

IOWA

FINANCIAL REPORT

JULY 1, 2019, TO JUNE 30, 2020





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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 2020

University of Iowa achievements during 2019–2020 include:

- Enrolling the highest-achieving class of incoming freshman in UI history (Class of 2024: 4,530 students, mean GPA: 3.78)
- Recognized as one of the top values in higher education for the 16th consecutive year
- Hiring Harriet Nembhard as dean of College of Engineering
- Increased funding for core UI research activities by 15 percent (or \$69 million), from \$467 million in FY19 to \$536 million in FY20
- Completion of the new College of Pharmacy Building

ENROLLMENT

	Fall 2020	Fall 2019
<i>Group</i>		
Total students	31,730	32,535
Undergraduates	22,405	23,482
Graduate and professional	9,325	9,053
Iowa residents	60.5%	60.6%
Total non-residents	39.5%	39.4%
International students	6.5%	7.9%
Minority enrollment	18.7%	17.8%

EMPLOYMENT

	Fall 2020	Fall 2019
<i>Group (by FTEs)</i>		
Total faculty and staff	24,641	25,099
Tenure-track faculty	1,471	1,478
Clinical-track faculty	889	853
Postdoctoral and other faculty	745	801
Institutional officers	20	20
Professional and scientific staff	10,986	10,673
Merit staff	4,137	4,345
Residents	856	840
Graduate assistants	2,180	2,197
Temporary	3,357	3,892



The new College of Pharmacy Building (CPB) has laid the foundation for advancements in science and discovery—positioning Iowa graduates to be on the frontlines of health care.

EXTERNAL SUPPORT AND GIVING

The University reported strong external support during FY2020.

- FY2020 total external funding: **\$666 million**

RECENT RANKINGS

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

- *U.S. News & World Report* rank among 209 national, public universities: 34
- *U.S. News & World Report* rank for writing among 209 national, public universities: 1
- Number of graduate programs ranked among the top 10 in their field by *U.S. News & World Report*: 11
- Number of specialties at University of Iowa Hospitals & Clinics ranked among the nation's 10 best programs of their kind by *U.S. News & World Report*: 2



The CPB is home to some of the most advanced technological resources in the country—including hybrid research areas and innovative workspaces designed to enhance student collaboration.



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STATE OF IOWA

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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 financial statements of the business type activities and the fiduciary activities 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, 2020 and 2019, 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 97.5% and 1.7%, respectively, of the assets and 79.4% and 16.9%, 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 opinions.

Opinions

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 business type activities and the fiduciary activities of the University of Iowa and its aggregate discretely presented component units as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended June 30, 2020 and 2019 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, 2020 and 2019 and the changes in its financial position and its cash flows for the years ended June 30, 2020 and 2019 in conformity with U.S. generally accepted accounting principles.

Also, as discussed in Note 1 to the financial statements, the University of Iowa adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

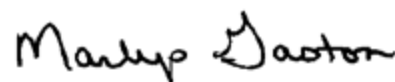
Required Supplementary Information

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 20 and 86 through 90 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 Government Auditing Standards will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



Marlys K. Gaston, CPA
Deputy Auditor of State

January 21, 2021

Management's Discussion and Analysis



With an emphasis on education, residencies, and community, the 2019-2020 performance season featured a dynamic mix of artist-activists—including the musicians of Las Cafeteras and singer-songwriter Rosanne Cash.

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, 2020 and 2019. 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, 2020, with assets and deferred outflows of resources of \$8,230 million and liabilities and deferred inflows of resources of \$3,447 million as compared to June 30, 2019 assets and deferred outflows of resources of \$7,068 million and liabilities and deferred inflows of resources of \$2,489 million. Net position, the difference between total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources, increased by \$204 million (4%) from July 1, 2019 to June 30, 2020. The increase from June 30, 2018 to June 30, 2019 was \$251 million (6%).

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. 84 Fiduciary Activities was implemented in fiscal year 2020. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less.

As a result of adopting GASB Statement No. 84 Fiduciary Activities in fiscal year 2020, the beginning net position was restated by \$(4) million in FY2020, \$(1) million in FY2019, and \$2 million in FY2018 to retroactively include non-fiduciary funds and exclude fiduciary funds, as shown in Note 16-Restatement.

GASB Statement No. 83 Certain Asset Retirement Obligations and GASB Statement No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements were implemented during fiscal year 2019. The University reported no Asset Retirement Obligations as of June 30, 2020 and June 30, 2019.

CORONAVIRUS (COVID-19) AND THE UNIVERSITY

On March 11, 2020, the World Health Organization proclaimed COVID-19 to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets.

In March, the University convened the Critical Incident Management Team (CIMT). The CIMT is comprised of members from UI administration and selected department heads. In accordance with the National Incident Management System (NIMS), the CIMT will be responsible for managing and directing the activities of the various departments that will be involved in crisis response and recovery.

In Spring of 2020, in an effort to mitigate the impact of COVID-19, the University took the following steps: (i) on March 18, 2020, announced the suspension of in-person classes, with all instruction delivered virtually March 30, 2020 through the end of the Spring semester, (ii) students residing in residence halls were asked to return to their permanent residences or make alternative housing arrangements, (iii) recalled all students studying abroad and faculty and staff working in other countries; (iv) slowed or stopped research activity on campus; (v) restricted employee travel and moved many meetings, workshops, extension programs and collaborative partnerships to online status; (vi) held virtual Spring 2020 commencement ceremonies, and (vii) cancelled or postponed all on-campus events for the foreseeable future.

The University remains open with minimal staff on site to ensure safety and continuity for essential services. Most staff continue to work remotely.

In May, the University began planning for a gradual return of employees to campus over the summer and for a return to in-person instruction for the fall semester. For fall planning, key decisions include:

- Fall classes began as planned on Monday, August 24, 2020. Classes have been offered in multiple delivery options—in-person, online or a hybrid approach—to meet the needs of students and instructional faculty. In-person classes will end on Wednesday, November 25, 2020 and will transition to online classes following the Thanksgiving holiday until the semester ends on Friday, December 11, 2020. This change in delivery of instruction during the final two weeks of the academic term will minimize health risk to students, faculty and staff.
- Face coverings, hygiene, and frequent cleaning. All faculty, staff and students returning to campus will be provided a face shield, two face masks and a bottle of hand sanitizer. Everyone will be strongly encouraged to show their care for the University's community and citizens of Iowa City and surrounding communities by adhering to the advice, guidelines and best practices of health experts, including the Centers for Disease Control and other professional health organizations. Physical distancing and the wearing of face coverings when in University buildings or when around others will be required. Promoting personal hygiene practices and frequent cleaning will be part of every person's new normal as a citizen of our campus community.
- Reconfiguring classrooms and delivery of courses. The University will reduce the number of students in a classroom at the same time.
- Testing and contact tracing. Plans are under development for COVID-19 testing and contact tracing for students, faculty and staff working closely with the Johnson County Public Health Department and the Iowa Department of Health.
- Living safely in residence halls. The Department of Residence Services will offer single and double occupancy in the residence halls. The move-in process will be spread out over a longer period of time to reduce congestion and allow for physical distancing. Designated spaces will be reserved in case residence hall students need to self-isolate or quarantine during the semester.

For the Spring 2020 semester, the University did not refund students' tuition, but did refund several other student-related charges based on the prorated number of days remaining in the semester: \$16 million of Housing & Dining revenue; \$3 million in student course and Recreation Facilities fees; Parking did not charge faculty & staff for parking permits for the months of April and May totaling \$2 million as a result of requiring all non-essential employees to work remotely during this timeframe. Prorated refunds for student parking were processed once Parking received an individual's student permit. Despite these refunds, all bond enterprise units met their debt service coverage requirements (as set forth in the Bond Resolution) for fiscal year 2020.

The University was awarded \$16,171,000 from the CARES Act for the Higher Education Emergency Relief Fund. Under the legislation, no less than 50% of the full grant must be used for direct emergency aid to students. The remaining portion—up to 50% of the full grant—should be used by institutions to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. The University also was awarded \$2,045,000 in FY20 for COVID-19 related research projects.

The University continues to carefully monitor developments and the directives of federal, state, and local officials to determine what additional precautions and procedures may need to be implemented by the University in response to the pandemic.

It is expected that COVID-19 pandemic will continue to impact how the University meets its mission of teaching, research and extension and outreach. The pandemic's impact on overall social interaction, travel, and economies and financial markets may adversely affect University finances and operations. It may materially adversely affect (i) the ability of the University to conduct its operations and/or the cost of operations and the revenues generated thereby, and (ii) the returns on and value of the University's investment portfolio.

CORONAVIRUS (COVID-19) AND UIHC

In early 2020, the spread of 2019 novel coronavirus (COVID-19) reached the United States, including the State of Iowa. The University of Iowa, like other major academic medical centers, prepared to respond to the pandemic and to continue to safely provide care for patients facing all disease states during the pandemic.

The pandemic affected operations and financials in a variety of ways. The main impacts have been driven by actions taken to help respond to the public health emergency.

First, in order to ensure the safety of patients and staff, as well as comply with requests by Federal and State entities, UIHC began modifying clinical operations in mid-March. This included stopping elective surgical cases and reducing clinic volumes to only those cases requiring immediate in-person care. During this time UIHC actively utilized telehealth options to provide appropriate triaging, care and monitoring during these times.

Second, UIHC actively changed operations in order to assure the safety of staff and patients and actively pursued necessary PPE. Additionally, in March, UIHC initiated a Hospital Incident Command System in order for management to daily address the COVID situation and changes to all aspects of operations to assure readiness and safety were top priorities.

Through March and April, patient volumes dropped significantly. The return of volume started in May and the year ended with decreases compared to prior year in clinic visits of -3.7% and acute inpatient days of -2.9%.

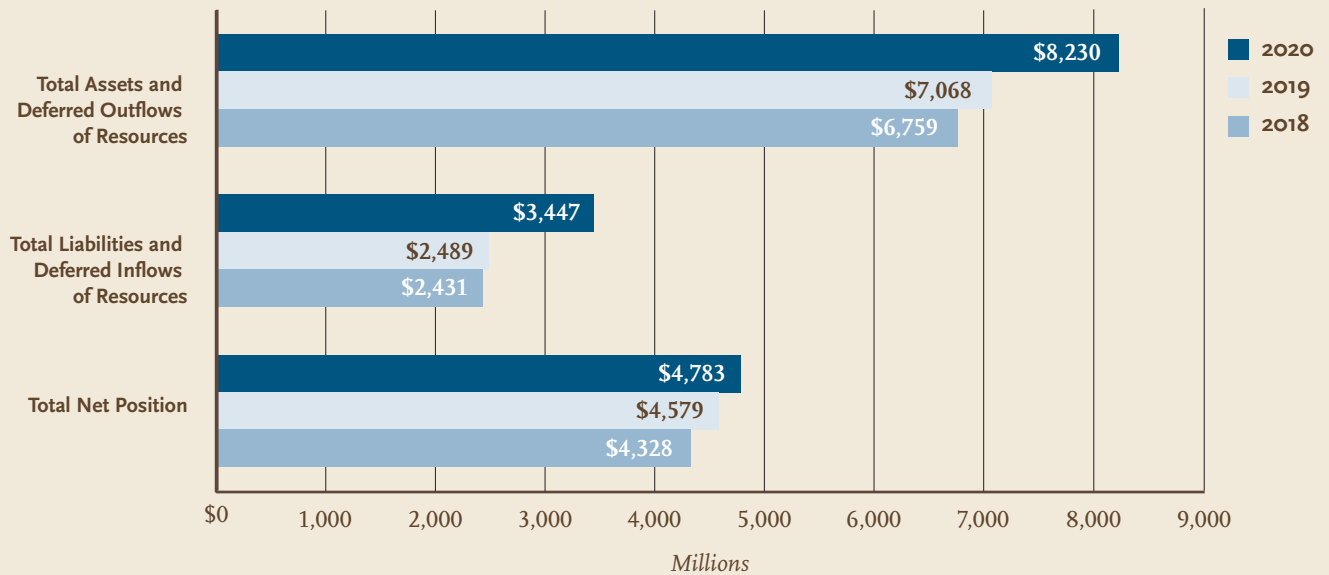
To date, UIHC has received \$34,755,000 from the General Allocation of the CARES Act Provider Relief Funds and \$1,000 from the CARES Act Uninsured Relief Funds. Additionally, UIHC has been awarded \$267,000 from the Federal Communications Commission (FCC) COVID-19 Telehealth Program, which will be funded as expenses are incurred for eligible telecommunications services, information services and devices to provide critical connected care services.

The loss of revenue and additional expenses due to COVID-19, investment fluctuations and COVID-19 stimulus dollars have impacted liquidity through the end of the fiscal year. The days cash on hand at fiscal year-end was 210 with the Moody's median being 276.

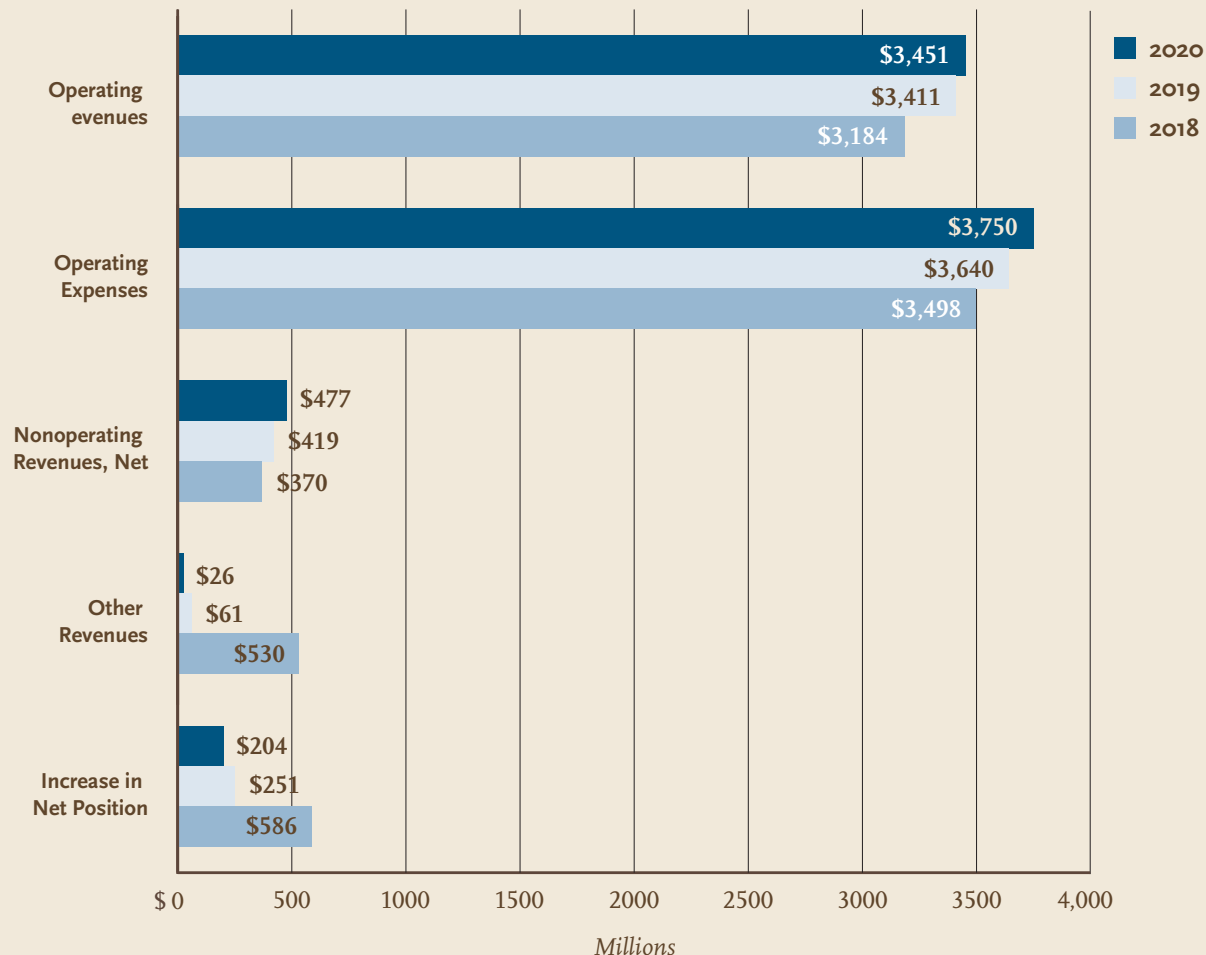
It is likely there will be ongoing effects associated with the ongoing pandemic or other similar circumstances resulting in state and federal mandates and/or guidance which reduce UIHC's ability to control its inpatient, outpatient and surgical volumes such that COVID-19 and the associated changes in regulations and operations could have a material adverse effect on the operations or the financial condition of UIHC.

The following charts compare Total Assets and Deferred Outflows of Resources, Total Liabilities and Deferred Inflows of Resources, and Total Net Position, as restated, at June 30, 2020, 2019, and 2018 and the components of changes in Net Position at June 30, 2020, 2019 and 2018.

STATEMENT OF NET POSITION



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION



USING THIS ANNUAL REPORT

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

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position present the financial position of the University at the end of the fiscal year and report the University's net position and changes in them during the current fiscal year, respectively. Net position, the difference between total assets and deferred outflows 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, 2020, 2019, and 2018.

NET POSITION, END OF YEAR (in millions)

	2020	Restated 2019	Restated 2018
<i>Assets</i>			
Current assets	\$892	\$875	\$861
Capital assets, net	3,969	3,987	3,944
Other noncurrent assets	3,241	2,094	1,832
Total Assets	8,102	6,956	6,637
Deferred Outflows of Resources	128	113	122
<i>Liabilities</i>			
Current liabilities	723	770	709
Noncurrent liabilities	2,628	1,622	1,631
Total Liabilities	3,351	2,392	2,340
Deferred Inflows of Resources	96	98	91
<i>Net Position</i>			
Net investment in capital assets	2,840	2,695	2,654
Restricted	448	456	426
Unrestricted	1,495	1,428	1,248
Total Net Position	\$4,783	\$4,579	\$4,328

The following table summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2020, 2019 and 2018.

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

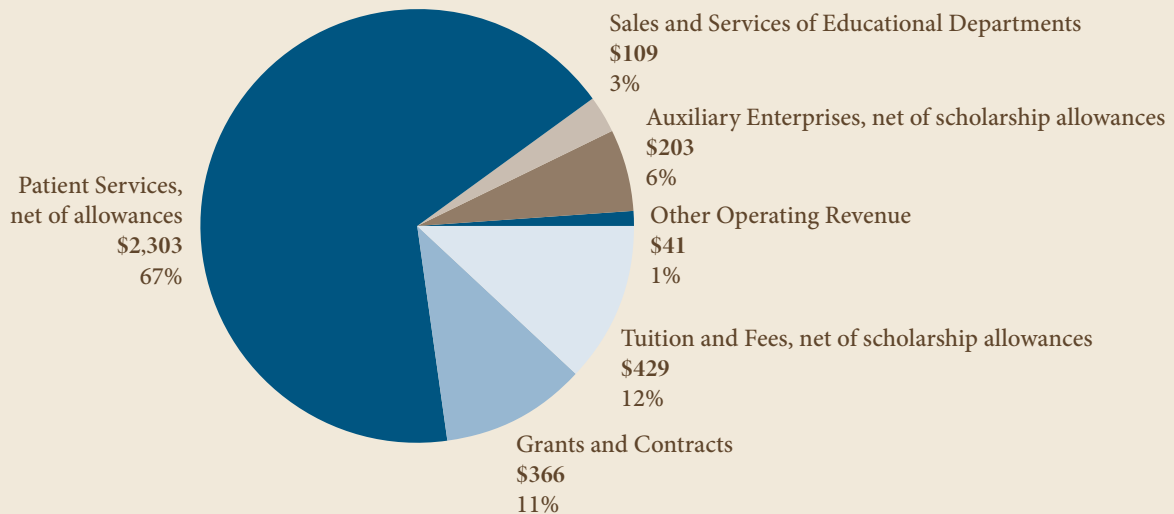
	2020	Restated 2019	Restated 2018
<i>Operating Revenues:</i>			
Tuition and fees, net of scholarship allowances	\$429	\$432	\$431
Grants and contracts	366	354	346
Patient services, net of allowances	2,303	2,237	2,040
Sales and services of educational departments	109	114	109
Auxiliary enterprises, net of scholarship allowances	203	232	222
Other operating revenue	41	42	36
Total Operating Revenues	3,451	3,411	3,184
<i>Operating Expenses:</i>			
Instruction	357	358	350
Research	339	334	335
Academic support	159	150	153
Patient services	2,098	1,970	1,849
Depreciation and amortization	260	251	247
Auxiliary enterprises	201	210	203
Other operating expenses	336	367	361
Total Operating Expenses	3,750	3,640	3,498
Operating (Loss)	(299)	(229)	(314)
<i>Nonoperating Revenues (Expenses):</i>			
State appropriations	240	231	228
Grants and contracts	69	21	20
Investment income	108	121	68
Gifts	116	102	97
Interest expense	(47)	(42)	(38)
Loss on disposal of capital assets	(9)	(14)	(5)
Net Nonoperating Revenues	477	419	370
Income Before Other Revenues	178	190	56
<i>Other Revenues:</i>			
Capital appropriations, State	16	32	53
Capital contributions and grants	10	29	10
FEMA reimbursement for capital costs, net of expenses	-	-	2
Other—OPEB benefit change	-	-	465
Net Other Revenues	26	61	530
Increase in Net Position	204	251	586
Net position, beginning of year, as restated	4,579	4,328	3,742
Net position, end of year	\$4,783	\$4,579	\$4,328

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, 2020 of \$204 million (4%). During the fiscal year ended June 30, 2020, the University increased operating revenues and operating expenses by 1% and 3%, respectively. The net result from operating revenues and expenses is an operating loss of 9% compared to 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 \$204 million for the year ended June 30, 2020. During the fiscal year ended June 30, 2020, net nonoperating revenues (expenses) increased by 14%. Other revenues of state appropriations for capital projects and contributions and grants for capital projects decreased \$35 million (57%).

OPERATING REVENUES

For the fiscal years (FY) ended June 30, 2020, 2019 and 2018, operating revenues totaled \$3,451 million, \$3,411 million and \$3,184 million, respectively. Operating revenues increased \$40 million (1%) over FY 2019 revenues. The increase is 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, 2020.

FY 2020 OPERATING REVENUES \$3,451 million

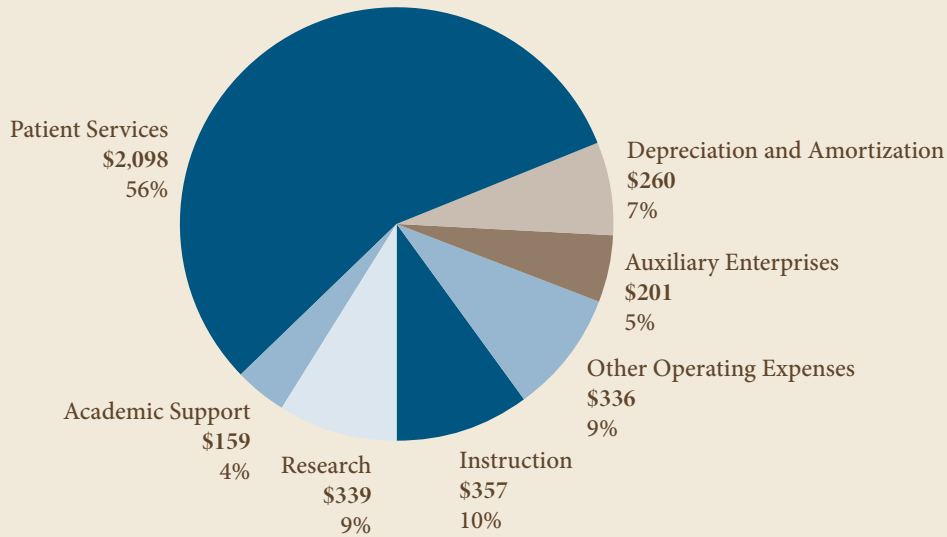


In the most recent National Science Foundation, Higher Education Research and Development survey (2018), the University of Iowa ranked 51st among 646 public and private universities combined in terms of federally financed expenditures for research and development. Grants, contracts and other sponsored agreements operating revenue exceeded \$366 million in FY 2020, \$354 million in FY 2019 and \$346 million in FY 2018.

OPERATING EXPENSES

For the fiscal years ended June 30, 2020, 2019 and 2018, operating expenses totaled \$3,750 million, \$3,640 million and \$3,498 million, respectively. Operating expenses increased \$110 million (3%) over FY 2019 expenses. The increase is primarily from patient services. The following is a graphic illustration of the University's operating expenses for the year ended June 30, 2020.

FY 2020 OPERATING EXPENSES \$3,750 million



Other operating expenses include Public Service (2020, \$98 million; 2019, \$92 million), Student Services (2020, \$43 million; 2019, \$46 million), Institutional Support (2020, \$59 million; 2019, \$59 million), Operation and Maintenance of Plant (2020, \$82 million; 2019, \$81 million), Scholarships and Fellowships (2020, \$42 million; 2019, \$34 million), and Other (2020, \$12 million; 2019, \$55 million).

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses netted a positive \$477 million for the fiscal year ended June 30, 2020 and \$419 million for the fiscal year ended June 30, 2019.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2020, 2019 and 2018.

NONOPERATING REVENUES (EXPENSES) (in millions)

	2020	Restated 2019	Restated 2018
<i>Nonoperating Revenues (Expenses)</i>			
State appropriations	\$240	\$231	\$228
Grants and contracts	69	21	20
Investment income	108	121	68
Gifts	116	102	97
Interest expense	(47)	(42)	(38)
Loss on disposal of capital assets	(9)	(14)	(5)
Net Nonoperating Revenues	\$477	\$419	\$370

State appropriations increased by \$9 million (4%) in the fiscal year ended June 30, 2020. Grants and contracts revenue increased by \$48 million (229%), investment income decreased by \$13 million (11%) and gifts increased by \$14 million (14%) in the fiscal year ended June 30, 2020.

OTHER REVENUES AND EXPENSES

Not included, by definition, as nonoperating revenues and expenses are state appropriations for capital projects and contributions and grants for capital projects. Other revenues decreased from \$61 million for the fiscal year ended June 30, 2019 to \$26 million for the fiscal year ended June 30, 2020, a decrease of \$35 million, or 57%.

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, 2020, 2019 and 2018.

CASH FLOWS FOR THE YEAR (in millions)

	2020	Restated 2019	Restated 2018
<i>Cash provided (used) by:</i>			
Operating activities	\$1,087	\$69	\$34
Noncapital financing activities	425	353	345
Capital and related financing activities	(483)	(290)	(264)
Investing activities	(1,025)	(168)	(51)
Net change in cash and cash equivalents	4	(36)	64
Cash and cash equivalents, beginning of year	234	270	206
Cash and cash equivalents, end of year	\$238	\$234	\$270

The University's overall liquidity increased during the year, with a net increase in cash and cash equivalents of \$4 million. The net increase is primarily due to payment from Energy Concessionaire serving as prepayment of a 50-year lease of the utility system, offset by purchase of investments.

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, 2020, 2019 and 2018.

CAPITAL ASSETS, NET OF DEPRECIATION AND AMORTIZATION

(in millions)

	2020	2019	2018
<i>Nondepreciable/nonamortizable</i>			
Land	\$73	\$73	\$69
Construction in progress	167	295	261
Art & historical collections	29	29	29
Library materials	391	375	358
<i>Depreciable/amortizable</i>			
Land improvements, net	8	8	10
Infrastructure, net	313	323	296
Buildings, net	2,695	2,584	2,602
Equipment, net	263	263	275
Intangibles, net	30	37	44
Total Capital Assets, Net	\$3,969	\$3,987	\$3,944

The University of Iowa reached substantial completion (occupancy) or final completion during this time frame (FY20) on five prominent facilities including: the Psychological and Brain Sciences Building (\$34 million), the new College of Pharmacy Building (\$96 million), the Nagle Golf Club House (\$10 million—donor funded), Kinnick Stadium—North End Zone (\$90 million) and the UIHC—Integrated Services Center facility (\$32 million). All these facilities were occupied this fiscal year with the Kinnick Stadium project reaching final completion. The UIHC—South Wing—Convert 4th Floor to Inpatient Unit (\$5 million), a renovation of existing space providing necessary patient space, was also completed and occupied during this time.

In March 2020, a national pandemic impacted University projects that were in construction. Those projects under contract for construction at the start of FY20 include: UIP Fit Out and Manufacturing Equipment (\$28 million) project which is expected to wrap up in FY21, updating the Student Living Spaces in Burge Residence Hall (\$8 million) which is a four year long project that was delayed approximately one year due to the pandemic, and the Power Plant—Capacity Expansion (\$50 million) project which added a new boiler (which is online now) and replaces turbine generators (under construction) at the main plant.

In addition, projects still under construction or issued for bid since the pandemic arose had language updated to account for the measures being taken by the University to allow work to continue while incorporating the appropriate safety measures. The majority of these larger projects are taking place at the University of Iowa Hospitals and Clinics main campus (UIHC) and include: UIHC—Pathology Core Lab Renovation—6RCP (\$20 million), UIHC—JCP—MRI Suite Safety and PET/MRI Expansion and Renovation (\$5 million), UIHC—Roy Carver Pavilion—Inpatient Psychiatry Expansion & Renovation (\$8 million), UIHC—JPP—Interventional Radiology Support Space Renovation (\$7 million), UIHC—JCP—Upgrade Main Operating Room Building Controls and Telecom Room (\$5 million), and UIHC—RCP—Upgrade Elevators Banks E and EE (\$6 million). The projects taking place outside of UIHC's main campus that are under construction include the Stanley Museum of Art—Construct New Facility (\$50 million) which is the last 2008 flood recovery project, the Utilities Distribution System—Replace Old Capitol Tunnel (\$12 million), the Lindquist Center—Renovate 1st and 2nd Floors (\$9 million) and the Campus Recreation and Wellness Center—Replace PoolPak AHUs (\$7 million) project which addresses operations and maintenance deficiencies.

Finally, projects under design have also been impacted by the pandemic. Some were delayed by a month or more while others were placed on hold. Those projects continuing to move through design during this FY20 time frame include the UIHC—RCP—Expand Heart and Vascular Cath Labs (\$26 million), Renovate Student Living Space in Hillcrest Residence Hall (\$18 million) scope was revised this fiscal year to incorporate the renovation of all restrooms, and Iowa Wrestling Training Facility—Construct Building (\$20 million). The UIHC—JCP—Expand Observation Unit (\$8 million), Bowen Science Building—Renovate Third Floor (\$19 million) and North Liberty Medical Office Building Development (\$300 million) have been placed on hold.

Debt

As of June 30, 2020, the University had \$1,160 million in outstanding bonds, notes and capital leases, a decrease of \$201 million from the prior year. Debt principal payments of \$75 million and interest payments of \$55 million were made during the fiscal year ended June 30, 2020.

The following table summarizes outstanding debt by type as of June 30, 2020, 2019 and 2018.

BONDS, NOTES AND CAPITAL LEASES

(in millions)

	2020	2019	2018
Revenue bonds	\$1,130	\$1,325	\$1,321
Notes	14	20	27
Capital leases	16	16	18
Total Debt Outstanding	\$1,160	\$1,361	\$1,366

During the fiscal year ended June 30, 2020, \$30 million of new revenue bonds were issued. The revenue bond proceeds were for the Stanley Museum of Art new construction. 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.

A crucial element to the University's future continues to be a strong relationship with the state of Iowa. Historically, there has been a connection between the growth, or reduction, of state support and the University's ability to control tuition increases. Over the past several years, the University, in working with the Board of Regents, has structured a tuition model that is determined, in part, by the level of appropriation support received from the state. The University's new budget model encourages and rewards entrepreneurial ideas in generating new revenue streams to complement the critical appropriation support received from the state. The new budget model emphasizes the need to work relentlessly to cut and mitigate operational costs in order to remain affordable and preserve access, while protecting the academic enterprise.

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 2024 is comprised of 4,530 students and is one of the most academically gifted classes in the University's 173-year history. Total enrollment for fall 2020 is 31,730. 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 reduced its general fund appropriation to the University by \$3.1 million to start fiscal year 2021. Despite this reduction in state support the University maintains 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, fiscal year 2020 ended up reporting revenue up 1% over the prior year despite the damaging effects of the coronavirus COVID-19. Current revenue estimates for FY 2021 project revenues will decrease \$18.9 million compared to fiscal year 2020. The state Revenue Estimating Committee is expecting FY 2022 revenue to be \$8.231 billion or above the FY2021 estimate by \$319.1 million.

The University continues to be one of the nation's top research-intensive universities with grant and contract research awards exceeding \$400 million per year for the past twelve years, and for the first time in its history, surpassed \$500 million in research funding coming in at \$536 million. 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 23% in FY 2020 and industry sponsored research increased 20%. As a result, an area of emphasis in the upcoming years is to leverage this stronger partnership with industry to improve marketability of intellectual capital generated by UI faculty and staff.

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 an 8.2% 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 7-year and 10-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 2020 with a net operating margin of 4.5% (unaudited) versus a budget of 3.9%. According to *U.S. News & World Report*, UIHC has been included again as one of the top hospitals in the United States in its annual "best hospitals" rankings. The University of Iowa Health Care is rated by *U.S. News & World Report* as the #1 hospital in the state of Iowa and it continues to report robust patient census data with approximately 1 million clinic visits in fiscal year 2020. Iowa's future doctors and other health care professional students are in a great learning environment attributable to outstanding faculty and exposure to a very high complexity case mix at 2.32 overall in June 2020.



Statement of Net Position

June 30, 2020 (in thousands)

With comparative statement as of June 30, 2019

ASSETS	2020	Restated 2019
<i>Current Assets:</i>		
Cash and cash equivalents	\$159,237	\$131,274
Deposits with trustees	80	1
Investments	192,692	222,900
Accounts receivable, net	378,712	379,276
Notes receivable, net	2,255	2,307
Interest receivable	991	1,360
Due from government agencies	66,271	67,065
Inventories	65,282	47,129
Prepaid expenses and other current assets	26,878	23,407
Total current assets	892,398	874,719
<i>Noncurrent Assets:</i>		
Cash and cash equivalents	78,736	102,773
Deposits with trustees	26,201	15,041
Investments	3,097,561	1,935,036
Notes receivable, net	22,030	25,035
Investment in wholly owned subsidiary	16,381	16,023
Capital assets, net	3,969,170	3,986,828
Total noncurrent assets	7,210,079	6,080,736
Total Assets	8,102,477	6,955,455
DEFERRED OUTFLOWS OF RESOURCES		
OPEB related deferred outflows	75,881	50,612
Pension related deferred outflows	40,905	47,223
Debt refunding loss	10,550	14,729
Other deferred outflows	404	642
Total Deferred Outflows of Resources	127,740	113,206
Total Assets and Deferred Outflows of Resources	\$8,230,217	\$7,068,661

Statement of Net Position, continued

June 30, 2020 (in thousands)

With comparative statement as of June 30, 2019

LIABILITIES	2020	Restated 2019
<i>Current Liabilities:</i>		
Accounts payable	\$214,042	\$249,083
Salaries and wages payable	208,680	203,056
Unpaid claims	57,084	54,789
Unearned revenue	40,721	42,781
Interest payable	15,486	17,057
Long-term debt, current portion	63,843	78,276
Other long-term liabilities, current portion	123,653	124,353
Total current liabilities	723,509	769,395
<i>Noncurrent Liabilities:</i>		
Accounts payable	12,913	18,349
Long-term debt, noncurrent portion	1,096,035	1,283,056
P3 utility system advance from concessionaire	1,156,312	-
Other long-term liabilities, noncurrent portion	362,302	320,879
Total noncurrent liabilities	2,627,562	1,622,284
Total Liabilities	3,351,071	2,391,679
DEFERRED INFLOWS OF RESOURCES		
OPEB related deferred inflows	79,710	90,145
Debt refunding gain	1,421	2,102
Pension related deferred inflows	14,864	5,210
Contract and grant deferred inflows	46	138
Total Deferred Inflows of Resources	96,041	97,595
NET POSITION		
Net investment in capital assets	2,840,264	2,694,830
Restricted:		
Nonexpendable:		
Permanent endowment	53,323	47,953
Expendable:		
Research and gifts	66,814	66,066
Student loans	13,244	16,960
Quasi endowments	80,586	83,815
Debt service and capital projects	233,725	241,802
Unrestricted	1,495,149	1,427,961
Total Net Position	4,783,105	4,579,387
Total Liabilities, Deferred Inflows of Resources and Net Position	\$8,230,217	\$7,068,661

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

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2020 (in thousands)

With comparative statement for the year ended June 30, 2019

	2020	Restated 2019
<i>Operating Revenues</i>		
Student tuition and fees, net of scholarship allowances of \$118,355 and \$121,099 for the years ended June 30, 2020 and 2019, respectively (pledged as payment on revenue bonds)	\$428,522	\$431,724
Federal grants and contracts	300,642	291,726
State and other governmental grants and contracts	12,589	12,698
Nongovernmental grants and contracts	53,052	49,633
Patient services, net of write-offs, contractual adjustments and indigent care of \$4,802,954 and \$4,502,753 for the years ended June 30, 2020 and 2019, respectively (pledged as payment on revenue bonds)	2,303,441	2,237,228
Sales and services of educational departments	109,004	114,246
Interest on student loans	672	732
Auxiliary enterprises, net of scholarship allowances of \$9,629 and \$10,280 for the years ended June 30, 2020 and 2019, respectively (pledged as payment on revenue bonds)	202,819	232,314
Other operating revenue	40,522	41,070
Total Operating Revenues	3,451,263	3,411,371
<i>Operating Expenses</i>		
Instruction	356,881	358,208
Research	339,453	334,256
Public service	97,621	91,934
Academic support	159,112	150,416
Patient services	2,097,558	1,970,422
Student services	42,847	45,604
Institutional support	59,293	59,237
Operation and maintenance of plant	82,482	81,420
Scholarships and fellowships	41,509	33,526
Depreciation and amortization	259,747	250,635
Auxiliary enterprises	201,318	209,885
Other operating expenses	12,529	54,778
Total Operating Expenses	3,750,350	3,640,321
Operating (Loss)	(299,087)	(228,950)
<i>Nonoperating Revenues (Expenses)</i>		
State appropriations	239,740	231,134
Federal grants and contracts	68,838	20,476
Investment income	108,079	121,442
Gifts	115,774	101,565
Interest expense	(47,174)	(41,618)
Loss on disposal of capital assets	(8,419)	(13,616)
Net Nonoperating Revenues	476,838	419,383
Income Before Other Revenues	177,751	190,433
<i>Other Revenues</i>		
Capital appropriations, State	15,690	32,295
Capital contributions and grants	10,277	28,430
Net Other Revenues	25,967	60,725
Increase in Net Position	203,718	251,158
<i>Net Position</i>		
Net position, beginning of year, as restated	4,579,387	4,328,229
Net position, end of year	\$4,783,105	\$4,579,387

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

Statement of Cash Flows

For the Year ended June 30, 2020 (in thousands)

With comparative statement for the year ended June 30, 2019

	2020	Restated 2019
<i>Cash Flows From Operating Activities</i>		
Tuition and fees	\$428,199	\$433,309
Patient receipts	2,301,160	2,216,283
Grants and contracts	366,989	350,279
Payments for salaries and benefits	(1,986,358)	(1,898,063)
Payments for goods and services	(1,293,925)	(1,186,273)
Scholarships	(41,510)	(33,526)
Loans issued to students	(2,237)	(2,824)
Collections of loans from students	5,613	5,293
Sales of educational activities	119,311	116,936
Receipt from Energy Concessionaire	1,156,312	-
Other receipts	40,522	45,871
Auxiliary enterprise receipts	193,906	231,985
Auxiliary enterprise payments	(201,318)	(209,885)
Net Cash Provided by Operating Activities	1,086,664	69,385
<i>Cash Flows From Noncapital Financing Activities</i>		
State appropriations	239,740	231,134
Grants and contracts	68,838	20,476
Proceeds from noncapital gifts	115,774	101,565
William D. Ford Direct Lending & Plus Loans receipts	168,145	175,517
William D. Ford Direct Lending & Plus Loans made	(168,327)	(174,048)
Other noncapital activities	182	(1,469)
Net Cash Provided by Noncapital Financing Activities	424,352	353,175
<i>Cash Flows From Capital and Related Financing Activities</i>		
Acquisition and construction of capital assets	(258,724)	(303,952)
Interest paid on capital debt and leases	(55,386)	(44,380)
Proceeds from sale of capital assets	9,220	1,276
Capital appropriations	14,926	33,084
Capital gifts and grants received	9,510	23,122
Deposits with trustee	(11,239)	(316)
Principal paid on capital debt and leases	(75,443)	(74,138)
Proceeds from capital debt and leases	40,233	75,007
Defeased debt payments	(202,755)	-
Other capital and related financing receipts	46,650	-
Net Cash (Used) by Capital and Related Financing Activities	(483,008)	(290,297)
<i>Cash Flows From Investing Activities</i>		
Interest and dividends on investments	38,922	36,040
Proceeds from sale and maturities of investments	796,061	531,944
Purchase of investments	(1,859,065)	(736,635)
Net Cash (Used) by Investing Activities	(1,024,082)	(168,651)
Net Increase (Decrease) in Cash and Cash Equivalents	3,926	(36,388)
Cash and Cash Equivalents, beginning of year, as restated	234,047	270,435
Cash and Cash Equivalents, end of year	\$237,973	\$234,047

Statement of Cash Flows

For the year ended June 30, 2020 (in thousands)

With comparative statement for the year ended June 30, 2019

	2020	Restated 2019
<i>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:</i>		
Cash and cash equivalents in current assets	\$159,237	\$131,274
Noncurrent cash and cash equivalents	78,736	102,773
Total Cash and Cash Equivalents	\$237,973	\$234,047
<i>Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:</i>		
Operating (loss)	\$(299,087)	\$(228,950)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	259,747	250,635
Changes in operating assets and liabilities:		
Accounts receivable, net	564	(16,177)
Interest receivable	(144)	(86)
Inventories	(18,153)	(1,916)
Prepaid expenses and other current assets	(3,471)	(2,524)
Due from government agencies, net of receivable from State for capital appropriations	1,557	(2,826)
Notes receivable, net	3,057	1,814
Accounts payable	(40,476)	17,225
Salaries and wages payable	5,623	4,975
Unpaid claims liability	2,295	17,131
Other long-term liabilities	-	4,801
Unearned revenue	(2,122)	(1,784)
Advance from concessionaire	1,156,312	-
Contract and grant deferred inflows	(92)	(233)
Pension liability	(3,824)	4,357
Pension related deferred outflows	6,318	2,004
Pension related deferred inflows	9,655	3,286
Other postemployment benefits other than pension liability	30,265	6,322
OPEB related deferred outflows	(25,269)	3,836
OPEB related deferred inflows	(10,435)	4,286
Compensated absences	15,664	4,544
Early retirement benefits	(1,320)	(1,335)
Net Cash Provided by Operating Activities	\$1,086,664	\$69,385
<i>Significant Noncash Transactions:</i>		
Receivable from State for capital appropriations	\$1,840	\$1,076
Assets acquired under capital lease	\$993	\$ -
Assets acquired by gift	\$767	\$5,308
Net unrealized gain on investment	\$67,774	\$70,246

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

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020 (in thousands)

	Custodial Funds 2020
ASSETS	
<i>Current Assets:</i>	
Cash and cash equivalents	\$1
Investments	17
Accounts receivable, net	907
Total current assets	925
<i>Noncurrent Assets:</i>	
Cash and cash equivalents	92
Investments	89,182
Total noncurrent assets	89,274
Total Assets	\$90,199
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts payable	\$315
Salaries and wages payable	61
Total Liabilities	376
NET POSITION	
Restricted for individuals, organizations and other governments	89,823
Total Liabilities and Net Position	\$90,199

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the year ended June 30, 2020 (in thousands)

	Custodial Funds 2020
<i>Additions:</i>	
Investment income	\$2,224
Allocation of student fees from other University funds	2,112
Other additions	45,004
Total Additions	49,340
<i>Deductions:</i>	
Salary and fringe expense	1,293
Travel	28
Supplies	491
Scholarship cost	11,494
Other deductions	33,765
Total Deductions	47,071
Increase in Net Position	2,269
<i>Net Position</i>	
Net position, beginning of year	87,554
Net position, end of year	\$89,823

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

Consolidated Statement of Financial Position

June 30, 2020 (in thousands)

With comparative information as of June 30, 2019

ASSETS	2020	2019
Cash and cash equivalents	\$88,259	\$90,768
Pledges receivable, net of allowance	173,140	164,500
Investments	1,158,212	1,226,208
Assets in trusts and gift annuities	56,355	58,731
Beneficial interest in perpetual and remainder trusts	16,725	17,197
Real estate	5,293	5,204
Other assets	7,712	7,668
Property and equipment, net	16,632	17,304
Total Assets	\$1,522,328	\$1,587,580
LIABILITIES AND NET ASSETS		
<i>Liabilities:</i>		
Accounts payable and accrued expenses	\$4,839	\$2,601
Annuity and life income obligations	20,868	22,218
Amounts held on behalf of others	79,648	86,024
Total Liabilities	105,355	110,843
<i>Net Assets:</i>		
Without donor restrictions	30,704	34,933
With donor restrictions	1,386,269	1,441,804
Total Net Assets	1,416,973	1,476,737
Total Liabilities and Net Assets	\$1,522,328	\$1,587,580

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

Consolidated Statement of Activities

For the year ended June 30, 2020 (in thousands)

With summarized comparative information for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<i>Revenues, Gains and Other Support</i>				
Contributions	\$1,087	151,804	\$152,891	\$139,488
Change in value of life income gifts	1,228	(3,317)	(2,089)	1,507
Investment return	14,593	(77,888)	(63,295)	50,427
Other, primarily fundraising service revenue	9,186	4,577	13,763	16,764
Net assets released from restrictions	133,046	(133,046)	-	-
Less amounts attributed to others	-	2,335	2,335	(4,256)
Total revenues, gains and other support	159,140	(55,535)	103,605	203,930
<i>Expenses</i>				
Program	125,423	-	125,423	123,054
Fundraising	24,419	-	24,419	24,694
Management and general	13,527	-	13,527	17,674
Total expenses	163,369	-	163,369	165,422
Change in net assets, prior to contribution	(4,229)	(55,535)	(59,764)	38,508
Contribution of ISF (2019)	-	-	-	6,294
Change in net assets	(4,229)	(55,535)	(59,764)	44,802
Net assets, beginning	34,933	1,441,804	1,476,737	1,431,935
Net assets, ending	\$30,704	1,386,269	\$1,416,973	\$1,476,737

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

Notes to Financial Statements



During the unpredictable times of COVID-19, the University of Iowa followed evidence-based guidelines to continue offering world-class academics and a safe student learning experience.

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.

Consistent with its IRS determination letter, the University is not subject to federal income tax as a governmental unit under the doctrine of implied statutory immunity. 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, University of Iowa Research Park Corporation, and University of Iowa Strategic Initiatives Fund 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.

The University of Iowa Strategic Initiatives Fund is an Iowa non-profit corporation organized February 4, 2020 and operated exclusively for charitable, educational and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code for the benefit of the State University of Iowa (University). The general purpose of the corporation shall be to manage the funds from the payment under the Long Term Lease and Concession Agreement for the University of Iowa Utility System executed in December 2019 (P3 Agreement); to select and supervise independent investment manager(s); to grant money to the University to support Concessionaire payments of the P3 Agreement; to determine the annual payout of the endowment for the purpose of granting gifts of money to the University for direct use in its scientific research and educational activities; and to review all grant requests forwarded to it by the Budget Review Board to ensure that each advances the UI strategic plans and to advance the cause of education and research.

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 years ended June 30, 2020 and 2019 the UICA distributed to the University or expended on behalf of the University \$133,527,000 and \$136,622,000, 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. 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.

<i>Amounts Held on Behalf of Others (in thousands)</i>	2020	2019
Iowa Law School Foundation	\$79,045	\$85,238
Student Publications Incorporated	603	786
Total	\$79,648	\$86,024

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: finding suitable partners for commercialization of University technologies and inventions, identifying and helping develop new high growth companies based on University technologies that may be suitable for venture capital financing, and protecting University inventions through patents and copyrights, advising on intellectual property terms for Clinical Trials and Sponsored Research, and executing out-going material transfer agreements.

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).

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. The University reports fiduciary activities as custodial funds as defined in GASB Statement No. 84 Fiduciary Activities. Accordingly, the custodial funds are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and have been prepared using the accrual basis of accounting.

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-business-procedures/%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, 2020, 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.

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	
	2019	2018
Assets (primarily investments)	\$18,381	\$18,023
Liabilities	-	-
Net Assets	\$18,381	\$18,023

	As of June 30	
	2020	2019
Distributions to Carver College of Medicine	\$(2,000)	\$(2,000)
Assets (primarily investments)	16,381	16,023
Liabilities	-	-
Net Assets	\$16,381	\$16,023

INVESTMENT IN SUBSIDIARY (UICA)

From time to time, the University of Iowa Facilities Corporation (UIFC) has issued revenue bonds 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. The UIFC is not obligated in any manner for repayment on the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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, 2020 and 2019 is as follows (in thousands):

	2020	2019
Book Balance	\$238,912	\$234,894
Fiduciary	93	77
University of Iowa Research Foundation	846	770
Non-Fiduciary	237,973	234,047
Bank Balance	\$253,721	\$267,968
Covered by FDIC insurance or State Sinking Fund	51,040	121,217
Invested in money market funds as cash equivalents	202,681	146,751

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, 2020 and 2019, totaled \$26,281,000 and \$15,042,000, respectively. At June 30, 2020, \$4,997,000 of the \$26,281,000 was invested in U.S. Government Agency securities with a credit quality rating of AA+ and an effective duration of 2.94 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-policy-manual/22-business-procedures/#Investment Policy](http://www.iowaregents.edu/plans-and-policies/board-policy-manual/22-business-procedures/#Investment%20Policy)). 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 \$13,047,000 and \$13,405,000 at June 30, 2020 and 2019, respectively, held for the University of Northern Iowa. The University's operating portfolio included \$51,292,000 and \$49,348,000 at June 30, 2020 and 2019, respectively, as well as \$23,778,000 and \$23,141,000 invested in the University's intermediate term portfolio at June 30, 2020 and 2019, respectively, held for the University of Northern Iowa. The University of Northern Iowa investments are recorded as investments in the Statement of Fiduciary Net Position for Fiduciary Funds.

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 \$14,199,000 and \$16,832,000 at June 30, 2020 and 2019, 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, 2020 and 2019, the University had the following investments and quality credit ratings (in thousands):

INVESTMENT TYPE	Effective Duration (Years)	TSY/AGY/AAA	AA	A	BBB	BB	B	NA	Total Fair Value
<i>Fixed Income:</i>									
Corporate Notes and Bonds	5.74	\$49,041	\$10,965	\$55,920	\$75,391	\$1,982	\$ -	\$1,630	\$194,929
U.S. Government Agencies	1.08	-	133,500	1,278	-	-	-	-	134,778
U.S. Government Treasuries	7.66	-	59,920	-	-	-	-	-	59,920
Mutual Funds	4.95	-	755,738	96,167	128,556	111,776	238,082	-	1,330,319
Total		\$49,041	\$960,123	\$153,365	\$203,947	\$113,758	\$238,082	\$1,630	\$1,719,946
<i>Equity and Other:</i>									
Common Stock									11,939
Mutual Funds									645,190
Real Assets									149,024
Private Equity									99,818
Bank Investments									64,617
Money Market/Cash Equivalents									599,719
Total Investments June 30, 2020									\$3,290,253

INVESTMENT TYPE	Effective Duration (Years)	TSY/AGY/AAA	AA	A	BBB	BB	B	NA	Total Fair Value
<i>Fixed Income:</i>									
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	-	680,663	153,638	57,201	121,557	76,180	-	1,089,239
Total		\$ -	\$803,706	\$153,638	\$57,201	\$121,557	\$76,180	\$ -	\$1,212,282
<i>Equity and Other:</i>									
Common Stock									12,857
Mutual Funds									455,617
Real Assets									153,911
Private Equity									89,458
Bank Investments									63,327
Money Market/Cash Equivalents									170,484
Total Investments June 30, 2019, as restated*									\$2,157,936

*Investments were restated to remove \$96,808 of investments related to Custodial Funds which have been reclassified in accordance with GASB Statement No. 84 *Fiduciary Activities*. See Note 16.

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, 2020 and 2019, 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
<i>Fixed Income:</i>					
Corporate Notes and Bonds	\$ -	\$194,929	\$ -	\$ -	\$194,929
U.S. Government Agencies	-	134,778	-	-	134,778
U.S. Government Treasuries	59,920	-	-	-	59,920
Mutual Funds	651,240	-	-	679,079	1,330,319
<i>Equity and Other:</i>					
Common Stock	11,541	398	-	-	11,939
Mutual Funds	449,034	-	-	196,156	645,190
Real Assets	-	-	-	149,024	149,024
Private Equity	-	-	-	99,818	99,818
Subtotal	1,171,735	330,105	-	1,124,077	2,625,917
Bank Investments					64,617
Money Market/Cash Equivalents					599,719
Total Investments June 30, 2020					\$3,290,253

INVESTMENT TYPE	Level 1	Level 2	Level 3	NAV	Total Fair Value
<i>Fixed Income:</i>					
Corporate Notes and Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies	-	86,575	-	-	86,575
U.S. Government Treasuries	36,468	-	-	-	36,468
Mutual Funds	548,109	-	-	541,130	1,089,239
<i>Equity and Other:</i>					
Common Stock	12,214	643	-	-	12,857
Mutual Funds	316,165	-	-	139,452	455,617
Real Assets	-	-	-	153,911	153,911
Private Equity	-	-	-	89,458	89,458
Subtotal	912,956	87,218	-	923,951	1,924,125
Bank Investments					63,327
Money Market/Cash Equivalents					170,484
Total Investments June 30, 2019, as restated*					\$2,157,936

*Investments were restated to remove \$96,808 of investments related to Custodial Funds which have been reclassified in accordance with GASB Statement No. 84 *Fiduciary Activities*. See Note 16.

The following tables summarize the University's investments at June 30, 2020 and 2019, 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	\$679,079	\$ -	daily-monthly	5-60 days
Equity Mutual Funds	196,156	-	daily-monthly	2-30 days
Real Assets:				
Redeemable	121,605	-	quarterly	60-90 days
Nonredeemable	27,419	7,122	N/A	N/A
Private Equity:				
Redeemable	-	-		
Nonredeemable	99,818	46,200	N/A	N/A
Investments measured at NAV at June 30, 2020	\$1,124,077	\$53,322		

INVESTMENT TYPE	Fair Value determined using NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income Mutual Funds	\$541,130	\$ -	daily-monthly	5-60 days
Equity Mutual Funds	139,452	-	daily-monthly	2-30 days
Real Assets:				
Redeemable	118,563	-	quarterly	60-90 days
Nonredeemable	35,348	54,867	N/A	N/A
Private Equity:				
Redeemable	-	-		
Nonredeemable	89,458	9,593	N/A	N/A
Investments measured at NAV at June 30, 2019, as restated*	\$923,951	\$64,460		

*Investments were restated to remove \$42,165 from the "Fair Value determined using NAV" and \$2,038 from "Unfunded Commitments" related to Custodial Funds which have been reclassified in accordance with GASB Statement No. 84 Fiduciary Activities. See Note 16.

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, 2020 and 2019 is as follows (in thousands):

	University and Blended Component Units	UIHC, Affiliates and UI Physicians	Total
Accounts Receivable	\$93,745	\$1,070,743	\$1,164,488
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(7,285)	(778,491)	(785,776)
Accounts Receivable, Net, June 30, 2020	\$86,460	\$292,252	\$378,712
Accounts Receivable	\$100,377	\$1,015,529	\$1,115,906
Allowance for Uncollectible Accounts, Indigent Patients and Contractual Adjustments	(7,420)	(729,210)	(736,630)
Accounts Receivable, Net, June 30, 2019, as restated*	\$92,957	\$286,319	\$379,276

*Accounts Receivable were restated to remove \$1,914 of accounts receivable from “University and Blended Component Units” related to Custodial Funds which have been reclassified in accordance with GASB Statement No. 84 *Fiduciary Activities*. See Note 16.

PLEDGES RECEIVABLE (UICA)

A summary of the pledges receivable (unconditional promises to give) at June 30, 2020 and 2019 is as follows (in thousands):

	2020	2019
Gross pledges receivable	\$207,100	\$196,716
Less present value discount of \$28,783 for 2020 and \$27,298 for 2019 and allowance for doubtful pledges of \$5,177 for 2020 and \$4,918 for 2019	(33,960)	(32,216)
Total	\$173,140	\$164,500

Gross pledges receivable at June 30, 2020 and 2019, respectively, are expected to be collected as follows (in thousands):

	2020	2019
In one year or less	\$59,946	\$54,309
Between one year and five years	114,951	112,760
More than five years	32,203	29,647
Total	\$207,100	\$196,716

DUE FROM GOVERNMENT AGENCIES

Due from government agencies at June 30, 2020 and 2019 are comprised of \$11,088,000 and \$14,183,000, respectively, due from the State of Iowa and \$55,183,000 and \$52,882,000, respectively, due from United States government agencies.

NOTES RECEIVABLE

Current notes receivable at June 30, 2020 and 2019 are \$2,255,000, net of an allowance of \$124,000, and \$2,307,000, net of an allowance of \$139,000, respectively. Noncurrent notes receivable at June 30, 2020 and 2019 are \$22,030,000, net of an allowance of \$1,212,000, and \$25,035,000, net of an allowance of \$1,505,000, respectively.

Note 4—Capital Assets

A summary of capital assets activity for the year ended June 30, 2020 is as follows (in thousands):

	Beginning Balance	Additions	Transfers	Retirements	Ending Balance
<i>Nondepreciable/Nonamortizable</i>					
Land	\$73,470	2,406	-	(2,290)	\$73,586
Construction in Progress	294,659	159,911	(286,858)	(582)	167,130
Intangibles in Development	195	63	(195)	-	63
Art and Historical Collections	28,915	104	-	(18)	29,001
Library Materials	374,768	17,119	-	(1,343)	390,544
Capital Assets, Nondepreciable/Nonamortizable	772,007	179,603	(287,053)	(4,233)	660,324
<i>Depreciable/Amortizable</i>					
Land Improvements	31,537	-	555	-	32,092
Infrastructure	735,991	-	14,910	-	750,901
Buildings	4,526,063	-	271,393	(15,251)	4,782,205
Equipment	847,199	79,699	-	(57,276)	869,622
Intangibles	114,264	824	195	(998)	114,285
Capital Assets, Depreciable/Amortizable	6,255,054	80,523	287,053	(73,525)	6,549,105
Less Accumulated Depreciation/Amortization	(3,040,233)	(259,747)	-	59,721	(3,240,259)
Depreciable/Amortizable Capital Assets, Net	3,214,821	(179,224)	287,053	(13,804)	3,308,846
Capital Assets, Net June 30, 2020	\$3,986,828	379	-	(18,037)	\$3,969,170

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
<i>Nondepreciable/Nonamortizable</i>					
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
<i>Depreciable/Amortizable</i>					
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	(2,192)	3,214,821
Capital Assets, Net June 30, 2019	\$3,943,809	58,203	-	(15,184)	\$3,986,828

Note 5— Long-term Liabilities

A summary of the changes in long-term liabilities for the year ended June 30, 2020 and 2019 is as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<i>Long-term debt:</i>					
Bonds payable	\$1,324,947	85,493	(280,396)	1,130,044	\$56,930
Notes payable	20,092	-	(6,165)	13,927	5,526
Capital leases payable	16,293	993	(1,379)	15,907	1,387
Total long-term debt	1,361,332	86,486	(287,940)	1,159,878	63,843
<i>Other long-term liabilities:</i>					
Early retirement benefits	1,320	-	(1,320)	-	-
Other postemployment benefits other than pensions	146,157	40,761	(10,497)	176,421	11,931
Pension	103,114	-	(3,824)	99,290	-
Compensated absences	164,930	128,199	(112,535)	180,594	111,722
Refundable allowances on student loans	27,588	-	-	27,588	-
Unearned revenue	2,123	-	(61)	2,062	-
Total other long-term liabilities	445,232	168,960	(128,237)	485,955	123,653
Total long-term liabilities June 30, 2020	\$1,806,564	255,446	(416,177)	1,645,833	\$187,496

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<i>Long-term debt:</i>					
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 long-term debt	1,365,647	75,007	(79,322)	1,361,332	78,276
<i>Other long-term liabilities:</i>					
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	2,184	-	(61)	2,123	-
Total other long-term liabilities	426,605	154,714	(136,087)	445,232	124,353
Total long-term liabilities June 30, 2019	\$1,792,252	229,721	(215,409)	1,806,564	\$202,629

GASB Statement No. 83 Certain Asset Retirement Obligations was implemented during fiscal year 2019. As of June 30, 2020 and 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, 2020, as follows (in thousands):

	Interest Rates (Percent)	Fiscal Year Maturity Date Range	Amount
<i>Bond Issues</i>			
Academic Buildings	2.00–5.00	2021–2037	159,660
Add: Unamortized Premium			4,639
Athletic Facilities	2.00–5.00	2021–2039	198,655
Add: Unamortized Premium			3,343
Hospital	1.25–5.00	2021–2044	328,405
Add: Unamortized Premium			13,846
Iowa Memorial Union	3.00–5.00	2021–2026	3,840
Add: Unamortized Premium			284
Parking System	2.00–4.00	2021–2041	46,335
Add: Unamortized Premium			371
Recreational Facilities	2.00–5.00	2021–2035	54,295
Add: Unamortized Premium			4,114
Residence Services	2.00–4.00	2021–2043	153,650
Less: Unamortized Discount			(86)
Add: Unamortized Premium			1,147
Telecommunications	2.00–5.00	2021–2037	27,050
Add: Unamortized Premium			1,383
University of Iowa Facility Corporation	2.00–5.00	2021–2050	121,130
Add: Unamortized Premium			7,983
Total			\$1,130,044

As of June 30, 2020, unspent bond proceeds totaled \$21,843,000. Unspent bond proceeds by segment are: Athletic Facilities Revenue Bonds \$3,029,000; UI Facility Corp Revenue Bonds \$18,814,000.

The bonds will mature as follows (in thousands):

	Principal	Interest	Total
<i>Year Ending June 30</i>			
2021	\$56,930	37,570	\$94,500
2022	57,400	35,545	92,945
2023	60,350	33,587	93,937
2024	62,220	31,425	93,645
2025	65,045	29,151	94,196
2026–2030	322,610	111,009	433,619
2031–2035	270,810	57,609	328,419
2036–2040	162,095	17,879	179,974
2041–2045	28,520	2,668	31,188
2046–2050	7,040	646	7,686
Less: Unamortized Discount	(86)	-	(86)
Add: Unamortized Premium	37,110	-	37,110
Total	\$1,130,044	357,089	\$1,487,133

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, 2020 (in thousands):

	Interest Rates (Percent)	Maturity Dates	Amount
<i>Purpose</i>			
Athletic Facility	2.48	2021–2024	\$10,076
Market Street Property	2.50	2021–2025	1,522
Oakdale Research Park	2.42	2021	475
Athletics Recreation Building Banked Track	2.55	2021–2022	729
Athletics Carver Audio and Video System	3.60	2021–2022	1,125
Total			\$13,927

Assets acquired under these notes had a net book value of \$37,916,000 as of June 30, 2020.

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
<i>Year Ending June 30</i>			
2021	\$5,526	282	\$5,808
2022	3,722	157	3,879
2023	3,590	69	3,659
2024	533	11	544
2025	556	4	560
Total	\$13,927	523	\$14,450

CAPITAL LEASES PAYABLE

Capital leases outstanding at June 30, 2020, are as follows (in thousands):

	Interest Rates (Percent)	Lease Period	Amount
<i>Purpose</i>			
Parking structure - Iowa River Landing	2.95-5.00	2021–2031	\$14,318
Burlington Street Properties	3.00	2021–2035	851
Camera Lens	-	2021–2022	47
Genome Sequencer	3.34	2021–2023	628
Printer	-	2021–2025	63
Total			\$15,907

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

	Principal	Interest	Total
<i>Year Ending June 30</i>			
2021	\$1,387	464	\$1,851
2022	1,447	424	1,871
2023	1,467	628	2,095
2024	1,283	564	1,847
2025	1,308	501	1,809
2026–2030	7,153	1,500	8,653
2031–2035	1,862	101	1,963
Total	\$15,907	4,182	\$20,089

Assets acquired under these capital leases had a net book value of \$16,790,000 as of June 30, 2020.

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 2021 to fiscal year 2040, 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, 2020 (in thousands).

	<u>Amount</u>
<i>Year Ending June 30</i>	
2021	\$16,691
2022	12,012
2023	11,240
2024	10,724
2025	9,642
2026–2030	40,536
2031–2035	15,463
2036–2040	2,829
Total	<u><u>\$119,137</u></u>

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, 2020, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$16,842,000.

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 2020 and 2019, the University's required and actual contribution amounted to \$125,853,000 and \$122,265,000, respectively. During fiscal years 2020 and 2019, the employees' required and actual contribution amounted to \$62,927,000 and \$61,133,000, respectively.

At June 30, 2020 and 2019, the University reported payables to the defined contribution pension plan of \$10,962,000 and \$10,770,000, respectively, for legally required employer contributions and \$5,465,000 and \$5,312,000, 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 2020 and 2019, regular plan members, Protection Occupation members, and University contributions were as follows:

	2020	2019
Regular plan members	6.29%	6.29%
University	9.44%	9.44%
	15.73%	15.73%
Protection occupation members	6.61%	6.81%
University	9.91%	10.21%
	16.52%	17.02%

The University’s contributions to IPERS for the years ended June 30, 2020 and 2019 were \$14,082,000 and \$12,399,000, respectively.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2020 and 2019, the University reported a liability of \$99,290,000 and \$103,114,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2019 and 2018, the University's proportion was 1.7146546% and 1.6294245%, respectively.

For the year ended June 30, 2020 and 2019, the University recognized pension expense of \$26,230,000 and \$22,045,000, respectively.

At June 30, 2020 and 2019, 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 (2020)	Deferred Inflows of Resources (2020)	Deferred Outflows of Resources (2019)	Deferred Inflows of Resources (2019)
Differences between expected and actual experience	\$280	\$(3,574)	\$566	\$(2,335)
Changes of assumptions	10,690	(2)	14,769	(2)
Difference between projected and actual earnings on pension plan investments	-	(11,266)	-	(2,851)
Change in proportion and differences between University contributions and proportionate share of contributions	15,853	(22)	19,489	(22)
University contributions subsequent to the measurement date	14,082	-	12,399	-
Total	\$40,905	\$(14,864)	\$47,223	\$(5,210)

The \$14,082,000 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, 2021. 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
<i>Year Ending June 30</i>	
2021	\$8,768
2022	2,480
2023	1,137
2024	(607)
2025	181
Total	\$11,959

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions—The total pension liability in the June 30, 2019 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.
Investment rate of return (effective June 30, 2017)	7.00%	per annum, compounded annually, net of pension plan investment expense, including inflation
Payroll increase assumption (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, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 2018.

Mortality rates used in the 2019 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:

<i>Asset Class</i>	Asset Allocation (Percent)	Long-Term Expected Real Rate of Return (Percent)
Domestic equity	22.0	5.60
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core-plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
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% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
University’s proportionate share of the net pension liability	\$176,790	\$99,290	\$34,284

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, 2020 and 2019, the University reported payables to IPERS of \$2,348,000 and \$2,120,000, respectively, for legally required employer contributions and \$1,564,000 and \$1,413,000, 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 \$0 and \$1,320,000 as of June 30, 2020 and 2019, 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 2020, retirement expenditures for the one hundred eighty-three (183) participants in the early retirement incentive program totaled \$1,320,000. This five year early retirement program ended on June 30, 2020.

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 2020 and 2019 were \$6,188,000 and \$5,716,000, respectively, with 1,825 and 1,765 eligible participants as of June 30, 2020 and 2019, respectively. Life insurance total expenditures for fiscal year 2020 and 2019 were \$27,000 and \$35,000, respectively, with 2,461 and 2,568 eligible participants as of June 30, 2020 and 2019, 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 sixty (460) 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 \$176.4 and \$146.2 million, respectively, for fiscal year 2020 and 2019.

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 post-employment 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, 2020, the following employees were covered by the benefit terms:

	FY20	FY19
Inactive employees or beneficiaries currently receiving benefit payments	2,790	3,495
Active employees	18,785	17,143
Total	21,575	20,638

Actuarial assumptions—The total OPEB liability in the June 30, 2019 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 2020 PSF GASB 75 calculations (including a 3.50% discount rate at the June 30, 2019 measurement date). These calculations reflect the IPERS termination and retirement assumptions for state employees in effect at the June 30, 2019 measurement date. The total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ended June 30, 2020.

Rate of inflation (effective June 30, 2019)	2.50%	
Rates of salary increase (effective June 30, 2019)	3.00%	
Discount rate (effective June 30, 2019)	3.50%	
Healthcare cost trend rate Pre-65 (effective June 30, 2019)	6.42%	initial rate decreasing to an ultimate rate of 4.50%
Healthcare cost trend rate Post-65 (effective June 30, 2019)	7.33%	initial rate decreasing to an ultimate rate of 4.50%

Discount rate—The discount rate used to measure the total OPEB liability was 3.50% which reflects the index rate for Bond Buyer 20 Year GO Index as of the measurement date.

Mortality rates are from the Pub-2010 Aggregate Mortality Table projected using Scale MP-2018. 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, 2019 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)

	FY20	FY19
Total OPEB liability beginning of year	\$146,157	\$139,835
Changes for the year:		
Service cost	3,860	4,193
Interest	5,604	4,971
Changes in benefit terms	-	21,519
Differences between expected and actual experiences	4,430	1
Changes of assumptions	26,867	(13,968)
Benefit payments	(10,497)	(10,394)
Net changes	<u>30,264</u>	<u>6,322</u>
Total OPEB liability end of year	<u><u>\$176,421</u></u>	<u><u>\$146,157</u></u>

The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate to 3.50% as of June 30, 2019.
- A change in the mortality assumption for healthy lives from the RP-2014 Aggregate Mortality Table projected using the Scale MP-2016 to Pub-2010 Aggregate Mortality Table projected using Scale MP-2018 by classification.
- A change in the mortality assumption for disabled lives from the CIA 1988-94 LTD table to the Pub-2010 Disabled Mortality Table projected using Scale MP-2018.
- The health care trend rate assumption was updated to a schedule of rates beginning at 6.65% in 2019, grading down to 4.5% in 2028 and beyond for pre-65 participants and 7.61% in 2019 grading down to 4.5% in 2029 and beyond for post-65 participants.
- The marginal cost adjustment factors were changes from 60.1% to 62.9% for pre-65 participants and from 87.6% to 89.5% for post-65 participants.
- The impact of the excise tax on high cost plans due to healthcare reform was updated, based on current claims and medical trend 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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	1% Decrease	Discount Rate	1% Increase
FY20	2.50%	3.50%	4.50%
FY19	2.87%	3.87%	4.87%
FY20 Total OPEB Liability	\$191,796	\$176,421	\$162,551
FY19 Total OPEB Liability	\$158,487	\$146,157	\$135,080

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 (5.42%) or 1% higher (7.42%) than the current healthcare cost trend rate for pre-65 participants, and 1% lower (6.33%) or 1% higher (8.33%) higher than the current healthcare cost trend rate for post-65 participants.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
FY20 Pre-65 participants	5.42%	6.42%	7.42%
FY20 Post-65 participants	6.33%	7.33%	8.33%
FY19 Pre-65 participants	6.29%	7.29%	8.29%
FY19 Post-65 participants	7.88%	8.88%	9.88%
FY20 Total OPEB liability	\$163,169	\$176,421	\$192,817
FY19 Total OPEB liability	\$130,047	\$146,157	\$164,433

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB—For the year ended June 30, 2020, the University recognized OPEB expense of \$6,490,000 for its retiree benefit plan. At June 30, 2020 the University reported deferred outflows and inflows of resources related to OPEB from the following sources:

	FY20		FY19	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$38,872	\$(755)	\$39,207	\$(262)
Assumption changes	25,078	(78,955)	907	(89,883)
Contributions made in fiscal year ending June 30, 2020 after measurement date	11,931	-	10,498	-
Total	\$75,881	\$(79,710)	\$50,612	\$(90,145)

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

<u>Year ending June 30</u>	<u>Amount</u>
2021	\$(2,974)
2022	(2,974)
2023	(2,974)
2024	(2,974)
2025	(2,959)
Total Thereafter	(905)
Total	<u><u>\$(15,760)</u></u>

Note 9—Other Commitments and Risk Management

COMMITMENTS

At June 30, 2020 and 2019, the University had outstanding construction contract commitments of \$129,969,000 and \$165,222,000, 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, 2019 renewal.

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

	<u>2020</u>	<u>2019</u>
<i>Utility System specific coverage is as follows:</i>		
Utility System Operations Building & Contents	\$857,034	\$835,996
Power Plant Building & Contents	\$228,068	\$246,066
<i>Telecommunications Facilities premium is based on the following values:</i>		
Building and contents	\$32,406	\$32,406
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’ self-insurance 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.

Insurance Settlements—For those risks that the University has purchased commercial insurance, there are no claims in excess of the commercial coverage. No settled claims have 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 \$27,299,000 and \$24,248,000 as of June 30, 2020 and 2019, 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 Faculty Practice Plan (FPP).

Pursuant to a 28E Agreement with the State of Iowa, the FPP 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 \$28,120,000 and \$28,876,000 as of 12/31/19 and 12/31/18, respectively.

Reconciliation of Loss Contingencies (in thousands):

	2020	2019
Claims and contingent liabilities accrued at July 1	\$54,789	\$37,658
Claims incurred and contingent liabilities accrued for the current year	330,868	325,038
Payments on claims during the fiscal year	(328,573)	(307,907)
Claims and contingent liabilities at June 30	<u>\$57,084</u>	<u>\$54,789</u>

Pollution Remediation—In accordance with GASB Statement No. 49 Accounting & Financial Reporting for Pollution Remediation Obligation, the University has identified a pollution remediation liability event. A description of the nature of the site is described below.

In early October 2019, a mercury spill occurred in an unused laboratory in the Pharmaceutical Sciences Research Building. The contractor Tradebe was hired and the bulk of the cleaning and waste removal was completed by late October 2019. Testing revealed mercury was present within and under the tile flooring at unacceptable levels and the contaminated flooring must be removed; additionally, the flooring was found to contain asbestos which also requires abatement. The spill and pollution remediation activities were reported to the National Response Center in late October and the Environmental Protection Agency, Department of Human Services, and Iowa Department of Natural Resources were notified. In May 2020, contractor SET, and subcontractor CELTIC, were hired to conduct asbestos abatement and mercury spill remediation. Due to the implementation of COVID-19 general lockdown and building entrance restrictions, remediation was delayed until late August 2020. A liability of \$24,271 has been accrued in the FY20 financial statements for this pollution remediation. Insurance recoveries are expected to be received for most or all of this liability.

The applicable OSHA regulations are found in 29 CFR 1910.120 (Hazardous Waste Operations and Emergency Response). The exposure limits identified in these regulations for mercury were exceeded by this spill and had to be remediated to ensure work place safety.

Directors and Officers Insurance—The Directors and Officers Policy for the UI Strategic Initiatives Fund provides coverage for any actual or alleged act, error, omission, misstatement, misleading statement or breach of duty or neglect, including personal injury, or any matter asserted against the Strategic Fund, or its Directors and Officers in their official capacity or their outside positions. Coverage for outside positions only applies during such time that such service is with the knowledge, consent, and at the specific request of the Insured Organization.

Note 10—Utility System Lease and Concession Agreement

On December 10, 2019, the University entered into a 50-year agreement, a public-private partnership (P3), to lease the University's utility system, including all utility facilities and land, to University of Iowa Energy Collaborative LLC (Concessionaire) and grant it the exclusive right to operate the utility system and provide utility services to the University of Iowa campus. Pursuant to the lease agreement, all personal property associated with the utility system was sold to the Concessionaire. On March 10, 2020, the University received an upfront payment from the Concessionaire of \$1,165,000,000 as prepayment of the 50-year lease, purchase of the personal property and acquisition of the exclusive right to be the utility operator for the term of the lease. The upfront payment is reported as an Advance from Concessionaire and is being amortized as an increase to operating revenue on a straight-line basis over the term of the agreement. The difference between the upfront payment and the noncurrent liability balance of the P3 utility system advance from concessionaire is due to recognition of revenue for sales of property and the amortization amounts applicable to March–June 2020.

Under the agreement, the Concessionaire operates, maintains, and makes capital investments in the utility system and charges the University a Utility Fee, which includes fixed, variable, and operating and maintenance (O&M) components. Concessionaire capital investments in the utility system are recognized as capital assets and a related long-term payable to the Concessionaire. The fixed and O&M components of the Utility Fee are recognized as operating expense. The variable component of the Utility Fee will be recognized as a reduction in the long-term payable to the Concessionaire and interest expense.

The University recognized fixed and O&M utility fees totaling \$16,973,000 for the year ended June 30, 2020.

Note 11—Debt Defeasance

In March 2020, in conjunction with the P3 Utility System transaction described in Note 10, the University defeased \$18,215,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2010, \$19,385,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2012, \$7,030,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2013, \$11,180,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2014, \$22,170,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2015, \$10,825,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2015A, \$13,765,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2016, \$13,860,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2016A, and \$23,820,000 of outstanding Utility System Revenue Bonds, Series S.U.I. 2018.

A total amount of \$156,147,000 was placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Utility System Revenue Bonds will be called November 1, 2020-2026.

In March of 2020, the University called and defeased \$3,080,000 of Utility System Revenue Refunding Bonds, Series S.U. I. 2011.

In May of 2020, the University issued \$17,665,000 of Telecommunications Facilities Revenue Refunding Bonds, Series S.U.I. 2020, with an average interest rate of 3.06% and accrued interest of \$45,000 to current refund \$18,615,000 of outstanding Telecommunications Facilities Revenue Bonds, Series S.U.I. 2009, with interest rates ranging between 3.30 and 4.25%.

Net bond proceeds of \$18,759,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The Telecommunications Facilities Revenue Refunding Bonds, Series S.U.I. 2009 will be called on July 1, 2020.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$2,460,000; and reduced the aggregate debt service payments by \$2,521,000 over the next sixteen years.

In June of 2020, the University issued \$28,985,000 of University of Iowa Facilities Corporation Revenue Refunding Bonds, Series 2020, with an average interest rate of 3.50% and accrued interest of \$76,000 to current refund \$21,530,000 of outstanding University of Iowa Facilities Corporation Revenue Bonds (John and Mary Pappajohn Biomedical Discovery Building Project), Series 2011, with interest rates ranging between 3.00 and 4.375%, \$12,385,000 of outstanding University of Iowa Facilities Corporation Revenue Bonds (College of Public Health Project), Series 2010, with interest rates ranging between 4.00 and 4.25%, and \$3,875,000 of outstanding University of Iowa Facilities Corporation Revenue Bonds (Roy J. and Lucille A. Carver Biomedical Research Facility Project), Series 2010, with an interest rate of 4.00%.

Net bond proceeds of \$38,044,000 were placed in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully service all remaining principal and interest due on the bonds. The University of Iowa Facilities Corporation Revenue Bonds will be called on August 1, 2020.

The refunding permitted the University to realize an economic gain (difference between present values of the old and new debt service payments) of \$6,903,000; and reduced the aggregate debt service payments by \$11,332,000 over the next seventeen years.

The amount of defeased debt outstanding but removed from the Statement of Net Position at June 30, 2020 and 2019, is as follows (in thousands):

	2020	2019
Athletics	\$19,400	\$20,250
Recreational Facilities	-	40,225
Telecom	18,615	-
UI Facilities Corp	37,790	-
Utility	140,250	-
Total	\$216,055	\$60,475

Note 12—Operating Expenses By Function

A summary of operating expenses by functional classification for the year ended June 30, 2020 and 2019 follows (in thousands):

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	\$314,914	9,676	32,291	-	\$356,881
Research	235,861	38,671	64,921	-	339,453
Public service	57,587	12,671	27,363	-	97,621
Academic support	119,932	8,864	30,316	-	159,112
Patient services	1,184,299	585,937	327,322	-	2,097,558
Student services	27,053	3,013	12,781	-	42,847
Institutional support	61,231	4,714	(6,652)	-	59,293
Operations and maintenance of plant	114	2,238	80,130	-	82,482
Scholarships and fellowships	14,729	-	26,780	-	41,509
Depreciation and amortization	-	-	-	259,747	259,747
Auxiliary enterprises	105,237	15,324	80,757	-	201,318
Other operating expenses	13,582	3,097	(4,150)	-	12,529
Total June 30, 2020	\$2,134,539	684,205	671,859	259,747	\$3,750,350

	Compensation & Benefits	Supplies	Other	Depreciation & Amortization	Total
Instruction	\$311,218	10,985	36,005	-	\$358,208
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	1,125,888	514,549	329,985	-	1,970,422
Student services	27,046	2,943	15,615	-	45,604
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)	43,046	-	54,778
Total June 30, 2019, as restated	\$2,055,576	615,117	718,993	250,635	\$3,640,321

Note 13—Restricted Net Assets

The UI Center for Advancement’s net assets with donor restrictions at June 30, 2020 and 2019 were restricted for the following (in thousands):

	2020	2019
Undesignated	\$7,771	\$7,795
Program support	352,463	338,989
Student support	325,426	346,323
Faculty support	372,522	394,274
Facilities and equipment	83,505	91,487
Research	202,689	219,234
Perpetual trusts	7,978	8,160
Remainder interests in trusts, mainly for program, student, and faculty support	33,915	35,542
Total	\$1,386,269	\$1,441,804

Note 14— Component Units

Discretely Presented Component Units

GASB Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34, provides guidance in determining whether organizations are to be included as part of a reporting entity. The University of Iowa has determined that, in accordance with the provisions of these statements, the financial activity of the University of Iowa Research Foundation (UIRF) and University of Iowa Health 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, 2020 and 2019 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2020	2019
<i>Assets</i>		
Cash, investments and other assets	\$12,139	\$13,359
Capital assets, net	3	5
Total Assets	\$12,142	\$13,364
<i>Liabilities</i>		
Accounts payable and other current liabilities	\$866	\$881
Noncurrent liabilities (current and noncurrent portions)	239	189
Total Liabilities	1,105	1,070
<i>Net Position</i>		
Net investment in capital assets	3	5
Unrestricted	11,034	12,289
Total Net Position	11,037	12,294
Total Liabilities and Net Position	\$12,142	\$13,364

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2020	2019
<i>Program Expenses</i>		
Intellectual properties expense	\$4,383	\$4,723
Other	411	327
Total Program Expenses	4,794	5,050
<i>Program Revenues</i>		
Intellectual properties income	3,322	3,439
Investment income	215	480
Payment from primary government	-	100
Total Program Revenues	3,537	4,019
Change in Net Position	(1,257)	(1,031)
Net Position, Beginning of Year	12,294	13,325
Net Position, End of Year	\$11,037	\$12,294

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. 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, 2019 and 2018 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2019	2018
<i>Assets</i>		
Cash, investments and other assets	\$26,549	\$26,633
Capital assets, net	178	403
Total Assets	26,727	27,036
<i>Deferred Outflows of Resources</i>		
Acquisition deferred outflow	3,074	3,667
Total Assets and Deferred Outflows of Resources	\$29,801	\$30,703
<i>Liabilities</i>		
Accounts payable and other current liabilities	\$1,805	\$1,967
Accounts held for other component units	6,147	6,878
Total Liabilities	7,952	8,845
<i>Net Position</i>		
Net investment in capital assets	178	403
Unrestricted	21,671	21,455
Total Net Position	21,849	21,858
Total Liabilities and Net Position	\$29,801	\$30,703

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2019	2018
<i>Program Expenses</i>		
Patient and Management Services	\$21,176	\$29,911
Depreciation	841	845
Total Program Expenses	22,017	30,756
<i>Program Revenues</i>		
Patient Services	20,307	19,866
Management services	1,141	8,254
Investment income	272	284
Other	288	4,050
Total Program Revenues	22,008	32,454
Change in Net Position	(9)	1,698
Net Position, Beginning of Year	21,858	20,160
Net Position, End of Year	\$21,849	\$21,858

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, University of Iowa Research Park Corporation (UIRPC), and the University of Iowa Strategic Initiatives Fund (UISIF) 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, 2020 and 2019 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2020	2019
<i>Assets</i>		
Cash and investments	\$23,839	\$24,884
Total Assets	\$23,839	\$24,884
<i>Liabilities</i>		
Current and noncurrent liabilities	\$ -	\$ -
Total Liabilities	-	-
<i>Net Position</i>		
Restricted expendable	23,495	24,335
Unrestricted	344	549
Total Liabilities and Net Position	\$23,839	\$24,884

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

	2020	2019
<i>Program Expenses</i>		
Distributions	\$1,160	\$1,156
Other	200	-
Total Program Expenses	1,360	1,156
<i>Program Revenues</i>		
Investment Income	315	1,417
Total Program Revenues	315	1,417
Change in net position	(1,045)	261
Net Position, Beginning of Year	24,884	24,623
Net Position, End of Year	\$23,839	\$24,884

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, 2020 and 2019 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2020	2019
<i>Assets</i>		
Cash and other assets	\$14,596	\$15,569
Total Assets	\$14,596	\$15,569
<i>Liabilities</i>		
Accounts payable	\$38	\$43
Accrued distributions	761	757
Total Liabilities	799	800
<i>Net Position</i>		
Restricted net position	12,784	12,784
Unrestricted net position	1,013	1,985
Total Net Position	13,797	14,769
Total Liabilities and Net Position	\$14,596	\$15,569

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2020	2019
<i>Deductions</i>		
Investment fees and administrative expenses	\$176	\$187
Distributions	761	757
Total Deductions	937	944
<i>Additions</i>		
Investment income:		
Interest and dividend income	112	121
Net increase in the fair value of investments	(147)	748
Net Investment Income	(35)	869
Change in net position	(972)	(75)
Net Position, Beginning of Year	14,769	14,844
Net Position, End of Year	\$13,797	\$14,769

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, 2020 and 2019 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2020	2019
<i>Assets</i>		
Cash and other assets	\$2,204	\$2,041
Capital assets, net	2,364	2,445
Total Assets	\$4,568	\$4,486
<i>Liabilities</i>		
Accounts payable and other current liabilities	\$71	\$69
Noncurrent liabilities	2,062	2,122
Total Liabilities	2,133	2,191
<i>Net Position</i>		
Net investment in capital assets	2,364	2,445
Unrestricted	71	(150)
Total Net Position	2,435	2,295
Total Liabilities and Net Position	\$4,568	\$4,486

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2020	2019
<i>Program Expenses</i>		
Maintenance and other expenses	\$149	\$117
Depreciation	81	75
Total Program Expenses	230	192
<i>Program Revenues</i>		
Land leases	212	212
State appropriation	115	79
Other income	43	48
Total Program Revenues	370	339
Change in net position	140	147
Net Position, Beginning of Year	2,295	2,148
Net Position, End of Year	\$2,435	\$2,295

F—University of Iowa Strategic Initiatives Fund

The University of Iowa Strategic Initiatives Fund is an Iowa non-profit corporation organized February 4, 2020 and operated exclusively for charitable, educational and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code for the benefit of the State University of Iowa (University). See Note 1 for additional information.

Significant financial data for University of Iowa Strategic Initiatives Fund for the year ended June 30, 2020 are presented below (in thousands):

CONDENSED STATEMENT OF NET POSITION

	2020
<i>Assets</i>	
Cash and other assets	\$1,030,964
Accounts receivable	801
Total Assets	\$1,031,765
<i>Liabilities</i>	
Accounts payable and other current liabilities	\$4
Noncurrent liabilities	1,156,312
Total Liabilities	1,156,316
<i>Net Position</i>	
Unrestricted	(124,551)
Total Net Position	(124,551)
Total Liabilities and Net Position	\$1,031,765

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2020
<i>Program Expenses</i>	
Payroll expense	\$579
General expense	15,168
Net transfers for bond defeasement	158,422
Total Program Expenses	174,169
<i>Program Revenues</i>	
Amortized lease revenue	7,110
Investment income	39,891
Other income	1,562
Gain on disposal of capital assets	1,055
Total Program Revenues	49,618
Change in net position	(124,551)
Net Position, Beginning of Year	-
Net Position, End of Year	\$(124,551)

Note 15—Subsequent Events

In July 2020, the University received approval from the State Board of Regents to issue Academic Revenue Refunding Bonds, Series S.U.I. 2020 in the amount of \$6,775,000 in August 2020. The proceeds of the Bonds will be used to (i) provide for the current refunding of the outstanding principal of the July 1, 2021 through July 1, 2033 maturities of the Board's \$9,945,000 Academic Building Revenue Bonds, Series S.U.I. 2010, and paying the cost of issuing said Bonds. These bonds will bear interest at varying rates between 2.00% and 5.00% and will mature in varying amounts from July 1, 2021 through July 1, 2033.

In July 2020, the University received approval from the State Board of Regents to issue Hospital Revenue Refunding Bonds, Series S.U.I. 2020 in the amount of \$20,910,000 in August 2020. The proceeds of the Bonds will be used to (i) provide for the current refunding of the outstanding principal of the September 1, 2020 through September 1, 2036 maturities of the Board's \$30,000,000 Hospital Revenue Bonds, Series S.U.I. 2010, and paying the cost of issuing said Bonds. These bonds will bear interest at varying rates between 2.00% and 5.00% and will mature in varying amounts from September 1, 2022 through September 1, 2036.

In July 2020, the University received approval from the State Board of Regents to refinance three master lease financings on behalf of University of Iowa Athletics. The proposed agreements with MidwestOne Bank total \$11,533,000 (\$10,487,000 at a tax-exempt rate of 2.07% and \$1,046,000 at a taxable rate of 2.46%) and are for a 10-year term. Due to the expected negative financial impact of the pandemic, interest only payments will be made the first two years with principal and interest paid the final eight years.

In October 2020, University of Iowa President Bruce Harreld informed the Board of Regents, State of Iowa, of his desire to retire as soon as a successor can be appointed. President Harreld's contract runs through June 2023 and he began as the University's president in 2015.

It is expected that COVID-19 pandemic will continue to impact how the University meets its mission of teaching, research and extension and outreach. The pandemic's impact on overall social interaction, travel, and economies and financial markets may adversely affect University finances and operations. It may materially adversely affect (i) the ability of the University to conduct its operations and/or the cost of operations and the revenues generated thereby, and (ii) the returns on and value of the University's investment portfolio. The extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the University's operations and finances.

There is still a high degree of uncertainty surrounding the implementation of the CARES Act and PPPHCE Act, and the public health emergency continues to evolve. In September 2020, HHS issued reporting requirements that provided information on how the University and the UIHC should report their use of the funds received under these programs. The University and UIHC believe that such new guidance is a nonrecognized subsequent event as of June 30, 2020 and any changes will be accounted for during the year ended June 30, 2021. The University and UIHC continue to assess the potential impact of the CARES Act, the PPPHCE Act, the potential impact

of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on teaching, research, extension and outreach, patient care, results of operations, financial condition, and cash flows.

Note 16—Restatement

GASB Statement No. 84 Fiduciary Activities was implemented in fiscal year 2020. This standard establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business-type activity that expects to hold assets in a custodial fund for three months or less.

As a result of adopting GASB Statement No. 84 Fiduciary Activities in fiscal year 2020, the beginning net position was restated to retroactively report non-fiduciary funds as follows:

	<u>(in thousands)</u>
Net position at June 30, 2019, as previously reported	\$4,583,272
Adjustment for fiduciary funds as defined by GASB84	(3,885)
Net position at June 30, 2019, as restated	<u>\$4,579,387</u>
Net position at June 30, 2018, as previously reported	\$4,329,076
Adjustment for fiduciary funds as defined by GASB84	(847)
Net position at June 30, 2018, as restated	<u>\$4,328,229</u>
Net position at June 30, 2017, as previously reported	\$3,740,710
Adjustment for fiduciary funds as defined by GASB84	1,505
Net position at June 30, 2017, as restated	<u>\$3,742,215</u>

Note 17—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 June 30, 2020

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Hospital Revenue Bonds	IMU Revenue Bonds
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CONDENSED STATEMENT OF NET POSITION

Assets:

Current assets	\$24,520	\$28,905	\$378,385	\$3,948
Capital assets	887,673	191,776	1,101,983	36,682
Other noncurrent assets	15,014	20,370	992,542	643
Total assets	927,207	241,051	2,472,910	41,273

Deferred outflows of resources	1,414	2,563	51,254	-
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Liabilities:

Current liabilities	24,163	26,929	250,993	3,949
Noncurrent liabilities	153,549	191,638	487,895	3,554
Total liabilities	177,712	218,567	738,888	7,503

Deferred inflows of resources	320	-	36,188	230
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Net Position:

Net investment in capital assets	724,467	(4,630)	732,321	32,328
Restricted - expendable	26,122	27,702	5,207	1,212
Unrestricted	-	1,975	1,011,560	-
Total net position	\$750,589	\$25,047	\$1,749,088	\$33,540

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues	\$414,970	\$99,072	\$1,939,629	\$12,201
Depreciation expense	(44,270)	(10,695)	(103,483)	(2,493)
Other operating expenses	-	(20,148)	(1,778,270)	(15,473)
Net operating income (loss)	370,700	68,229	57,876	(5,765)
Nonoperating revenues (expenses)	(4,375)	(2,799)	54,032	(2,655)
Transfers from/(to) University funds	(363,300)	(72,519)	(12,706)	3,736
Change in net position	3,025	(7,089)	99,202	(4,684)
Net position, beginning of year	747,564	32,136	1,649,886	38,224
Net position, end of year	\$750,589	\$25,047	\$1,749,088	\$33,540

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided (used) by operating activities	\$414,972	\$75,924	\$125,215	\$(3,089)
Net cash provided (used) by noncapital financing activities	(399,288)	(65,131)	18,431	(177)
Net cash provided (used) by capital and related financing activities	(15,888)	(34,738)	(129,091)	3,300
Net cash provided (used) by investing activities	6,208	5,162	(20,312)	(17)
Net increase (decrease) in cash	6,004	(18,783)	(5,757)	17
Cash and cash equivalents, beginning of year	15,728	54,350	16,789	785
Cash and cash equivalents, end of year	\$21,732	\$35,567	\$11,032	\$802

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
\$3,956	\$4,218	\$11,422	\$5,289	\$ -	\$18,895	\$13,454
102,909	83,759	225,562	27,013	1,264	195,543	303,660
31,346	12,505	27,339	18,006	-	7,387	11,540
138,211	100,482	264,323	50,308	1,264	221,825	328,654
-	2,923	4	-	-	1,020	-
3,640	4,218	12,797	3,348	-	6,126	2,475
44,622	55,504	147,917	27,128	-	123,328	561
48,262	59,722	160,714	30,476	-	129,454	3,036
135	-	221	69	-	445	-
56,068	28,273	70,634	(1,489)	1,264	85,819	303,660
6,126	9,910	32,062	3,875	-	7,127	11,260
27,620	5,500	696	17,377	-	-	10,698
\$89,814	\$43,683	\$103,392	\$19,763	\$1,264	\$92,946	\$325,618
\$19,605	\$4,182	\$76,363	\$24,056	\$ -	\$ -	\$94,161
(6,660)	(3,390)	(13,092)	(845)	(871)	(9,740)	(20,090)
(10,400)	(7,761)	(53,831)	(19,123)	-	(952)	(74,122)
2,545	(6,969)	9,440	4,088	(871)	(10,692)	(51)
(510)	(1,667)	(3,199)	(936)	2	(3,310)	(12,056)
(559)	9,783	(14,742)	(1,367)	(18)	11,775	146,043
1,476	1,147	(8,501)	1,785	(887)	(2,227)	133,936
88,338	42,536	111,893	17,978	2,151	95,173	191,682
\$89,814	\$43,683	\$103,392	\$19,763	\$1,264	\$92,946	\$325,618
\$8,667	\$(3,436)	\$22,809	\$2,502	\$ -	\$ -	\$23,470
(587)	(660)	(14,802)	(1,350)	(18)	14,540	(20,695)
(6,835)	4,592	(16,828)	(2,317)	(845)	(3,742)	(21,822)
2,605	1,000	2,589	1,505	2	8,096	14,464
3,850	1,496	(6,232)	340	(861)	18,894	(4,583)
15,819	10,742	32,889	17,030	861	-	29,506
\$19,669	\$12,238	\$26,657	\$17,370	\$ -	\$18,894	\$24,923

Segment Reporting (in thousands)

As of and for the year ended June 30, 2020

	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	485%	610%	199%
PORTION OF REVENUE PLEDGED				
Annual debt service (principal & interest)	\$16,217	\$16,771	\$26,439	\$751
Net pledged revenue	399,588	81,413	161,359	1,492
Annual debt service/Net operating revenues (%)	4%	21%	16%	50%

REVENUE BONDS PAYABLE

A summary of revenue bonds payable activity, by segment, for the year ended June 30, 2020, is as follows:

Beginning Balance	\$175,418	\$212,668	\$357,447	\$4,759
Additions	-	-	-	-
Reductions	(11,119)	(10,670)	(15,196)	(635)
Ending Balance	\$164,299	\$201,998	\$342,251	\$4,124

DEBT SERVICE REQUIREMENTS

As of June 30, 2020, 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
2021	\$16,033	\$16,620	\$28,212	\$742
2022	15,797	16,641	28,128	739
2023	15,795	16,802	28,014	738
2024	15,778	16,792	27,936	737
2025	15,736	16,813	27,867	738
2026–2030	65,723	84,144	128,246	743
2031–2035	46,797	59,659	99,083	-
2036–2040	9,759	27,434	76,849	-
2041–2045	-	-	7,945	-
2046–2050	-	-	-	-
Unamortized Discount and Premium	4,639	3,343	13,846	284
Total	\$206,057	\$258,248	\$466,126	\$4,721

COMMITMENTS

As of June 30, 2020, the University has entered into contract commitments for construction projects as follows:

Contract Commitments	\$22,799	\$495	\$45,210	\$290
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	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%	N/A	N/A	N/A
	251%	274%	210%	229%	N/A	N/A	N/A
	\$3,780	\$5,027	\$11,993	\$2,413	N/A	\$14,207	N/A
	9,482	13,759	25,193	5,524	N/A	N/A	N/A
	40%	37%	48%	44%	N/A	N/A	N/A
	\$49,788	\$61,634	\$161,791	\$29,373	\$825	\$111,529	\$159,715
	-	-	-	19,011	-	66,482	-
	(3,082)	(3,225)	(7,080)	(19,951)	(825)	(48,898)	(159,715)
	\$46,706	\$58,409	\$154,711	\$28,433	\$ -	\$129,113	\$ -

	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Dec & Jun 1st	May & Nov 1st
	\$3,748	\$4,978	\$11,870	\$2,418	\$ -	\$9,879	\$ -
	3,750	5,079	11,481	1,442	-	9,888	-
	3,759	5,095	11,385	1,445	-	10,904	-
	3,805	5,123	11,377	1,771	-	10,326	-
	3,807	5,124	11,408	2,395	-	10,308	-
	14,314	23,587	51,692	12,151	-	53,019	-
	13,210	22,668	49,963	10,715	-	26,324	-
	13,350	-	33,053	3,316	-	16,213	-
	2,687	-	12,878	-	-	7,678	-
	-	-	-	-	-	7,686	-
	371	4,114	1,061	1,383	-	7,983	-
	\$62,801	\$75,768	\$206,168	\$37,036	\$ -	\$170,208	\$ -

	\$1,149	\$208	\$6,917	\$19	\$ -	\$28,150	\$ -
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Required Supplementary Information

June 30, 2020

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

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

<i>For the Year Ended</i>	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	University's Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	IPERS' Net Position as a Percentage of the Total Pension Liability
6/30/20	1.7146546%	\$99,290	\$131,740	75.37%	85.45%
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):

<i>For the Year Ended</i>	Statutorily Required Contributions	Actual Employer Contribution	Contribution/Deficiency (Excess)	University's Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/20	\$14,082	\$(14,082)	\$ -	\$149,554	9.42%
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%

See accompanying independent auditor's report.

Notes to Required Supplementary Information– June 30, 2020

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 total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Assumed investment return: 7%
- Projected salary increases: 3.25%-16.25% depending upon years of service
- Mortality tables: RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments
- Inflation rate: 2.6%
- Payroll increase assumption: 3.25%

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.

SCHEDULE OF CHANGES IN THE UNIVERSITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS (in thousands)

	FY20	FY19	FY18
Service cost	\$3,860	\$4,193	\$33,733
Interest	5,604	4,971	18,168
Changes of benefit terms	-	21,519	(465,008)
Differences between expected and actual experiences	4,430	1	48,567
Changes of assumptions	26,867	(13,968)	(95,303)
Benefit payments	(10,497)	(10,394)	(6,952)
Contributions from the employer	-	-	(1,049)
Net change in total OPEB liability	\$30,264	\$6,322	\$(467,844)
Total OPEB liability beginning of year	146,157	139,835	607,679
Net OPEB liability end of year	176,421	146,157	139,835
Covered-employee payroll	\$1,384,343	\$1,308,289	\$1,291,758
Total OPEB Liability as a percentage of covered-employee payroll	12.74%	11.17%	10.83%

Notes to Required Supplementary Information– June 30, 2020

OPEB LIABILITY

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

The 2019 valuation implemented the following refinements:

The financial accounting valuation reflects the following method changes:

- There were no method changes in the financial accounting valuation.

The financial accounting valuation reflects the following assumption changes:

- A change in the discount rate to 3.50% as of June 30, 2019.
- A change in the mortality assumption for healthy lives from the RP-2014 Aggregate Mortality Table projected using the Scale MP-2016 to Pub-2010 Aggregate Mortality Table projected using Scale MP-2018 by classification.
- A change in the mortality assumption for disabled lives from the CIA 1988-94 LTD table to the Pub-2010 Disabled Mortality Table projected using Scale MP-2018.
- The health care trend rate assumption was updated to a schedule of rates beginning at 6.65% in 2019, grading down to 4.50% in 2028 and beyond for pre-65 participants and 7.61% in 2019 grading down to 4.50% in 2029 and beyond for post-65 participants.
- The marginal cost adjustment factors were changes from 60.1% to 62.9% for pre-65 participants and from 87.6% to 89.5% for post-65 participants.
- The impact of the excise tax on high cost plans due to healthcare reform was updated, based on current claims and medical trend assumptions.

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

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This financial report is designed to provide users with a general overview of the University of Iowa's finances and to demonstrate the university's accountability for the funds received. Questions regarding this report, or requests for additional financial information, should be directed to the Controller, University of Iowa, 4M Jessup Hall, Iowa City, IA 52242 or email afr-elecfintrans@uiowa.edu. An electronic version can be found at afr.fo.uiowa.edu/annual-reports.

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