



University of Iowa Center for Advancement

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2024



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Independent Auditor's Report

Board of Directors
University of Iowa Center for Advancement
Iowa City, Iowa

Opinion

We have audited the consolidated financial statements of The University of Iowa Center for Advancement and its affiliates (UICA), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The University of Iowa Center for Advancement and its affiliates as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of The University of Iowa Center for Advancement and its affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Iowa Center for Advancement and its affiliates' ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The University of Iowa Center for Advancement and its affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The University of Iowa Center for Advancement and its affiliates' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the June 30, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Forvis Mazars, LLP

**West Des Moines, Iowa
October 23, 2024**

**University of Iowa Center for Advancement
Consolidated Statements of Financial Position
June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 137,787,917	\$ 111,269,327
Pledges receivable, net of allowance	253,105,603	257,259,558
Investments	1,658,265,650	1,541,554,109
Assets in trusts and gift annuities	62,103,259	56,941,307
Beneficial interest in perpetual and remainder trusts	18,830,689	17,650,874
Real estate	5,312,350	5,767,350
Other assets	10,218,283	8,499,248
Property and equipment, net	<u>15,210,993</u>	<u>15,155,513</u>
Total assets	<u>\$ 2,160,834,744</u>	<u>\$ 2,014,097,286</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,016,044	\$ 3,478,574
Annuity and life income obligations	22,082,517	20,709,760
Amounts held on behalf of others	<u>107,359,453</u>	<u>101,449,724</u>
Total liabilities	<u>133,458,014</u>	<u>125,638,058</u>
Net Assets		
Without donor restrictions	48,616,273	38,363,982
With donor restrictions	<u>1,978,760,457</u>	<u>1,850,095,246</u>
Total net assets	<u>2,027,376,730</u>	<u>1,888,459,228</u>
Total liabilities and net assets	<u>\$ 2,160,834,744</u>	<u>\$ 2,014,097,286</u>

**University of Iowa Center for Advancement
Consolidated Statement of Activities
Year Ended June 30, 2024 (With Summarized Comparative
Information for the year ended June 30, 2023)**

	2024			Comparative Totals for 2023
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, Gains and Other Support				
Contributions	\$ 512,582	\$ 152,586,602	\$ 153,099,184	\$ 132,302,994
Change in value of life income gifts	14,789	4,142,247	4,157,036	4,529,412
Interest and dividends	8,274,605	98,293	8,372,898	7,346,936
Asset based service fees	17,784,745	(17,490,975)	293,770	268,066
Change in fair value of investments, net of investment fees	17,359,240	165,106,392	182,465,632	70,756,280
Other, primarily fundraising service revenue	8,240,178	5,268,404	13,508,582	13,031,938
Net assets released from restrictions	168,395,697	(168,395,697)	-	-
	220,581,836	141,315,266	361,897,102	228,235,626
Less amounts attributed to others	-	(12,650,055)	(12,650,055)	(5,316,107)
Total revenues, gains and other support	220,581,836	128,665,211	349,247,047	222,919,519
Expenses				
Program	161,039,496	-	161,039,496	147,951,782
Fundraising	33,886,651	-	33,886,651	32,076,992
Management and general	15,403,398	-	15,403,398	14,087,047
Total expenses	210,329,545	-	210,329,545	194,115,821
Change in Net Assets	10,252,291	128,665,211	138,917,502	28,803,698
Net Assets, Beginning of Year	38,363,982	1,850,095,246	1,888,459,228	1,859,655,530
Net Assets, End of Year	\$ 48,616,273	\$ 1,978,760,457	\$ 2,027,376,730	\$ 1,888,459,228

**University of Iowa Center for Advancement
Consolidated Statement of Functional Expenses
Year Ended June 30, 2024 (With Summarized Comparative
Information for the year ended June 30, 2023)**

	2024			Total Expenses	2023 Comparative Totals
	Program Services	Fundraising Expenses	Management and General		
Transfers to and expenses of the University of Iowa					
Student support	\$ 34,222,139	\$ -	\$ -	\$ 34,222,139	\$ 27,584,517
Faculty support	33,072,583	-	-	33,072,583	26,657,814
Research	31,043,563	-	-	31,043,563	25,717,936
Facilities and equipment	18,208,521	-	-	18,208,521	27,588,408
Program support	46,178,701	-	-	46,178,701	41,415,743
Support services	-	7,988,312	-	7,988,312	7,788,208
	162,725,507	7,988,312	-	170,713,819	156,752,626
Less amounts attributed to others	(6,740,326)	-	-	(6,740,326)	(5,797,466)
Total transfers to the University of Iowa	155,985,181	7,988,312	-	163,973,493	150,955,160
Operating Expenses					
Salaries and benefits	3,778,411	21,426,234	10,341,947	35,546,592	32,654,709
Professional fees	-	210,064	2,005,475	2,215,539	1,786,289
Donor cultivation and events	238,783	782,814	-	1,021,597	1,339,053
Office expense	7,258	7,909	775,736	790,903	731,115
Information technology	292,410	1,566,091	827,274	2,685,775	2,465,006
Occupancy	104,598	560,206	295,924	960,728	999,562
Travel	72,531	705,162	-	777,693	678,237
Depreciation	-	-	742,598	742,598	755,167
Staff development	30,986	165,954	87,663	284,603	318,863
Printing and postage	524,046	305,694	43,671	873,411	810,783
Other expense	5,292	168,211	283,110	456,613	621,877
	5,054,315	25,898,339	15,403,398	46,356,052	43,160,661
	\$ 161,039,496	\$ 33,886,651	\$ 15,403,398	\$ 210,329,545	\$ 194,115,821

**University of Iowa Center for Advancement
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Operating Activities		
Change in net assets	\$ 138,917,502	\$ 28,803,698
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	742,598	755,167
Gain on sale of real estate	(116,513)	(1,687,548)
Contributed real estate	-	(1,750,000)
Change in fair value of investments	(172,475,496)	(73,663,339)
Proceeds from sale of donated investment securities	4,745,429	2,594,040
Contributions received with perpetual restrictions	(48,973,973)	(37,304,832)
Changes in assets and liabilities		
Pledges receivable	2,496,169	12,866,100
Assets held in trust	(6,341,767)	(2,785,962)
Other assets	(1,719,035)	(1,446,782)
Accounts payable and accrued expenses	537,470	368,919
Charitable remainder trust and gift annuities liability	1,372,757	(389,654)
Amounts held on behalf of others	(4,485,734)	2,502,806
Net cash used in operating activities	<u>(85,300,593)</u>	<u>(71,137,387)</u>
Investing Activities		
Purchase of property and equipment	(798,078)	(83,381)
Proceeds from sale of real estate	571,513	2,653,308
Purchases of investment securities	(384,597,746)	(170,375,562)
Proceeds from sales of investment securities	445,167,193	195,696,977
Net cash provided by investing activities	<u>60,342,882</u>	<u>27,891,342</u>
Financing Activities		
Proceeds from contributions with perpetual restrictions	51,476,301	33,721,245
Net cash provided by financing activities	<u>51,476,301</u>	<u>33,721,245</u>
Increase (Decrease) in Cash and Cash Equivalents	26,518,590	(9,524,800)
Cash and Cash Equivalents, Beginning of Year	<u>111,269,327</u>	<u>120,794,127</u>
Cash and Cash Equivalents, End of Year	<u>\$ 137,787,917</u>	<u>\$ 111,269,327</u>

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The purpose of the University of Iowa Center for Advancement and Affiliates (UICA) is to advance the University of Iowa through engagement and philanthropy. UICA serves its alumni and friends in the state and the region, throughout the country, and around the world. UICA is committed to engaging everyone who loves the University of Iowa through programming, events and opportunities to give back to the University of Iowa. The University of Iowa Center for Advancement, an operational name for the State University of Iowa Foundation, is an independent organization and the preferred channel for private contributions that benefit all areas of the 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.

Principles of Consolidation

The consolidated financial statements include the UICA and its wholly controlled affiliates, The University of Iowa Facilities Corporation and The Stanley-University of Iowa Foundation Support Organization. All significant inter-organization accounts and transactions have been eliminated in consolidation. The University of Iowa Facilities Corporation holds several real estate properties that may eventually be deeded to the University of Iowa. The Stanley-University of Iowa Foundation Support Organization strives to promote public understanding and support for international issues and works to recognize the essential roles of the policy community and the broader public in building sustainable peace.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The UICA considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At June 30, 2024, cash equivalents consisted of money market accounts. The UICA maintains its cash accounts with commercial banks, which at times will exceed the insurance limits of the Federal Deposit Insurance Corporation.

Investments

The UICA measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Net Investment Return

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The UICA maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

Depreciation is computed by the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years.

Long-Lived Asset Impairment

The UICA evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2024.

Amounts Held on Behalf of Others

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.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, and a board-designated endowment.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the UICA either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the UICA overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

The value of contributed services of a number of volunteers is not reflected in the financial statements since the services are not specialized services that would otherwise be purchased.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on time expended, usage and other methods.

Management Support Revenue

Management support revenue is recognized as the UICA satisfies performance obligations under its contracts with The Iowa Law School Foundation and Senior College. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the UICA expects to be entitled in exchange for providing management support. The UICA determines the transaction price based on standard charges for services provided, reduced by implicit and explicit price concessions. The UICA determines its estimates of implicit and explicit price concessions based upon contractual agreements, its discount policies and historical experience.

Income Taxes

The UICA is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the UICA is subject to federal income tax on any unrelated business taxable income. The UICA files tax returns in the U.S. federal jurisdiction.

The UICA follows the accounting guidance for accounting for uncertainty in income taxes. In accordance with that guidance, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The UICA is no longer subject to examination by federal or state authorities for years ending before June 30, 2021. The UICA has not been notified of any impending examination and no examinations are currently in process.

Prior Year Information

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the UICA's financial statements for the year ended June 30, 2023, from which the information was derived.

Note 2. Pledges Receivable

Pledges receivable consisted of the following unconditional promises to give discounted at a rate of 5 percent:

	<u>With Donor Restrictions</u>
Due within one year	\$ 90,541,509
Due in one to five years	153,904,658
Due in more than five years	<u>58,799,436</u>
	<u>303,245,603</u>
Less:	
Allowance for uncollectible pledges	7,581,141
Present value discount	<u>42,558,859</u>
	<u>50,140,000</u>
	<u><u>\$ 253,105,603</u></u>

Note 3. Property and Equipment

Property and equipment at June 30, 2024 consisted of the following:

Leasehold interest in Levitt Center for University	
Advancement	\$ 27,317,400
Rental property	1,664,163
Computer and other equipment	633,566
Office equipment	1,528,464
Software	716,788
Construction in progress	<u>604,461</u>
	32,464,842
Less accumulated depreciation	<u>17,253,849</u>
	<u><u>\$ 15,210,993</u></u>

Note 4. Employee Benefit Plans

Employees of the UICA are participants in various employee benefit programs. The UICA's expense for the defined contribution retirement plans totaled \$2,655,553 for the year ending June 30, 2024.

Note 5. Annuity and Life Income Obligations

Gift Annuities

The UICA has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The UICA has recorded a liability at June 30, 2024, of \$7,571,260, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 0.6 – 1.2 percent.

Charitable Remainder Trusts

The UICA administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the UICA's use. Assets held in charitable remainder trusts are recorded at fair value of \$42,169,463 as of June 30, 2024 and are included in assets in trust and gift annuities in the UICA's statements of financial position.

The UICA has recorded a liability at June 30, 2024, of \$14,511,257 which represents the present value of the future obligations to make distributions to the designated beneficiaries. On an annual basis, the UICA revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 0.6 – 1.2 percent and applicable mortality tables.

The portion of the trust attributable to the future interest of the UICA is recorded in the statements of activities as contributions with donor restrictions in the period the trust is established.

**University of Iowa Center for Advancement
Notes to Consolidated Financial Statements
June 30, 2024**

Note 6. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2024 were available for the following purposes:

Subject to expenditure for specific purpose	
Program support	\$ 155,647,835
Student support	71,797,260
Faculty support	40,465,378
Facilities and equipment	16,985,569
Research	78,208,305
Promises to give restricted by donors for	
Program support	65,576,293
Student support	15,738,036
Faculty support	55,952,630
Facilities and equipment	90,833,496
Research	<u>21,495,125</u>
	<u>612,699,927</u>
Subject to the passage of time	
Remainder interests in trusts, mainly for program, student and faculty support	<u>38,590,811</u>
Endowments	
Subject to appropriation and expenditure when a specific event occurs	
Undesignated	16,231,488
Program support	296,556,286
Student support	394,175,052
Faculty support	426,929,169
Facilities and equipment	15,307,474
Research	<u>169,140,046</u>
	<u>1,318,339,515</u>
Trust assets to be held in perpetuity	<u>9,130,204</u>
Total net assets with donor restrictions	<u><u>\$ 1,978,760,457</u></u>

Net Assets Released from Restrictions

Satisfaction of purpose restrictions	
Program support	\$ 73,455,473
Student support	27,631,625
Faculty support	23,036,598
Facilities and equipment	16,951,738
Research	<u>27,320,263</u>
 Net assets released from restrictions	 <u><u>\$ 168,395,697</u></u>

Note 7. Endowment

The UICA's governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the UICA classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

Additionally, in accordance with UPMIFA, the UICA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the UICA and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the UICA
7. Investment policies of the UICA

The UICA's endowment consists of numerous individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**University of Iowa Center for Advancement
Notes to Consolidated Financial Statements
June 30, 2024**

The composition of net assets by type of endowment fund at June 30, 2024 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated quasi-endowment funds	\$ 7,708,486	\$ -	\$ 7,708,486
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts			
donor	-	939,990,116	939,990,116
Accumulated investment gains	-	87,183,754	87,183,754
Term endowments	-	291,165,645	291,165,645
	<u>\$ 7,708,486</u>	<u>\$ 1,318,339,515</u>	<u>\$ 1,326,048,001</u>
Total endowment funds	<u>\$ 7,708,486</u>	<u>\$ 1,318,339,515</u>	<u>\$ 1,326,048,001</u>

Changes in endowment net assets for the year ended June 30, 2024 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,199,362	\$ 1,195,661,475	\$ 1,202,860,837
Net investment return	509,024	124,830,857	125,339,881
Contributions	100	55,686,639	55,686,739
Appropriation of endowment assets for expenditure	-	(57,839,456)	(57,839,456)
	<u>\$ 7,708,486</u>	<u>\$ 1,318,339,515</u>	<u>\$ 1,326,048,001</u>
Endowment net assets, end of year	<u>\$ 7,708,486</u>	<u>\$ 1,318,339,515</u>	<u>\$ 1,326,048,001</u>

Underwater Endowments

The governing body of the UICA has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of

- (A) the original value of initial and subsequent gift amounts donated to the fund and
- (B) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2024, funds with original gift values of \$64,305,844, fair values of \$62,611,131, and deficiencies of \$1,694,713 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations.

Investment and Spending Policies

The UICA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those donor-restricted endowment funds the UICA must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the UICA's policies, endowment assets are invested in a manner that is expected to produce maximum long-term investment returns. Actual returns and risk in any given year may vary.

To satisfy its long-term rate of return objectives, the UICA relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The UICA targets a diversified asset allocation that limits its dependency on any one asset class to achieve its long-term return objectives within prudent risk constraints.

The UICA has a spending policy of appropriating for expenditure each year that is tied to the Consumer Price Index (CPI) ending December 31 of the prior calendar year. In establishing this policy, the UICA considered the long-term expected return. In order to protect the endowment during extreme market volatility, bands of 4 percent and 6 percent are calculated quarterly based on the current market value of the fund and payout rates each year are not to go outside the range of a 4-6 percent increase from the previous fiscal year. This is consistent with the UICA's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 8. University of Iowa Facilities Corporation Transaction and Commitments

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.

As of June 30, 2024, there were 7 series of revenue bonds outstanding. The original issue amounts of these bonds totaled \$165,265,000 with the aggregate outstanding balance as of June 30, 2024, totaling \$136,885,000.

Note 9. Liquidity and Availability

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2024:

Cash and cash equivalents	\$ 137,787,917
Pledges receivables, net	253,105,603
Investments	1,658,265,650
Assets in trusts and gift annuities	62,103,259
Beneficial interests in perpetual trusts	18,830,689
Cash value of life insurance	<u>8,759,214</u>
Financial assets as of June 30	2,138,852,332
Less amounts not available to meet cash needs for general expenditures within one year:	
Donor-restricted for endowment, purpose and/or time	1,978,760,457
Amounts held on behalf of others	<u>107,359,453</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 52,732,422</u></u>

The UICA regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize return on investment of its donor restricted funds. As UICA's donor restricted net assets requires resources to be used in a particular manner or in a future period, these financial assets including amounts which will become spendable, are not available for general expenditure within one year.

Note 10. Disclosures about Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024:

	<u>Total Fair Value</u>	<u>Fair Value Measurements Using</u>			<u>Investments Measured at NAV (A)</u>
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Investments					
Corporation stocks, primarily common stocks	\$ 27,247,319	\$ 27,247,319	\$ -	\$ -	\$ -
Managed separate investment accounts					
Global equities	1,135,291,834	732,403,554	-	-	402,888,280
Global fixed income	146,879,785	118,819,929	-	-	28,059,856
Real assets	155,075,046	-	-	-	155,075,046
Diversifying strategies	193,771,666	-	-	-	193,771,666
	<u>1,658,265,650</u>	<u>878,470,802</u>	<u>-</u>	<u>-</u>	<u>779,794,848</u>
Assets in trusts and gift annuities	62,103,259	62,103,259	-	-	-
Beneficial interest in perpetual and remainder trusts	18,830,689	-	-	18,830,689	-
Money market funds, included in cash and cash equivalents	<u>129,753,360</u>	<u>129,753,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,868,952,958</u>	<u>\$ 1,070,327,421</u>	<u>\$ -</u>	<u>\$ 18,830,689</u>	<u>\$ 779,794,848</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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

<u>Description</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
Hedge funds				
Global equities (A)	\$ 22,508,725	\$ -	Quarterly	60-90 days
Diversifying strategies (B)	87,533,758	-	Daily/Quarterly	1-90 days
Private capital funds (C)				
Private equities	380,379,555	308,577,858	Not eligible	N/A
Private credit	28,059,856	17,284,294	Not eligible	N/A
Private real assets	155,075,046	61,363,830	Not eligible	N/A
Private diversifying strategies	106,237,908	19,357,839	Not eligible	N/A
Total	<u>\$ 779,794,848</u>	<u>\$ 406,583,821</u>		

(A) This category includes investments in hedge funds that invest both long and short primarily in equity securities. Management of the hedge funds has the ability to shift investments from a net long position to a net short position. Investments representing 100 percent of the value of the investments in this category cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12-24 months after acquisition. The remaining restriction period for these investments was 9 months at June 30, 2024.

(B) This category invests in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. There were no restricted investments as of June 30, 2024.

(C) This category includes several private capital funds that invest primarily in equity and debt investments. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. Remaining commitments to private capital funds will be drawn over the next 5 years. If these investments were held, it is estimated that the majority of the underlying assets of the funds would be liquidated over 10 to 12 years.

Beneficial Interests in Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which is equivalent to the fair value of the trust assets. Beneficial interests are classified within Level 2 of the hierarchy if the fair values of the underlying investments are determined through quoted market prices or other observable inputs and the UICA expects to have the ability to redeem the trust assets in the near term. Beneficial interests in which the UICA will never have the ability to redeem are classified within Level 3 of the hierarchy.

The estimated value of the expected future cash flows is \$18,830,689 which represents the fair value of the trust assets at June 30, 2024. The income from these trusts for 2024 was \$722,294.

Level 3 Reconciliation

Total gains for the period included in the change in net assets attributable to the change in unrealized losses related to assets and liabilities still held at the reporting date were \$1,179,815. These losses were included in beneficial interest in perpetual and remainder trusts on the Statements of Financial Position.

Realized and unrealized gains and losses for items reflected in the table above are included in investment return on the statement of activities.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	<u>Fair Value 6/30/2024</u>	<u>Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Range (Weighted Average)</u>
Beneficial interests in trusts	\$ 18,830,689	Estimated value of the expected future cash flows	Fair value of the underlying assets as reported by the trustee	N/A

Note 11. Significant Concentrations

The UICA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Note 12. Revenue from Contracts with Customers

Performance Obligations

Performance obligations are determined based on the nature of the goods or services provided by the UICA in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The UICA believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue recognized over a period of time includes management support and miscellaneous royalties and commissions.

Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to customers at a single point in time and the UICA does not believe it is required to provide additional goods or services related to that sale. Other revenue recognized at a point-in-time includes magazine advertising and other miscellaneous items.

Management Support

The UICA provides professional and administrative services to other foundations and affiliations of The University of Iowa. Services include financial services, regulatory compliance, marketing, registration, and other miscellaneous services as necessary. Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term.

An early termination notice must provide notice, this cancellation notice ranges from 180 days to 1 year in advance, depending on the agreement.

Transaction Price and Recognition

The UICA determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the UICA's policy and implicit price concessions provided to customers. The UICA determines its estimates of explicit price concessions based on its discount policies. The UICA determines its estimate of implicit price concessions based on its historical collection experience with this class of customers.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the year ended June 30, 2024, no changes were recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years.

The UICA has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- Geography of the service location
- UICA's line of business that provided the service

For the year ended June 30, 2024, the UICA recognized revenue of \$158,161 from goods and services that transfer to the customer over time, and \$137,827 from goods and services that transfer to the customer at a point in time.

Practical Expedients Elected

For measuring progress for revenue recognized over time, the UICA elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer. That is, the invoice practical expedient cannot be applied in all circumstances because the right to invoice a certain amount does not always correspond to the progress toward satisfying the performance obligation. Therefore, an entity should demonstrate its ability to apply the invoice practical expedient to performance obligations satisfied over time.

Note 13. Subsequent Events

Subsequent events were evaluated through October 23, 2024, which is the date the consolidated financial statements were available to be issued.