actual contribution amounted to \$61,133,000 and \$60,527,000, respectively.

At June 30, 2019 and 2018, the University reported payables to the defined contribution pension plan of \$10,770,000 and \$10,622,000, respectively, for legally required employer contributions and \$5,312,000 and \$5,236,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to TIAA.

IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

Plan Description—IPERS membership is mandatory for employees of the University except for those covered by another retirement system. Employees of the University are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by e-mail at info@ipers.org, by phone at 515-281-0020 or 1-800-622-3849, by mail at Iowa Public Employees' Retirement System, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits —A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, a reduction of 3 percent a year is applied for each year the benefit is paid before normal retirement age. For service earned after July 1, 2012, the reduction is 6 percent for each year of retirement before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits—Vested members who are awarded federal Social Security disability or Railroad Retirement disability benefits are eligible for IPERS disability benefits, regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions—Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2019 and 2018, regular plan members contributed 6.29% and 5.95%, respectively, of their annual covered salary and the University contributed 9.44% and 8.93%, respectively, of annual covered payroll, for a total rate of 15.73% and 14.88%, respectively. Protection Occupation members contributed 6.81% and 6.56%, respectively, of their annual covered salary and the University contributed 10.21% and 9.84%, respectively, of annual covered payroll, for a total rate of 17.02% and 16.40%, respectively. Protection Occupation members are the group of public safety positions defined in Iowa Code 97B.49B.

The University's contributions to IPERS for the years ended June 30, 2019 and 2018 were \$12,399,000 and \$10,993,000, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2019 and 2018, the University reported a liability of \$103,114,000 and \$98,758,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on the University's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018 and 2017, the University's proportion was 1.6294245% and 1.4825633%, respectively.

For the year ended June 30, 2019 and 2018, the University recognized pension expense of \$22,045,000 and \$20,246,000, respectively.

At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources (2019)	Deferred Inflows of Resources (2019)	Deferred Outflows of Resources (2018)	Deferred Inflows of Resources (2018)
Differences between expected and actual experience	\$566	\$(2,335)	\$908	\$(862)
Changes of assumptions	14,769	(2)	17,224	-
Difference between projected and actual earnings on pension plan investments	-	(2,851)	-	(1,037)
Change in proportion and differences between University contributions and proportionate share of contributions	19,489	(22)	20,102	(24)
University contributions subsequent to the measurement date	12,399	-	10,993	-
Total	\$47,223	\$(5,210)	\$49,227	\$(1,923)

The \$12,399,000 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	Amount
Year Ending June 30	
2020	\$14,206
2021	9,540
2022	3,454
2023	2,077
2024	337
Total	\$29,614

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions—The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60%	per annum
Salary increase (effective June 30, 2017)	3.25 to 16.25%	average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%	per annum, compounded annually, net of pension plan investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25%	per annum, based on 2.60% inflation and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with Mp-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Asset Allocation (Percent)	Long-Term Expected Real Rate of Return (Percent)
Asset Class		
Domestic equity	22.0	6.01
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core-plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0	

Discount Rate—The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the University will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the **Discount Rate**—The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate (in thousands).

	1%	Discount	1%
	Decrease	Rate	Increase
	(6%)	(7%)	(8%)
University's proportionate share of the net pension liability	\$175,357	\$103,114	\$42,513

Pension Plan Fiduciary Net Position—Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan—At June 30, 2019 and 2018, the University reported payables to IPERS of \$2,120,000 and \$1,848,000, respectively, for legally required employer contributions and \$1,413,000 and \$1,232,000, respectively, for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8—Post-Employment Benefits

EARLY RETIREMENT

The early retirement program was approved by the Board of Regents in February, 2015. Eligible for participation in the 2015 program were non-UI Health Care faculty, P&S, and merit employees and institutional officials, who had attained age 57 and at least 10 years of continuous benefit eligible employment by January 31, 2015. The employee's department head and the appropriate administrative officers approved the employee's participation. The following benefits are applicable during participation in the Early Retirement Program:

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

The University has recognized an early retirement benefit liability of \$1,320,000 and \$2,655,000 as of June 30, 2019 and 2018, respectively. The early retirement liability for health and dental insurance has been rolled into GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). During fiscal year 2019, retirement expenditures for the one hundred eighty-three (183) participants in the early retirement incentive program totaled \$1,335,000.

PHASED RETIREMENT

This phased retirement program was approved by the Board of Regents and was effective July 1, 2017.

Eligibility. Faculty, professional and scientific staff, and merit system staff members employed by the Board of Regents for a period of at least 15 years and who have attained the age of 57, are eligible to negotiate with their department a schedule for phasing into retirement. All requests for admission to the institution's Phased Retirement Program must receive approval from the appropriate administrative offices of the institution by which they are employed. The program does not create a right for the employee and the request to enter the program may not be approved if it is not in the best interest of the institution.

Schedule of Phasing. A staff member may reduce from full-time to no less than a half-time appointment either directly or via a stepped schedule. The maximum phasing period will be two years with full retirement required at the end of the specified phasing period. If a two year phasing period is agreed upon an employee may not hold greater than a 65 percent appointment in the first year. For phasing periods of one year or less, or after the completion of the first year of a two year phasing period, the appointment cannot exceed 50%. The phasing period will be set by agreement between the institution and the individual with full retirement required at the end of the specified phasing period. Once phased retirement is initiated, employees may not return to full-time.

Phased Retirement Period. The phasing period is limited to two years.

The following benefits are applicable during participation in the phased retirement program:

- Compensation—In the first year of a two year phasing period, the salary received will reflect the reduced responsibilities plus, at the discretion of the institution, up to an additional 10 percent of the budgeted salary, had the person worked full time. In the only or last year following the initiation of phased retirement, the staff member's appointment will be no greater than fifty percent, and the salary will be proportional to the budgeted salary had the person worked full-time.
- **Benefits**—During the phased retirement period, institution and staff member contributions will continue for life insurance, health and dental insurance, and disability insurance at the same levels which would have prevailed had the staff member continued a regular appointment. University retirement contributions to TIAA will be based on the salary which would have been obtained had the individual continued a regular appointment. As mandated by law, FICA contributions will be based on the staff member's actual salary during the partial or pre-retirement period. The same is true for retirement contributions for those participating in the Iowa Public Employee Retirement System or Federal Civil Service System. Accrual of vacation and sick leave will be based on percentage of appointment. An individual participating in this program will be allowed access to their retirement funds to assist in supplementing the loss of income that occurs when the person reduces their appointment down to 50% through 65% time, the maximum percentage permitted by the program.

Duration of Program. Subject to annual review, the program will expire on June 30, 2022, unless renewed by the Board prior to expiration.

REGULAR RETIREMENT

GASB Statement No. 75, which amended GASB Statement No. 45, requires the University to record and disclose an actuarially determined liability for the present value of projected future benefits for retired and active employees.

FUNDING POLICY

The contribution requirements of plan members are established and may be amended by the University. Benefits are financed centrally by the University on a pay-as-you-go basis. Health insurance total expenditures for fiscal year 2019 and 2018 were \$5,716,000 and \$5,987,000, respectively, with 1,765 and 1,865 eligible participants as of June 30, 2019 and 2018, respectively. Life insurance total expenditures for fiscal year 2019 and 2018 were \$35,000 and \$46,000, respectively, with 2,568 and 2,666 eligible participants as of June 30, 2019 and 2018, respectively.

FUNDED STATUS AND FUNDING PROGRESS

The University of Iowa evaluated options to minimize its liability and has made the decision to cap the University's contribution for retiree health at the current \$288 per month for both current and future retirees. This decision passed through the appropriate approval channels and communication process (Staff Council Leadership, Funded Retirement and Insurance Committee Co-chairs, Faculty Senate leadership, Retiree Association Leadership). The University sent letters to retirees by the June 30, 2017 measurement date in order to be incorporated into the FY18 GASB 75 valuation.

TERMINATION

The University continues faculty, P&S, and merit exempt terminated employees' benefits for health, dental, liveWELL the University's comprehensive health and wellness program and the Employee Assistance Program (EAP) under the Consolidated Omnibus Budget Reconciliation Act of 1985, modified by the Tax Reform Act and the Budget Reconciliation Act of 1986.

Four hundred thirty-nine (439) terminated employees continued their benefits by assuming total financial responsibility. No University costs are associated with the premiums, but claims are the responsibility of the University since the insurance plans are self-insured.

OTHER POSTEMPLOYMENT BENEFITS

The University recognized a net OPEB liability of \$146.2 and \$139.8 million, respectively, for fiscal year 2019 and 2018.

Plan Description—The University operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. 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 75.

OPEB Benefits—Individuals who are employed by the University and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability. For postemployment benefits of retirees, the University contributes toward the cost of University of Iowa health insurance and, for those who qualified for the benefit and retired prior to July 1, 2013, the entire cost to purchase a paid-up life insurance policy, which varies in amounts from \$2,000 to \$4,000, depending upon length of service.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments Active employees Total

FY19	FY18
3,495	3,495
17,143	17,143
20,638	20,638

Actuarial assumptions —The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurements. With the exception of the termination and retirement assumptions, the Merit calculations were based on all actuarial assumptions and methods used in the development of the University's fiscal 2019 PSF GASB 75 calculations (including a 3.87% discount rate at the June 30, 2018 measurement date). These calculations reflect the IPERS termination and retirement assumptions for state employees in effect at the June 30, 2018 measurement date.

Rate of inflation (effective June 30, 2017)	2.50%	
Rates of salary increase (effective June 30, 2017)	3.00%	
Discount rate (effective June 30, 2017)	3.87%	
Healthcare cost trend rate Pre-65 (effective June 30, 2017)	7.29%	initial rate decreasing to an ultimate rate of 4.50%
Healthcare cost trend rate Post-65 (effective June 30, 2017)	8.88%	initial rate decreasing to an ultimate rate of 4.50%

Discount rate —The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for S&P Municipal Bond 20-Year High Grade index as of the measurement date.

Mortality rates are from the RP-2014 aggregate mortality table projected using Scale MP-2016. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

CHANGES IN THE TOTAL OPEB LIABILITY (in thousands)

	FY19	FY18
Total OPEB liability beginning of year	\$139,835	\$607,679
Changes for the year:		
Service cost	4,193	33,733
Interest	4,971	18,168
Changes in benefit terms	21,519	(465,008)
Differences between expected and actual experiences	1	48,567
Changes of assumptions	(13,968)	(95,303)
Benefit payments	(10,394)	(6,952)
Contributions from the employer	-	(1,049)
Net changes	6,322	(467,844)
Total OPEB liability end of year	\$146,157	\$139,835

The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate to 3.87% as of June 30, 2018.
- A change in demographic assumptions for the Merit employees from the State assumptions to the University staff assumptions.

Sensitivity of the total OPEB liability to changes in the discount rate—The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease	Discount Rate	1% Increase
FY19	2.87%	3.87%	4.87%
FY18	2.58%	3.58%	4.58%
FY19 Total OPEB Liability	\$158,487	\$146,157	\$135,080
FY18 Total OPEB Liability	\$147,481	\$139,835	\$125,883

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates —The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a healthcare cost trend that is 1% lower (6.29%) or 1% higher (8.29%) than the current healthcare cost trend rate for pre-65 participants, and 1% lower (7.88%) or 1% higher (9.88%) higher than the current healthcare cost trend rate for post-65 participants.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
FY19 Pre-65 participants	6.29%	7.29%	8.29%
FY19 Post-65 participants	7.88%	8.88%	9.88%
FY18 Pre-65 participants	6.55%	7.55%	8.55%
FY18 Post-65 participants	8.17%	9.17%	10.17%
FY19 OPEB liability	\$130,047	\$146,157	\$164,433
FY18 OPEB liability	\$135,815	\$139,835	\$141,540

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB—For the year ended June 30, 2019, the University recognized OPEB expense of \$24,646,000 for its retiree benefit plan. At June 30, 2019 the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	FY1	9	FY18		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$39,207	\$(262)	\$43,756	\$ -	
Assumption changes	907	(89,883)	-	(85,859)	
Contributions made in fiscal year ending June 30, 2019 after measurement date	10,498	-	10,692	<u>-</u>	
Total	\$50,612	\$(90,145)	\$54,448	\$(85,859)	

The amount reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	Amount
Year ending June 30	
2020	\$(6,036)
2021	(6,036)
2022	(6,036)
2023	(6,036)
2024	(6,036)
Total Thereafter	(19,851)
Total	\$(50,031)

Note 9—Other Commitments and Risk Management

COMMITMENTS

At June 30, 2019 and 2018, the University had outstanding construction contract commitments of \$165,222,000 and \$249,707,000, respectively.

RISK MANAGEMENT

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

Property Loss—The University purchases catastrophic property insurance for academic/general fund facilities with a single incident deductible of \$2 million for all facilities with the exception of a \$5 million deductible for the Power Plant, Bowen Science Building and the Main Library. The University may seek reimbursement for property losses in excess of \$5,000 from the State of Iowa pursuant to Iowa Code Chapter 29C.20. Money from the state contingent fund may be requested for repairing, rebuilding, or restoring state property injured, destroyed, or lost by fire, storm, theft, or unavoidable causes. The University maintains conventional property insurance on self-supporting, revenue-producing, and auxiliary facilities which are an integral part of the operations of the University. Insured facilities include the Residence Halls, the Utility System, Telecommunications, Iowa Memorial Union, Athletic Facilities, University of Iowa Hospitals and Clinics, and other auxiliary operations. The University's annual limit is \$2 billion, the maximum available on the November 1, 2018 renewal.

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

	2019	2018
Utility System specific coverage is as follows:		
Utility System Operations Building & Contents	\$835,996	\$820,976
Power Plant Building & Contents	\$246,066	\$226,976
Telecommunications Facilities premium is based on the following values:		
Building	\$32,406	\$31,771
Contents	\$8,830	\$9,580
Income	\$5,878	\$5,878

Tort Liability—The University of Iowa is an agency of the State of Iowa and is covered by the State's self-insurance for tort liability. Tort claims against the State are handled as provided in the Iowa Tort Claims Act (Iowa Code, Chapter 669) which also sets forth the procedures by which tort claims may be brought. Claims under Chapter 669 may be filed against the State on account of wrongful death, personal injury or property damage incurred by reason of the negligence of the University or its employees while acting within the scope of employment. By inter-agency agreement, tort liability claims under \$5,000 may be administered by the University subject to a maximum expenditure of \$100,000 per year. All other tort claims may be paid from the State's general fund.

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

Fidelity/Crime Coverage—The State maintains an employee fidelity bond where the first \$250,000 in losses is the responsibility of the University. Under the State coverage, losses in excess of the \$250,000 deductible are insured up to \$2,000,000. The University maintains separate fidelity and crime coverage, which extends to all employees, and includes coverage for robbery and theft. The University's crime policy provides an additional \$8,000,000 in coverage over the state bond.

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

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

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

Employee Medical and Dental Claims—The University purchases life, health, dental and disability insurance for eligible permanent employees. Based on actuarial analysis of employee medical and dental claims, the University has incurred but not reported claims of \$24,248,000 and \$18,419,000 as of June 30, 2019 and 2018, respectively.

College of Medicine Faculty Malpractice Claims—Iowa Medical Mutual Insurance Company (the Company) was incorporated on May 19, 2004, and was established to provide medical malpractice coverage on a claims-made basis to physicians at the University of Iowa Carver School of Medicine. The Company is owned 100% by the University of Iowa Carver College of Medicine University of Iowa Physicians (UIP).

Pursuant to a 28E Agreement with the State of Iowa, the UIP self-funds the professional medical liability exposures of its members with a self-insurance pool for all claims up to \$3 million per claim. On any claim exceeding \$3 million, the Company provides coverage on a claims-made basis limited to \$2 million per claim and subject to a \$2 million annual aggregate per named insured. All claims which exceed \$5 million per claim or a \$9 million aggregate limit per fiscal year are covered by the State of Iowa. Based on actuarial analysis, the College of Medicine has incurred an unpaid loss and allocated loss adjustment expense estimate of \$28,876,000 and \$19,239,000 as of 12/31/18 and 12/31/17, respectively.

Reconciliation of Loss Contingencies (in thousands):

	2019	2018
Claims and contingent liabilities accrued at July 1	\$37,658	\$26,001
Claims incurred and contingent liabilities accrued for the current year	325,038	266,683
Payments on claims during the fiscal year	(307,907)	(255,026)
Claims and contingent liabilities at June 30	\$54,789	\$37,658

Note 10—Debt Defeasance

The amount of defeased debt outstanding but removed from the Statement of Net Position at June 30, 2019 and 2018, is as follows (in thousands):

	2019	2018
Academic	\$ -	\$22,375
Athletics	20,250	21,075
Hospital	-	22,250
Recreational Facilities	40,225	61,450
Utility	-	17,375
Total	\$60,475	\$144,525

Note 11—Operating Expenses By Function

A summary of operating expenses by functional classification for the year ended June 30, 2019 and 2018 follows (in thousands):

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	\$311,218	10,985	36,004	-	\$358,207
Research	231,257	40,400	62,599	-	334,256
Public service	56,220	9,868	25,846	-	91,934
Academic support	114,025	12,702	23,689	-	150,416
Patient services	1,125,331	514,233	327,946	-	1,967,510
Student services	26,496	2,299	13,626	-	42,421
Institutional support	59,367	5,369	(5,499)	-	59,237
Operations and maintenance of plant	422	2,332	78,666	-	81,420
Scholarships and fellowships	14,063	-	19,463	-	33,526
Depreciation and amortization	-	-	-	250,635	250,635
Auxiliary enterprises	103,682	16,625	89,578	-	209,885
Other operating expenses	12,388	(656)	38,255	-	49,987
Total June 30, 2019	\$2,054,469	614,157	710,173	250,635	\$3,629,434

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	\$305,147	10,794	33,742	-	\$349,683
Research	230,100	41,136	63,453	-	334,689
Public service	57,359	10,687	22,356	-	90,402
Academic support	113,171	13,428	26,386	-	152,985
Patient services	1,091,881	434,828	322,197	-	1,848,906
Student services	25,905	2,449	8,513	-	36,867
Institutional support	60,003	5,556	(9,246)	-	56,313
Operations and maintenance of plant	-	4,017	80,227	-	84,244
Scholarships and fellowships	13,116	-	18,962	-	32,078
Depreciation and amortization	-	-	-	247,336	247,336
Auxiliary enterprises	102,665	17,062	83,589	-	203,316
Other operating expenses	29,602	2,150	17,054	-	48,806
Total June 30, 2018	\$2,028,949	542,107	667,233	247,336	\$3,485,625

Note 12—Restricted Net Assets

The UI Center for Advancement's net assets with donor restrictions at June 30, 2019 and 2018 were restricted for the following (in thousands):

	2019	2018
Undesignated	\$7,795	\$7,762
Program support	338,989	331,791
Student support	346,323	332,581
Faculty support	394,274	376,138
Facilities and equipment	91,487	100,864
Research	219,234	207,511
Perpetual trusts	8,160	8,268
Remainder interests in trusts, mainly for		
program, student, and faculty support	35,542	33,369
Total	\$1,441,804	\$1,398,284

Note 13— Component Units

Discretely Presented Component Units

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

A—The University of Iowa Research Foundation

The University of Iowa Research Foundation (UIRF)—a 501(c)(3) corporation—commercializes University of Iowa developed technologies and inventions through licensing and new venture formation, and manages the subsequent revenue stream. See Note 1 for additional information. UIRF reports on a fiscal year ended June 30.

Significant financial data for UIRF for the years ended June 30, 2019 and 2018 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2019	2018
Assets		
Cash, investments and other assets	\$13,359	\$14,498
Capital assets, net	5	6
Total Assets	\$13,364	\$14,504
Liabilities		
Accounts payable and other current liabilities	\$881	\$990
Noncurrent liabilities (current and noncurrent portions)	189	189
Total Liabilities	1,070	1,179
Net Position		
Net investment in capital assets	5	6
Unrestricted	12,289	13,319
Total Net Position	12,294	13,325
Total Liabilities and Net Position	\$13,364	\$14,504

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2019	2018
Program Expenses		
Intellectual properties expense	\$4,723	\$5,575
Other	327	235
Total Program Expenses	5,050	\$5,810
Program Revenues		
Intellectual properties income	3,439	3,411
Investment income	480	784
Payment from primary government	100	-
Total Program Revenues	4,019	4,195
Change in Net Position	(1,031)	(1,615)
Net Position, Beginning of Year	13,325	14,940
Net Position, End of Year	\$12,294	\$13,325

B-University of Iowa Health System

University of Iowa Health System (UIHS or the System) was incorporated under the provisions of the Iowa Nonprofit Corporations Act on December 2, 1994. UIHS was formed to support the clinical, academic, and research programs of the University of Iowa Carver College of Medicine and the University of Iowa Hospitals and Clinics. See Note 1 for additional information. UIHS reports on a fiscal year ended December 31. Requests for the separately issued financial statements should be directed to the Controller, University of Iowa, 4M Jessup Hall, Iowa City, IA 52242.

Significant financial data for UIHS for the years ended December 31, 2018 and 2017 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2018	2017
Assets		
Cash, investments and other assets	\$26,633	\$34,994
Capital assets, net	403	635
Total Assets	27,036	35,629
Deferred Outflows of Resources		
Acquisition deferred outflow	3,667	4,260
Total Assets and Deferred Outflows of Resources	\$30,703	\$39,889
Liabilities		
Accounts payable and other current liabilities	\$1,967	\$6,255
Accounts held for other component units	6,878	13,474
Total Liabilities	8,845	19,729
Net Position		
Net investment in capital assets	403	635
Unrestricted	21,455	19,525
Total Net Position	21,858	20,160
Total Liabilities and Net Position	\$30,703	\$39,889

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

	2018	2017
Program Expenses		
Patient and Management Services	\$29,911	\$52,973
Depreciation	845	966
Total Program Expenses	30,756	53,939
Program Revenues		
Patient Services	19,866	18,862
Management services	8,254	24,795
Investment income	284	443
Other	4,050	2,943
Total Program Revenues	32,454	47,043
Change in Net Position	1,698	(6,896)
Net Position, Beginning of Year	20,160	27,056
Net Position, End of Year	\$21,858	\$20,160

Blended Component Units

GASB Statement No. 85, Omnibus 2017, provides guidance for blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial presentation. The University of Iowa has determined that, in accordance with the provisions of this statement, the financial activity of the Iowa Measurement Research Foundation (IMRF), Miller Endowment, Incorporated, and the University of Iowa Research Park Corporation (UIRPC) should be reported as blended component units.

C-Iowa Measurement Research Foundation

The Iowa Measurement Research Foundation (IMRF) was formed in 1953 under the provisions of the Iowa Nonprofit Corporation Act and received its tax exemption in 1970 under IRC section 501(c)(3). The primary purpose of the Foundation is to advance and extend knowledge in the field of educational measurement by providing financial assistance to the University of Iowa and its College of Education for promising research and educational projects in furtherance of this purpose.

Significant financial data for IMRF for the years ended June 30, 2019 and 2018 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2019	2018
Assets		
Cash and investments	\$24,884	\$24,623
Total Assets	\$24,884	\$24,623
Liabilities		
Current and noncurrent liabilities	\$ -	\$ -
Total Liabilities	-	-
Net Position		
Restricted expendable	24,335	24,088
Unrestricted	549	535
Total Liabilities and Net Position	\$24,884	\$24,623

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

156	\$1,032
156	\$1,032
	. ,
156	1,032
417	2,023
417	2,023
261	991
523	23,632
884	\$24,623
	156 417 417 261 623 884

D-Miller Endowment, Incorporated

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

Significant financial data for Miller Endowment, Incorporated for the years ended June 30, 2019 and 2018 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2019	2018
Assets		
Cash and other assets	\$15,569	\$15,624
Total Assets	\$15,569	\$15,624
Liabilities		
Accounts payable	\$43	\$45
Accrued distributions	757	735
Total Liabilities	800	780
Net Position		
Restricted net position	12,784	12,785
Unrestricted net position	1,985	2,059
Total Net Position	14,769	14,844
Total Liabilities and Net Position	\$15,569	\$15,624

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

	2019	2018
Deductions		
Investment fees and administrative expenses	\$187	\$201
Distributions	757	735
Total Deductions	944	936
Additions		
Investment income:		
Interest and dividend income	121	135
Net increase in the fair value of investments	748	1,230
Net Investment Income	869	1,365
Change in net position	(75)	429
Net Position, Beginning of Year	14,844	14,415
Net Position, End of Year	\$14,769	\$14,844

E-University of Iowa Research Park Corporation

The University of Iowa Research Park Corporation (Corporation) is a not-for-profit corporation and a component unit of the University of Iowa (University). The Corporation leases from the State of Iowa approximately 185 acres of land located in the University of Iowa Research Park. The land subject to this lease is designated as the University of Iowa Research Park and is platted as a subdivision of Coralville, Iowa. Under terms of its master lease with the State of Iowa, the Corporation subleases parcels of the University of Iowa Research Park to businesses (or to private developers working on behalf of businesses) wishing to locate close to the University and its research assets.

Significant financial data for UIRPC for the years ended June 30, 2019 and 2018 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2019	2018
Assets		
Cash and other assets	\$2,041	\$1,897
Capital assets, net	2,445	2,521
Total Assets	\$4,486	\$4,418
Liabilities		
Accounts payable and other current liabilities	\$69	\$86
Noncurrent liabilities	2,122	2,184
Total Liabilities	2,191	2,270
Net Position		
Net investment in capital assets	2,445	2,521
Unrestricted	(150)	(373)
Total Net Position	2,295	2,148
Total Liabilities and Net Position	\$4,486	\$4,418

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

	2019	2018
Program Expenses		
Maintenance and other expenses	\$117	\$117
Depreciation	75	77
Total Program Expenses	192	194
Program Revenues		
Land leases	212	212
State appropriation	79	79
Other income	48	46
Total Program Revenues	339	337
Change in net position	147	143
Net Position, Beginning of Year	2,148	2,005
Net Position, End of Year	\$2,295	\$2,148

Note 14—Subsequent Events

In September 2019, the University received approval from the State Board of Regents to issue University of Iowa Facilities Corporation Revenue Bonds, (Museum of Art Project), Series 2019 in the amount of \$30,150,000 for the purpose of financing a portion of the costs of constructing and equipping a museum of art on the University campus and pay the costs of issuing the Bonds. In June 2017, the Board had approved the project description and budget to construct a new 45,000 square foot facility to consolidate and display the University's art collection. These bonds will bear interest at varying rates between 3.00% and 5.00% and will mature in varying amounts from June 1, 2021 through June 1, 2050. The University of Iowa Facilities Corporation was incorporated in 1967 as a not-for-profit supporting organization of the University of Iowa Foundation to assist in maintaining, developing, increasing, and extending the facilities and services of the University of Iowa. Although the bonds would be issued by the Facilities Corporation, they are deemed by Internal Revenue Service rulings to be issued "on behalf" of the Board of Regents and the State of Iowa. The Board must, therefore, approve the sale and terms of the bonds. The Corporation's interest in the facility will be leased to the Board during the term of the bonds. Upon retirement of the bonds, the portion of the facility financed by the Facilities Corporation will be conveyed to the University, subject to approval of the Board of Regents.

In December 2019, the University received approval from the State Board of Regents to enter into a 50-year lease agreement with University of Iowa Energy Collaborative LLC (Concessionaire) for the Utility System Land and Utility Facilities in consideration of the up-front payment of \$1,165,000,000. The University will lease the utility system, including all utility facilities and land, to the Concessionaire for a term of 50 years. All personal property (e.g., trucks, computers, etc.) associated with the utility system will be sold to the Concessionaire. The Concessionaire will have an exclusive concession to provide utility services to the University campus over the life of the Concession Agreement. The Concessionaire will make a one-time upfront payment to the University as a prepayment of the lease for 50 years, purchase of the personal property and acquiring the exclusive right to be the University's operator for the term of the Concession Agreement, which includes making capital improvements to the utility system. In return, the University will pay an annual fee to the Concessionaire comprised of fixed, operating, and variable components. The University received approval from the State Board of Regents to form the University of Iowa Strategic Initiative Fund (UISIF) as an Iowa Non-profit Corporation. The corporation shall be organized exclusively for educational and scientific purposes for the benefit of the University of Iowa. The general objects of the corporation shall be to (i) hold, invest, and manage the funds received from payments under the Long-Term Lease and Concession Agreement for the University of Iowa Utility System (Concession Agreement); (ii) to select and supervise independent investment manager(s) for the funds; (iii) to grant funds to the University necessary to support payments required under the terms of the Concession Agreement; (iv) to determine the annual payout from the endowment for the purposes of granting gifts of money to the University for use in scientific research and educational activities; and (v) to review all grant requests to ensure that each advances the University's strategic plans and the cause of education and research. The University will be the sole corporate member of UISIF and the Board of Directors will be comprised of three members – an appointee from the Board of Regents, State of Iowa, the Senior Vice President for Finance and Operations at the University of Iowa, and a member of the University faculty to be appointed by the University Faculty Senate.

In December 2019, the University received approval from the State Board of Regents to redeem the outstanding \$10,195,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2011. This is a full call of the outstanding bonds which are callable on or after November 1, 2019. The Board also approved the defeasance and redemption of the following outstanding Utility System bond issues for the University of Iowa.

- \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2010
- \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2012
- \$13,620,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2013
- \$17,905,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2014
- \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2015
- \$14,830,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2015A
- \$19,285,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2016
- \$17,015,000 Utility System Revenue Refunding Bonds, Series S.U.I. 2016A
- \$25,000,000 Utility System Revenue Bonds, Series S.U.I. 2018

The bonds are to be defeased/redeemed in order for the Board and University to enter into the public-private agreement described in the previous subsequent event note.

Note 15—Segment Information

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

ACADEMIC BUILDING REVENUE BONDS

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

ATHLETIC FACILITIES REVENUE BONDS

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

HOSPITAL REVENUE BONDS

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

IOWA MEMORIAL UNION (IMU) REVENUE BONDS

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

PARKING SYSTEM REVENUE BONDS

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

RECREATIONAL FACILITIES REVENUE BONDS

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

RESIDENCE SERVICES REVENUE BONDS

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

TELECOMMUNICATIONS FACILITIES REVENUE BONDS

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

UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT REVENUE BONDS

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

UNIVERSITY OF IOWA FACILITIES CORPORATION REVENUE BONDS

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

UTILITY SYSTEM REVENUE BONDS

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

FUND ACCOUNTING

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

TRANSFERS IN (OUT)

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

Segment Reporting (in thousands)

as of and for the year ended	Acadam: -	Athletic			
une 30, 2019	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds	
CONDENSED STATEMENT OF NET POSITION					
Assets:					
Current assets Capital assets	\$22,231 895,897	\$32,435 190,042	\$388,476 1,103,635	\$3,757 41,855	
Other noncurrent assets	15,273	38,661	922,338	642	
Total assets	933,401	261,138	2,414,449	46,254	
Deferred outflows of resources	1,684	2,923	44,851		
Liabilities:					
Current liabilities Noncurrent liabilities	21,906 165,163	29,537 202,388	283,668 490,381	3,513 4,214	
Total liabilities	187,069	231,925	774,049	7,727	
Deferred inflows of resources	452	-	35,365	303	
Net Position:					
Net investment in capital assets	721,711	1,581	743,043	36,793	
Restricted - expendable Unrestricted	25,853	27,657 2,898	6,825 900,018	1,187 244	
Total net position	\$747,564	\$32,136	\$1,649,886	\$38,224	
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION					
Operating revenues Depreciation expense Other operating expenses	\$417,206 (41,898)	\$101,337 (7,792) (17,235)	\$1,834,929 (101,856) (1,633,577)	\$15,880 (2,378) (20,060)	
Net operating income (loss)	375,308	76,310	99,496	(6,558)	
Nonoperating revenues (expenses) Transfers from/(to) University funds	(4,570) (327,294)	(2,333) (69,702)	32,085 (20,357)	610 3,610	
Change in net position	43,444	4,275	111,224	(2,338)	
Net position, beginning of year	704,120	27,861	1,538,662	40,562	
Net position, end of year	\$747,564	\$32,136	\$1,649,886	\$38,224	
CONDENSED STATEMENT OF CASH FLOWS					
Net cash provided (used) by operating activities	\$414,379	\$84,260	\$241,691	\$(3,471)	
Net cash provided (used) by noncapital financing activities	(401,755)	(70,213)	(20,355)	2	
Net cash provided (used) by capital and related financing activities	(15,926)	(17,595)	(86,126)	3,488	
Net cash provided (used) by investing activities	1,176	(1,916)	(139,045)	75	
Net increase (decrease) in cash	(2,126)	(5,464)	(3,835)	94	
Cash and cash equivalents, beginning of year	17,854	59,814	20,624	691	

\$15,728

\$54,350

\$16,789

\$785

Cash and cash equivalents, end of year

Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Center for Advancement Revenue Bonds	UI Facility Corporation Bonds	Utility System Revenue Bonds
\$4,802 107,158 28,638	\$4,381 86,453 11,714	\$11,063 233,225 36,303	\$5,525 27,877 17,359	\$845 2,134 17	\$38 190,877 15,041	\$15,617 310,873 26,555
140,598	102,548	280,591	50,761	2,996	205,956	353,045
· .	·		,			
	3,289	10			1,203	2,419
4,584	4,382	12,362	4,665	845	10,800	14,705
47,491 52,075	58,919 63,30 1	156,014 168,376	28,118 32,783	845	101,039 111,839	148,394 163,099
 32,073	05,501	100,570	32,703	043	111,037	103,077
185	_	332	_		147	683
103		332			117	003
57,184	28,107	71,113	(1,496)	1,309	80,404	159,827
6,288	9,711	32,660	3,893	842	14,769	18,796
24,866	4,718	8,120	15,581	-	<u>-</u>	13,059
 \$88,338	\$42,536	\$111,893	\$17,978	\$2,151	\$95,173	\$191,682
\$22,969 (6,498)	\$5,646 (3,537)	\$76,404 (13,152)	\$23,677 (847)	\$ - (893)	\$ - (10,379)	\$95,766 (16,360)
(14,379)	(8,111)	(59,630)	(18,217)	(873)	(10,377)	(60,088)
2,092	(6,002)	3,622	4,613	(893)	(10,379)	19,318
(567)	(1,693)	(3,144)	(810)	(23)	(3,529)	(2,129)
 4,607	8,590	(1,859)	(1,727)	(1)	19,184	(11,519)
6,132	895	(1,381)	2,076	(917)	5,276	5,670
 82,206	41,641	113,274	15,902	3,068	89,897	186,012
 \$88,338	\$42,536	\$111,893	\$17,978	\$2,151	\$95,173	\$191,682
\$4,560	\$(2,242)	\$15,792	\$7,929	\$ -	\$ -	\$33,222
(409)	(1,697)	(1,463)	(1,726)	(1)	14,531	(18,887)
(3,549)	5,373	(23,358)	(2,380)	(838)	(14,634)	(24,314)
1,462	(724)	2,658	(1,529)	278	103	1,173
2,064	710	(6,371)	2,294	(561)	-	(8,806)
13,755	10,032	39,260	14,736	1,422	-	38,312
\$15,819	\$10,742	\$32,889	\$17,030	\$861	\$ -	\$29,506
 <u> </u>	<u> </u>	·	<u> </u>			

Segment Reporting (in thousands)

As of and for the year ended June 30.

), 2019	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds			
DEBT SERVICE COVERAGE							
Debt service coverage % - Required	N/A	125%	130%	120%			
Debt service coverage % - Actual	N/A	524%	829%	120%			
PORTION OF REVENUE PLEDGED Annual debt service (principal & interest)	\$16,055	\$16,680	\$24,284	\$742			
Net pledged revenue	402,196	87,341	201,351	890			
Annual debt service/Net operating revenues (%)	4%	19%	12%	83%			
REVENUE BONDS PAYABLE							
Beginning Balance	\$186,317	\$190,741	\$326,806	\$5,391			
Additions	-	29,970	45,037	-			
Reductions	(10,899)	(8,043)	(14,396)	(632)			
Ending Balance	\$175,418	\$212,668	\$357,447	\$4,759			

DEBT SERVICE REQUIREMENTS

As of June 30, the amount shown for debt service payments due on July 1 were on hand.

Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Mar & Sep 1st	Jan & Jul 1st
2020	\$15,888	\$16,943	\$26,439	\$734
2021	16,034	16,620	28,212	742
2022	15,797	16,641	28,128	739
2023	15,795	16,803	28,014	739
2024	15,778	16,792	27,936	737
2025–2029	69,892	84,099	135,583	1,481
2030–2034	51,747	67,283	100,943	-
2035–2039	16,376	36,668	90,572	-
2040–2044	-	-	12,892	-
Unamortized Discount and Premium	5,503	3,733	15,602	374
Total	\$222,810	\$275,582	\$494,321	\$5,546

COMMITMENTS

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

Contract Commitments	\$43,174	\$15,533	\$78,407	\$61	

Parking System Revenue Bonds	Recreational Facilities Revenue Bonds	Residence Services Revenue Bonds	Telecomm. Facilities Revenue Bonds	UI Center for Advancement Revenue Bonds	UI Facilities Corporation Revenue Bonds	Utility System Revenue Bonds
120%	125%	135%	110%	100%	N/A	120%
215%	293%	183%	241%	100%	N/A	229%
\$4,508	\$4,929	\$11,795	\$2,402	\$864	\$14,634	\$16,457
9,708	14,449	21,543	5,784	864	N/A	37,690
46%	34%	55%	42%	100%	N/A	44%
\$52,853	\$64,419	\$168,324	\$30,600	\$1,605	\$122,361	\$171,573
-	-	-	-	-	-	-
(3,065)	(2,785)	(6,533)	(1,227)	(780)	(10,832)	(11,858)
\$49,788	\$61,634	\$161,791	\$29,373	\$825	\$111,529	\$159,715
Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Dec & Jun 1st	May & Nov 1st
, ,) () () () () ()					
\$4,466	\$4,883	\$11,689	\$2,382	\$845	\$14,207	\$16,482
		\$11,689 11,870	\$2,382 2,392	\$845 -		\$16,482 15,444
\$4,466 3,748 3,750	\$4,883 4,978 5,079	11,870 11,481	2,392 2,395	\$845 - -	\$14,207	
\$4,466 3,748 3,750 3,760	\$4,883 4,978 5,079 5,095	11,870	2,392 2,395 2,399	\$845 - - -	\$14,207 10,912	15,444 15,433 15,450
\$4,466 3,748 3,750 3,760 3,805	\$4,883 4,978 5,079 5,095 5,123	11,870 11,481 11,385 11,377	2,392 2,395 2,399 2,408	\$845 - - - -	\$14,207 10,912 10,927	15,444 15,433 15,450 14,376
\$4,466 3,748 3,750 3,760 3,805 15,485	\$4,883 4,978 5,079 5,095 5,123 24,001	11,870 11,481 11,385 11,377 52,742	2,392 2,395 2,399 2,408 12,149	\$845 - - - -	\$14,207 10,912 10,927 10,961	15,444 15,433 15,450
\$4,466 3,748 3,750 3,760 3,805	\$4,883 4,978 5,079 5,095 5,123	11,870 11,481 11,385 11,377	2,392 2,395 2,399 2,408	\$845 - - - - -	\$14,207 10,912 10,927 10,961 10,442	15,444 15,433 15,450 14,376
\$4,466 3,748 3,750 3,760 3,805 15,485 13,195 13,321	\$4,883 4,978 5,079 5,095 5,123 24,001	11,870 11,481 11,385 11,377 52,742 51,851 34,885	2,392 2,395 2,399 2,408 12,149	\$845 - - - - - -	\$14,207 10,912 10,927 10,961 10,442 47,715	15,444 15,433 15,450 14,376 60,226 31,511 23,834
\$4,466 3,748 3,750 3,760 3,805 15,485 13,195 13,321 5,368	\$4,883 4,978 5,079 5,095 5,123 24,001 22,822 4,556	11,870 11,481 11,385 11,377 52,742 51,851	2,392 2,395 2,399 2,408 12,149 11,500	\$845 - - - - - -	\$14,207 10,912 10,927 10,961 10,442 47,715 23,229 11,892	15,444 15,433 15,450 14,376 60,226 31,511 23,834 9,087
\$4,466 3,748 3,750 3,760 3,805 15,485 13,195 13,321 5,368 468	\$4,883 4,978 5,079 5,095 5,123 24,001 22,822 4,556 - 4,624	11,870 11,481 11,385 11,377 52,742 51,851 34,885 19,514 1,331	2,392 2,395 2,399 2,408 12,149 11,500 4,932	- - - - - - -	\$14,207 10,912 10,927 10,961 10,442 47,715 23,229 11,892	15,444 15,433 15,450 14,376 60,226 31,511 23,834 9,087 5,065
\$4,466 3,748 3,750 3,760 3,805 15,485 13,195 13,321 5,368	\$4,883 4,978 5,079 5,095 5,123 24,001 22,822 4,556	11,870 11,481 11,385 11,377 52,742 51,851 34,885 19,514	2,392 2,395 2,399 2,408 12,149 11,500 4,932	\$845	\$14,207 10,912 10,927 10,961 10,442 47,715 23,229 11,892	15,444 15,433 15,450 14,376 60,226 31,511 23,834 9,087
\$4,466 3,748 3,750 3,760 3,805 15,485 13,195 13,321 5,368 468 \$67,366	\$4,883 4,978 5,079 5,095 5,123 24,001 22,822 4,556 - 4,624	11,870 11,481 11,385 11,377 52,742 51,851 34,885 19,514 1,331 \$218,125	2,392 2,395 2,399 2,408 12,149 11,500 4,932 - 118 \$40,675	- - - - - - -	\$14,207 10,912 10,927 10,961 10,442 47,715 23,229 11,892	15,444 15,433 15,450 14,376 60,226 31,511 23,834 9,087 5,065
\$4,466 3,748 3,750 3,760 3,805 15,485 13,195 13,321 5,368 468	\$4,883 4,978 5,079 5,095 5,123 24,001 22,822 4,556 - 4,624	11,870 11,481 11,385 11,377 52,742 51,851 34,885 19,514 1,331	2,392 2,395 2,399 2,408 12,149 11,500 4,932	- - - - - - -	\$14,207 10,912 10,927 10,961 10,442 47,715 23,229 11,892	15,444 15,433 15,450 14,376 60,226 31,511 23,834 9,087 5,065

Required Supplementary Information

June 30, 2019

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Iowa Public Employees' Retirement System Last Fiscal Year* (in thousands):

For the Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	University's Covered- Employee Payroll	Net Pension Liability as a Percentage of Covered- Employee Payroll	IPERS' Net Position as a Percentage of the Total Pension Liability
6/30/19	1.6294245%	\$103,114	\$124,673	82.71%	83.62%
6/30/18	1.4825633%	98,758	111,914	88.24%	82.21%
6/30/17	1.2770236%	80,367	92,356	87.02%	81.82%
6/30/16	1.0820964%	53,461	74,409	71.85%	85.19%
6/30/15	0.9747910%	38,659	63,967	60.44%	87.61%

^{*}In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the University will present information for those years for which information is available.

SCHEDULE OF UNIVERSITY CONTRIBUTIONS

Iowa Public Employees' Retirement System Last 10 Fiscal Years (in thousands):

For the Year Ended	Statutorily Required Contributions	Actual Employer Contribution	Contributi Deficie (Exc	ency	University's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/19	\$12,399	\$(12,399)	\$	-	\$131,740	9.41%
6/30/18	10,993	(10,993)		-	124,673	8.80%
6/30/17	9,931	(9,931)		-	111,914	8.90%
6/30/16	8,184	(8,184)		-	92,356	8.90%
6/30/15	6,620	(6,620)		-	74,409	8.90%
6/30/14	5,696	(5,696)		-	63,967	8.90%
6/30/13	4,718	(4,718)		-	54,658	8.60%
6/30/12	3,802	(3,802)		-	46,653	8.10%
6/30/11	2,428	(2,428)		-	33,646	7.20%
6/30/10	1,654	(1,654)		-	24,521	6.70%

See accompanying independent auditor's report.

Notes to Required Supplementary Information-

June 30, 2019

PENSION LIABILITY

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Changes of assumptions:

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 assumptions 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 quadrennial experience study:

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

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period
 for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan
 experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

SCHEDULE OF CHANGES IN THE UNIVERSITY'S TOTAL OPEB LIABILITY **AND RELATED RATIOS**

For the year ended June 30, 2019 (in thousands)

	FY19	FY18
Service cost	\$4,193	\$33,733
Interest	4,971	18,168
Changes of benefit terms	21,519	(465,008)
Differences between expected and actual experiences	1	48,567
Changes of assumptions	(13,968)	(95,303)
Benefit payments	(10,394)	(6,952)
Contributions from the employer	-	(1,049)
Net change in total OPEB liability	\$6,322	\$(467,844)
Total OPEB liability beginning of year	139,835	607,679
Net OPEB liability end of year	146,157	139,835
Covered-employee payroll	\$1,308,289	\$1,291,758
Total OPEB Liability as a percentage of covered-employee payroll	11.17%	10.83%

Notes to Required Supplementary Information– June 30, 2019

OPEB LIABILITY

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

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 assumptions for the Merit employees from the State assumptions to the University staff assumptions.

The 2017 valuation implemented the following refinements:

The financial accounting valuation reflects the following method changes:

• A change in the actuarial cost method from Projected Unit Credit to Entry Age Normal.

The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate to 3.58% as of June 30, 2017. The discount rate was 6.75% as of June 30, 2016.
- A change in the withdrawal rates for staff to better anticipate future experience.
- A change in the mortality assumption from the RP-2014 Aggregate Mortality Table projected using Scale MP-2014 to the RP-2014 Aggregate Mortality Table projected using Scale MP-2016.
- The health care trend rate assumption was updated to a schedule of rates beginning at 7.55% in 2017, grading down to 4.50% in 2026 and beyond for pre-65 participants and 9.17% in 2017 grading down to 4.50% in 2026 and beyond for post-65 participants.
- The marginal cost adjustment factors were changed from 59.4% to 60.1% for pre-65 participants and from 86.8% to 87.6% 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 assumptions.
- A change in demographic assumptions for the Merit employees from the State assumptions to the University staff assumptions.

See accompanying independent auditor's report.





OFFICE OF THE CHIEF FINANCIAL OFFICER **ACCOUNTING AND FINANCIAL REPORTING**

Terry L. Johnson

Selina J. Martin

Steve Romont

Yan Huang

Shelly Michel



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