



Robert Cramer, President, Adel  
Kurt Tjaden, President Pro Tem, Bettendorf  
Nancy Dunkel, Dyersville  
Lucy Gipple, New Sharon  
Christine Hensley, Des Moines  
JC Risewick, Johnston  
Greta Rouse, Emmetsburg

Mark J. Braun, EdD, Executive Director

January 5, 2026

Mr. Charlie Smithson  
Secretary of the Senate  
State Capitol Building  
Des Moines, IA 50319

Ms. Meghan Nelson  
Chief Clerk of the House  
State Capitol Building  
Des Moines, IA 50319

Kraig Paulsen  
Director  
Department of Management  
State Capitol Building  
Des Moines, IA 50319

Re: UIHC Audited Financial Report

Dear Members of the Iowa General Assembly:

Pursuant to Iowa Code Chapter 263A.13, attached is UIHC Audited Financial Report as of June 30, 2025 and 2024.

If you have any questions or need more information, please don't hesitate to contact this office.

Sincerely,

Mark J. Braun

\\Box Sync\Board of Regents Shared\BF\Legislative\2026\Reports\

Attachments

cc: Michael Peters  
Legislative Liaisons  
Legislative Log



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

Financial Statements

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

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

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1–2
Management's Discussion and Analysis (Unaudited)	3–7
Financial Statements:	
Statements of Net Position	8
Statements of Revenue, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11–51
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of the Net Pension Liability	52
Schedule of Employer Contributions – Pension	53
Schedule of Changes in Total OPEB Liability and Related Ratios	54
Notes to Required Supplementary Information – Pension and OPEB	55–58



KPMG LLP  
Suite 600  
350 N. 5th Street  
Minneapolis, MN 55401

## Independent Auditors' Report

The Iowa Board of Regents:

### *Opinion*

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

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

### *Basis for Opinion*

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

### *Emphasis of Matter – Basis of Presentation*

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

### *Emphasis of Matter – Adoption of New Accounting Pronouncement*

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

### *Responsibilities of Management for the Financial Statements*

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

### *Auditors’ Responsibilities for the Audit of the Financial Statements*

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



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

In performing an audit in accordance with GAAS, we:

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

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

*Required Supplementary Information*

U.S. generally accepted accounting principles require that management's discussion and analysis and other required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*KPMG LLP*

Minneapolis, Minnesota  
October 31, 2025

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

Management's Discussion and Analysis

June 30, 2025 and 2024

## Introduction

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

## Overview of the Financial Statements

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

## Financial Highlights

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

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

Management's Discussion and Analysis

June 30, 2025 and 2024

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

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

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

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

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

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

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

Management's Discussion and Analysis

June 30, 2025 and 2024

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

Drivers of change:

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

**Condensed Statements of Net Position**

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

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

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

Management's Discussion and Analysis

June 30, 2025 and 2024

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

**Table 2**  
Condensed Statements of Net Position  
(In thousands)

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

Drivers of change:

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

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

Management's Discussion and Analysis

June 30, 2025 and 2024

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

**Statements of Cash Flows**

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

**Adoption of New Accounting Standards**

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

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

**Contacting Financial Management**

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

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

Statements of Net Position

June 30, 2025 and 2024

(In thousands)

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

See accompanying notes to financial statements.

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

Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2025 and 2024

(In thousands)

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

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

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

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(1) Summary of Significant Accounting Policies and Related Matters**

**(a) Financial Reporting Entity**

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

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

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

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

The System includes:

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

**(b) Basis of Presentation**

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

**(c) Use of Estimates**

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

**(d) Cash, Cash Equivalents, and Investments**

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

*Cash and cash equivalents* – For purposes of the statements of net position and statements of cash flows, cash and cash equivalents are reported in accordance with Board policy, which states in part: to appropriately reflect the Board's overall investment strategy and as outlined in the Governmental Accounting Standards Board (GASB) Statement No. 9 *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, paragraph 11 that all funds held by external investment managers, as defined in the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments. Investments purchased by the institutions through Board-authorized brokerage firms that meet the definition of cash equivalents and investments with original purchase dates to maturity of three months or less shall be reported on the audited financial statements of the Regent institutions as

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

*Investments* - Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; and GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in certain commingled funds for which a quoted market price is not readily determinable are measured using net asset value (NAV) per share as a practical expedient and are excluded from the fair value hierarchy. Unrealized gains and losses on the carrying value of the investments are recognized in nonoperating investment income in the statements of revenues, expenses and changes in net position. Additional information about the restrictions, fair value hierarchy, and investment risk disclosures is presented in Note 2.

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

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

**(e) Inventories and Supplies**

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

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

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

**(f) Capital Assets, Net**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

**(g) Leases and Subscription-Based Information Technology Arrangements**

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

**(h) Deferred Outflows and Inflows of Resources**

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

**(i) Gifts and Grants**

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

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

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

**(j) Restricted Resources**

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

**(k) Net Position**

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

**(l) Operating Revenue and Expenses**

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

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

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

**(m) Net Patient Service Revenue**

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

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

**(n) Charity Care**

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

**(o) Compensated Absences**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

**(p) Pension – Iowa Public Employees Retirement System**

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

**(q) Federal Income Taxes**

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

**(r) Accounting Pronouncements Issued but Not Yet Effective**

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(2) Cash, Cash Equivalents, and Investments**

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

**(a) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is measured using effective duration. At the time of purchase, the effective maturity of direct investment purchases by the University in the operating portfolio cannot exceed 63 months. There is no explicit limit on the average maturity of fixed income securities in the endowment portfolios. Each fixed-income portfolio is managed to an appropriate benchmark.

**(b) Credit Risk**

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

**(c) Concentration of Credit Risk**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(d) Fair Value Measurements**

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

**(3) Capital Assets**

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(4) Long-term Debt and Other Obligations**

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(a) Long-Term Bonds**

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

	<b>2025 Deferred outflows of resources</b>	<b>2025 Deferred inflows of resources</b>
Deferred outflows and inflows from debt refunding:		
Revenue Bonds Series 2016 refunding loss	\$ 162	—
Revenue Bonds Series 2016A refunding loss	291	—
Revenue Bonds Series 2020 refunding gain	—	56
Revenue Bonds Series 2021A refunding gain	—	48
Revenue Bonds Series 2022C refunding gain	—	516
Telecommunications Bonds Series 2020 refunding gain	—	18
Telecommunications Bonds Series 2021 refunding gain	—	9
	<b>\$ 453</b>	<b>647</b>

	<b>2024 Deferred outflows of resources</b>	<b>2024 Deferred inflows of resources</b>
Deferred outflows and inflows from debt refunding:		
Revenue Bonds Series 2016 refunding loss	\$ 283	—
Revenue Bonds Series 2016A refunding loss	451	—
Revenue Bonds Series 2020 refunding gain	—	68
Revenue Bonds Series 2021A refunding gain	—	52
Revenue Bonds Series 2022C refunding gain	—	585
Telecommunications Bonds Series 2020 refunding gain	—	22
Telecommunications Bonds Series 2021 refunding gain	—	10
	<b>\$ 734</b>	<b>737</b>

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(b) Financed Purchase Obligations**

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

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

**(c) Notes Payable**

Scheduled payments for deferred payment obligations are as follows:

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

**(5) Retirement Benefit Plans**

**(a) Teachers Insurance and Annuity Association**

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

Under the Plan, contributions vest immediately. During the first five years of employment, employees contribute 3⅓% of the first \$4,800 of retirement-eligible earnings and 5% of earnings above \$4,800; the System contributes 6⅔% of the first \$4,800 and 10% of earnings above \$4,800. After five years, employees contribute 5% and the System contributes 10% on all retirement-eligible earnings. Because the Plan is a defined-contribution plan, the System has no obligation beyond required contributions.

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

**(b) Iowa Public Employees Retirement System**

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

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

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

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report, which is available on IPERS’s website at [www.ipers.org](http://www.ipers.org). There are no nonemployer contributing entities.

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(6) Other Postemployment Benefits**

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

*Funding policy* – The contribution requirements of plan members are established and may be amended by the University. Benefits are financed centrally by the University on a pay-as-you-go basis. System cash payments for OPEB were \$2 million in fiscal year 2025 and \$2 million in fiscal year 2024.

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

**(7) Risk Management**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

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

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

**(8) Transactions with Related Parties**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(9) Net Patient Service Revenue**

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

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

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

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

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

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

**(10) Charity Care and Uncompensated Cost of Services**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

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

**(11) Concentrations of Credit Risk**

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

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

  

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

Future annual lease and subscription IT payments are as follows:

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

**(a) Variable lease and subscription IT payments**

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

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

**(b) Residual value guarantees of leases**

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

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

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

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

**(13) Accounts Payable and Accrued Expenses**

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(14) Other Long-Term Liabilities**

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

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

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

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

**(15) Law and Regulations**

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

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

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

Notes to Financial Statements

June 30, 2025 and 2024

(Dollars in tables in thousands)

**(16) Subsequent Events**

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

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

Schedule of Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last 10 Fiscal Years

(In thousands)

Required Supplementary Information

June 30, 2025

(Unaudited)

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

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

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

See accompanying independent auditors' report.

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

Schedule of Contributions

Iowa Public Employees' Retirement System

Last 10 Fiscal Years

(In thousands)

Required Supplementary Information

June 30, 2025

(Unaudited)

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

See accompanying independent auditors' report.

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

Schedule of Changes in Total OPEB Liability

Last 10 fiscal years ended June 30, 2025

(Unaudited)

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

See accompanying independent auditors' report.

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

Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

**(1) Pension Liability**

**(a) Changes of Benefit Terms**

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

**(b) Changes of Assumption**

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

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

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

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

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

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

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

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

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

Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

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

**(2) OPEB Liability**

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

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

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

Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

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

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

Notes to Required Supplementary Information

June 30, 2024

(Unaudited)

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



KPMG LLP  
Suite 600  
350 N. 5th Street  
Minneapolis, MN 55401

October 31, 2025

The Iowa Board of Regents  
State University of Iowa, University of Iowa Health Care – Hospital System  
Iowa City, Iowa

To the Iowa Board of Regents:

We have audited the financial statements of the University of Iowa Health Care – Hospital System (the System), a department of the State University of Iowa, as of June 30, 2025 and 2024 and for the years then ended, and expect to issue our report thereon under date of October 31, 2025. Under our professional standards, we are providing you with the accompanying information related to the conduct of our audits.

### **Our Responsibility Under Professional Standards**

We are responsible for forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of the Iowa Board of Regents, are presented fairly, in all material respects, in conformity with US generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS). In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Iowa Board of Regents of their responsibilities.

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Iowa Board of Regents in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Significant Unusual Transactions**

As disclosed in Note 1(s) to the financial statements, on December 31, 2024 the System acquired Mission Cancer + Blood and accounted for the transaction in accordance with *GASB 69, Government Combinations and Disposals of Government Operations*.



The Iowa Board of Regents  
University of Iowa Health Care  
October 31, 2025  
Page 2 of 3

## **Uncorrected and Corrected Misstatements**

### *Uncorrected Misstatements and Financial Statement Presentation and Disclosure Omissions*

In connection with our audit of the System's financial statements, no uncorrected financial statement misstatements in the System's books and records or financial statement presentation and disclosure omissions were identified as of and for the year ended June 30, 2025. We have communicated that finding to management.

### *Corrected Misstatements*

In connection with our audit of the System's financial statements, no corrected financial statement misstatements in the System's books and records were identified as of and for the year ended June 30, 2025.

## **Auditors' Report**

A draft of the auditors' report, including expected language of additional paragraphs to be added to the report, including a draft of the emphasis of matter paragraph, and required supplementary information paragraph, was provided and discussed with the Iowa Board of Regents on October 31, 2025.

## **Significant Accounting Policies and Practices**

In connection with our audit of the System's financial statements, no new, or changes in, significant accounting policies and practices were identified.

### *Qualitative Aspects of Significant Accounting Practices*

We have discussed with the Iowa Board of Regents and management our judgments about the quality, not just the acceptability, of the System's accounting policies as applied in its financial reporting. The discussions generally included such matters as the consistency of the System's accounting policies and their application, and the understandability and completeness of the System's financial statements, which include related disclosures.

## **Significant Accounting Estimates and Significant Financial Statement Disclosures**

The preparation of the financial statements requires management of the System to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

### *Reserve for Contractual Allowances and Uncollectible Accounts*

Management's estimate of reserves for contractual allowances on accounts receivable are based primarily on historical trends and current reimbursement regulations. We have evaluated key factors and assumptions used to develop these balances, including possible management bias in developing the estimate, and determined that it was reasonable in relation to the financial statements as a whole.



The Iowa Board of Regents  
University of Iowa Health Care  
October 31, 2025  
Page 3 of 3

**Written Communications**

Attached to this letter please find copies of the following written communications between management and us:

1. Engagement letter
2. Management representation letter

\* \* \* \* \*

This letter to the Iowa Board of Regents is intended solely for the information and use of the Iowa Board of Regents and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**



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July 11, 2025

State University of Iowa, University of Iowa Hospitals and Clinics  
3281 Ridgeway Dr. Suite 200  
Coralville, IA 52241

Attention: Mr. Mark Henrichs, *Chief Financial Officer*

This Engagement Letter, including the Standard Terms and Conditions for Audit and Attestation Services attached hereto as Appendix II and any other exhibits, attachments, addenda or appendices attached hereto (collectively, the "Agreement"), is between the State University of Iowa, University of Iowa Hospitals and Clinics (the Entity) and KPMG LLP (KPMG), whereby the Entity is engaging KPMG to provide the professional services described herein.

#### **Objectives and limitations of services**

##### *Audit services*

We will perform an audit of the Entity's financial statements (the "Financial Statements") as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the Financial Statements in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The objectives of our audit are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not absolute assurance and therefore it is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

As part of an audit in accordance with GAAS and Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also will:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion on the Financial Statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall Financial Statement presentation, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events considered in the aggregate that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.



State University of Iowa, University of Iowa Hospitals and Clinics  
July 11, 2025  
Page 2 of 7

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud, and noncompliance with laws and regulations may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with GAAS and Government Auditing Standards. 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. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

#### *Internal control over financial reporting*

We will obtain an understanding of the Entity's 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 entity's internal control.

The objective of our audit of the Financial Statements is not to report on the Entity's internal control over financial reporting and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the Financial Statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Financial Statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### *Compliance and other matters*

As part of obtaining reasonable assurance about whether the Financial Statements are free of material misstatement, we will also perform tests of the Entity's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the Financial Statements. However, our objective is not to provide an opinion on compliance with such provisions.

#### *Required supplementary information*

We will perform certain limited procedures to the required supplementary information as required by GAAS. However, we will not express an opinion or provide any assurance on the information. Our report relating to the Financial Statements will include our consideration of required supplementary information.

#### *Our reporting responsibilities*

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the Financial Statements addressed to the Board of Regents. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditors' report, or if necessary, withdraw from the engagement. If, during the performance of our audit procedures, such circumstances arise, we will communicate to the Board of Regents ("Those Charged with Governance") our reasons for modification or withdrawal.

In accordance with Government Auditing Standards, we will issue a written report, *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* ("GAGAS report"), describing our consideration of internal control over financial reporting and our tests of compliance made as part of our audit of the Financial Statements. We will include in this report any material weaknesses and significant deficiencies identified based on the audit work performed. We will also include in this report any of the following that we identify or suspect:



State University of Iowa, University of Iowa Hospitals and Clinics  
July 11, 2025  
Page 3 of 7

- Instances of noncompliance with certain provisions of laws, regulations, contracts, or grant agreements that could have a direct and material effect on the Financial Statements; or
- Instances of fraud that are material, either quantitatively or qualitatively, to the Financial Statements.

The GAGAS report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with Government Auditing Standards, we will communicate in writing when:

- Identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements comes to our attention during the course of our audit that has an effect on the Financial Statements that is less than material but warrants the attention of Those Charged with Governance; or
- We obtained evidence of identified or suspected instances of fraud that have an effect on the Financial Statements that are less than material but warrant the attention of Those Charged with Governance.

In accordance with Government Auditing Standards, we are also required in certain circumstances to report identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or instances of fraud directly to parties outside the auditee.

#### *Exempt offerings*

In the event the Entity requests our involvement with a future exempt filing that will include or incorporate by reference the Financial Statements and our audit report(s) thereon, professional standards require us to be separately engaged. The specific terms of our future services with respect to future exempt offerings will be determined at the time such services are to be performed and will be subject to the negotiation, agreement, and execution of a specific engagement letter or contract.

In the event the Entity does not engage us to be involved with the offering document, then the Entity agrees to include the following language in the offering document:

“KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement.”

#### **Our responsibility to communicate with Those Charged with Governance**

We will communicate the planned scope and timing for our audit with Those Charged with Governance, including significant risks identified in planning our audit.

We will communicate to Those Charged with Governance, in writing, concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the Financial Statements that we have identified during the audit.

We will report to Those Charged with Governance the following matters:

- Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.
- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditors' report, the effect of uncorrected misstatements related to prior periods, and that uncorrected misstatements or matters underlying those uncorrected



misstatements could potentially cause future-period financial statements to be materially misstated, even if the auditor has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

- Our views about qualitative aspects of the Entity's significant accounting practices including accounting policies, accounting estimates, and financial statement disclosures.
- Significant unusual transactions, if any.
- Significant difficulties, if any, encountered during our audit.
- Disagreements with management, if any.
- Circumstances that affect the form and content of our auditors' report, if any.
- Matters that are difficult or contentious for which the auditor consulted outside the engagement team and that are, in the auditor's judgment, significant and relevant to Those Charged with Governance regarding their responsibility to oversee the financial reporting process.
- Other matters required to be communicated by GAAS and Government Auditing Standards.

We will also determine that Those Charged with Governance have been informed of i) the initial selection of, and changes in, significant accounting policies, including the application of new accounting pronouncements during the period under audit, ii) our views on the policies and practices management used to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas, particularly when there is a lack of authoritative material or consensus.

We will also read minutes, if any, of relevant committee meetings for consistency with our understanding of the communications made to Those Charged with Governance and determine that Those Charged with Governance have received copies of all material written communications between ourselves and management.

To the extent that we become aware of information concerning an instance of noncompliance or suspected noncompliance with laws and regulations, we will discuss the matter with management (at a level above those involved with the suspected noncompliance), unless they are clearly inconsequential. Additionally, to the extent they come to our attention, we will inform the appropriate level of management about material errors in the Financial Statements and any instances of fraud. Further, to the extent they come to our attention, we also will communicate directly to Those Charged with Governance matters involving noncompliance with laws and regulations, unless they are clearly inconsequential, material errors in the Financial Statements, and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the Financial Statements.

### **Management responsibilities**

#### *Financial statements*

The management of the Entity acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with US generally accepted accounting principles, of the Financial Statements and all representations contained therein.

Management is responsible for adjusting the Financial Statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by



us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Financial Statements being reported upon, taken as a whole.

It is also the responsibility of management, with the oversight of Those Charged with Governance:

- To ensure that the Entity's operations are conducted in accordance with the provisions of laws, and regulations, including compliance with the provisions of laws, and regulations; and
- For disclosing to us, in writing, all known instances of noncompliance or suspected noncompliance with laws and regulations.

Management is also responsible for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Financial Statements and to provide reasonable assurance against the possibility of misstatements that are material to the Financial Statements whether due to error or fraud. Management is responsible for disclosing to us all deficiencies in the design or operation of internal control over financial reporting of which they are aware. Management will also separately disclose to us all such deficiencies that they believe to be significant deficiencies or material weaknesses in internal control over financial reporting. The audit of the Financial Statements does not relieve management or Those Charged with Governance of their responsibilities.

In accordance with Government Auditing Standards, it is the responsibility of management, with the oversight of Those Charged with Governance:

- To ensure that the entity's operations are conducted in accordance with the provisions of contracts and grant agreements, including compliance with the provisions of contracts and grant agreements that determine the reported amounts and disclosures in an entity's financial statements; and
- For disclosing to us, in writing, all known instances of noncompliance or suspected noncompliance with the provisions of contracts and grant agreements.

In accordance with Government Auditing Standards, management agrees to:

- Identify and provide copies of reports, if applicable, of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether findings have been addressed and related recommendations have been implemented, prior to [date] to facilitate our audit planning;
- Provide us with written responses and any planned corrective actions to the findings included in the GAGAS report within 10 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the GAGAS report, the GAGAS report will indicate management did not provide written responses; and
- Distribute the reports issued by KPMG.

*Required supplementary information*

Management of the Entity also acknowledges and understands that they have responsibility for the preparation of the required supplementary information in accordance with the applicable criteria. Management is also responsible for providing us with written representations regarding the required supplementary information.



State University of Iowa, University of Iowa Hospitals and Clinics  
July 11, 2025  
Page 6 of 7

*Other*

Management also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the Financial Statements such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audit; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by GAAS, we will make specific inquiries of management about the representations embodied in the Financial Statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. Management's responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the Financial Statements.

Because of the importance of management's representations to the effective performance of our services, the Entity will release KPMG and its personnel from any claims, liabilities, costs, and expenses relating to our services under the Agreement attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

**Other Government Auditing Standards matters**

Pursuant to Government Auditing Standards, and subject to applicable provisions of laws and regulations, we are required to make appropriate individuals and certain audit documentation available in a timely manner to others.

As required by Government Auditing Standards, we have attached a copy of KPMG's most recent peer review report.

**Reports, services, and associated fees**

Appendix I to this Engagement Letter lists the reports we will issue and the services we will provide as part of this engagement (the "Services") and the fees associated with providing such Services.

In addition, fees for any additional audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this Engagement Letter.

\* \* \* \* \*

Our engagement herein is for the provision of annual audit services for the Financial Statements for the periods described in Appendix I, and it is understood that such Services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this Engagement Letter, we will provide the Services set forth in Appendix I as a single engagement for each of the Entity's subsequent fiscal years until either Those Charged with Governance or we terminate this agreement, or mutually agree to the modification of its terms. The fees for each subsequent year will be annually subject to negotiation and approval by management.



State University of Iowa, University of Iowa Hospitals and Clinics  
July 11, 2025  
Page 7 of 7

We shall be pleased to discuss this Agreement with you at any time. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our Services including our respective responsibilities.

Very truly yours,

KPMG LLP

Andrew J. Lanik  
Partner

ACCEPTED

State University of Iowa, University of Iowa Hospitals and Clinics

Mark Henrichs

\_\_\_\_\_  
Chief Financial Officer

7/21/25

\_\_\_\_\_  
Date



## Appendix I

### Reports, Services and Associated Fees

Based upon our discussions with and representations of management, our fees for the Services we will perform are estimated as follows:

Audit of financial statements and related notes to the financial statements of the Entity as of and for the years ended June 30, 2025, and 2024	\$285,000
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#### Non-audit services

Word processing and reproduction assistance, assistance in preparing financial statements	Included in fee above
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It is understood and agreed that KPMG's non-audit services may include advice and recommendations; but all decisions in connection with the implementation of such advice and recommendations shall be the responsibility of, and made by, the Entity. KPMG will not perform management functions or make decisions for the Entity. In connection with KPMG's provision of non-audit services under the Engagement Letter, the Entity agrees that the Entity, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee such services, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including monitoring on-going activities.

#### Fees and expenses

The above estimates are based on the level of experience of the individuals who will perform the Services. The fee does not include the effect of accounting pronouncements not issued as of the 2017 request for proposal that require additional audit effort. We estimate the fees for work related to GASB 68 and 75 will be \$10,000 based on previous experience. Fees associated with GASB 87, Leases will be \$2,500. Fees associated with GASB 96 will be \$1,500. Fees associated with GASB 101 will be \$2,500. Fees associated with the Due from State amount will be \$12,000. Fees associated with additional scope of Mercy will be \$15,000 and fees associated with the Mission acquisition will be billed as incurred. In addition, expenses including travel, out-of-pocket costs and firm administrative charges are billed for reimbursement at 8% of professional fees. In addition, fees for the audit work associated with other new accounting pronouncements implemented subsequent to the Memorandum of Agreement between KPMG and The University of Iowa signed in March 2018, will be billed based on the additional time involved.

Circumstances encountered during the performance of these services that warrant additional time, or expenses could cause us to be unable to deliver them within the above estimates. We will endeavor to notify you of any such circumstances as they are assessed.



**Standard Terms and Conditions for Audit and Attestation Services – SLG**

**Section 1.01 1. Definitions.**

- (a) "Agreement" means the Engagement Letter and these Standard Terms and Conditions for Audit and Attestation Services and any exhibits, attachments, addenda or appendices attached thereto.
- (b) "AICPA" means the American Institute of Certified Public Accountants.
- (c) "Applicable Export Control Laws" means applicable export control laws and regulations of the United States.
- (d) "Client" or "you" (or derivatives thereof) means the engaging entity or entities who are legally bound as a party(ies) to the Engagement Letter.
- (e) "Client Parties" means the entity(ies) to whom KPMG is providing the Services.
- (f) "Confidential Information" means "confidential client information" as such term is defined in the AICPA Code of Professional Conduct.
- (g) "Engagement Documentation" means audit documentation and/ or attestation documentation, as applicable, as defined under the applicable professional standards. Terms such as working papers or workpapers may also be used.
- (h) "Engagement Letter" means the engagement letter to which these Standard Terms and Conditions for Audit and Attestation Services are attached.
- (i) "Enabling Tools" means KPMG proprietary and third-party scripts or software tools that KPMG may make available to Client to assist Client in the extraction of data from Client's Systems in connection with the Services or to otherwise facilitate KPMG's Services to Client.
- (j) "Key Position" means a position in which an individual has primary responsibility for significant accounting functions that support material components of the financial statements; primary responsibility for the preparation of the financial statements; or the ability to exercise influence over the contents of the financial statements, including when the individual is a member of the board of directors or similar governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position. For purposes of attestation engagements not involving financial statements, a Key Position is one in which an individual is primarily responsible for, or able to influence, the subject matter of the attestation engagement.
- (k) "KPMG" or "we" (or derivatives thereof) means KPMG LLP, a Delaware registered limited liability partnership and the United States member firm of the international KPMG network of independent firms.
- (l) "KPMG Parties" means KPMG, Member Firms and the legal entities comprising KPMG International and their respective partners, principals, employees, and agents.
- (m) "KPMG Resources" means KPMG, Member Firms and third-party service and technology providers engaged by KPMG or a Member Firm, which may be located in or outside of the United States.
- (n) "Legal Demand" means a validly issued legal or regulatory demand or request, subpoena or other legal process.
- (o) "Member Firms" means the members of the international KPMG network of independent firms and entities controlled by, under common control with, or sublicensees of, one or more KPMG network member firms.
- (p) "Regulators" means any federal, state, and foreign regulators, as applicable, that issue valid process or other lawful demands for Engagement Documentation.
- (q) "Services" means the services as defined in the Engagement Letter.



(r) "Systems" means Client's electronic books and records systems or other systems.

**Section 1.02 2. Use of KPMG Resources and Enabling Tools.**

- (a) KPMG may engage KPMG Resources to assist in the performance of the Services, for example via subcontracting or contingent workforce personnel. KPMG remains responsible to Client for the performance of such Services, and adherence to obligations of confidentiality, by any KPMG Resources to the same extent KPMG is obligated under the terms of this Agreement. Client acknowledges and agrees that the KPMG Parties will not be subject to flow-down terms set forth in the Agreement. Client agrees it shall not bring any claim relating to the Agreement against any KPMG Resource, other than KPMG.
- (b) KPMG may, with the assistance of KPMG Resources, use information obtained during engagements (i) to analyze trends, perform comparative analysis, and develop and improve benchmarks; (ii) to develop and improve technology and services; and (iii) to improve other services to Client and to provide insights to Client about its business. Such information will not be disclosed to third parties other than KPMG Resources assisting KPMG with these uses unless such information is in an aggregated or anonymized format that does not identify Client.
- (c) Enabling Tools.
  - (i) To facilitate KPMG's Services, KPMG may provide Client with access to or use of Enabling Tools. Client may use Enabling Tools solely to facilitate Client's provision of information to KPMG in connection with the Services, or to otherwise facilitate the receipt of KPMG's Services. Client may not permit third parties outside of Client's organization to have access to or use of Enabling Tools without KPMG's prior written approval, provided that agents or contractors of Client having a need to know in order to perform their services to Client are permitted to have access to and use of Enabling Tools to the extent necessary for such parties to perform such services. Client may not redistribute, reproduce (except as necessary to run), modify, commercialize, allow third parties to access (except as permitted above or as otherwise authorized by KPMG in writing), or reverse engineer or decompile (except where such rights cannot be limited by applicable law) Enabling Tools. Enabling Tools are provided on an "as is", "as available" basis.
  - (ii) Other than as expressly permitted hereby, Client agrees to keep Enabling Tools and credentials for accessing Enabling Tools in its possession, custody, or control confidential, using no less than a reasonable standard of care to protect them from unauthorized disclosure or use, and to notify KPMG of any legal compulsions to disclose it, in accordance with the provisions governing Legal Demand in Paragraph 3(c) below, mutatis mutandis.
  - (iii) Enabling Tools are not intended to be used as a system of record, repository, or hosting service, and Client acknowledges that its access to Enabling Tools may be suspended at any time. Information contained within online Enabling Tools may be removed within a reasonable period of time (no less frequently than annually) following the conclusion of the Services. Certain Enabling Tools may be subject to additional terms or conditions, which will be provided in advance and in writing for Client's review and acceptance.
  - (iv) Enabling Tools may include agents or scripts for extracting data from Client's Systems. With respect to such extraction agent or scripts, Client understands and agrees that it is solely responsible for following appropriate change management policies, processes and controls relating to the environment (including without limitation appropriate backup of Client's information and Systems) (collectively, "Change Management Processes"). In the event Client fails to use such Change Management Processes or if such Change Management Processes prove to be inadequate, Client acknowledges that the Systems and/or agents or scripts may not function as intended. At the conclusion of the Services, Client shall delete all copies of such Enabling Tools from Client's Systems.



**Section 1.03 3. Confidentiality; Access to Engagement Documentation by Regulators and others pursuant to Legal Demand and inspection authority.**

- (a) KPMG, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the AICPA and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of Confidential Information without Client consent, except in limited circumstances. The parties hereby acknowledge that information shared between the parties may also constitute a "confidential record" under Iowa Code Chapter 22.7 and be deemed an exception to the examination of public record laws set forth in Iowa Code Chapter 22. The Client does not intend for this Agreement to constitute a waiver of any rights to confidentiality that it may have under Iowa Code Chapter 22.7. KPMG represents to Client that KPMG (i) will treat Confidential Information in accordance with applicable law, legal process, and professional standards, and (ii) has technical, legal, and/or other safeguards, measures, and controls in place to protect Client's Confidential Information from unauthorized disclosure or use. For the avoidance of doubt, it is understood and agreed that KPMG may disclose Confidential Information (i) to KPMG Resources performing the applicable Services, (ii) to the KPMG Resources providing internal, administrative, clerical, analytical and/or regulatory compliance operations and functions, and information technology support, and (iii) to KPMG Parties for purposes of performing engagement acceptance and other professional responsibilities such as maintaining auditor independence and performing conflicts checks; provided, that such KPMG Resources and KPMG Parties shall be subject to obligations of confidentiality no less restrictive than those contained herein. Further, KPMG's audit technologies, software productivity tools and certain technology infrastructure and, necessarily, Client's Confidential Information, may be hosted in cloud environments operated by KPMG Parties or KPMG Resources. In all such cases, KPMG shall remain responsible to Client for maintaining the confidentiality of Client's Confidential Information. Any non-disclosure or confidentiality agreements the parties entered into prior to the date of the Agreement shall not be deemed to prevent KPMG from performing the Services in accordance with the Agreement and applicable professional standards.
- (b) The Engagement Documentation for the Services is the property of KPMG. If KPMG receives a Legal Demand requiring it to disclose Confidential Information, KPMG shall, unless prohibited by law or such Legal Demand, provide prompt written notice to Client of such Legal Demand in order to permit Client to seek a protective order. KPMG shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter.
- (c) In a proceeding or investigation to which KPMG is not a named party or respondent, if Client requests or KPMG is required or authorized to produce documents or personnel as witnesses or for interviews, or otherwise to make information or materials relating to the Services available to Client or a third party, Client agrees to discuss, in good faith, reimbursement of KPMG's time, at KPMG's standard hourly rates, and expenses, including reasonable attorneys' fees, incurred in responding to such request or requirement.
- (d) Pursuant to Government Auditing Standards, and subject to applicable provisions of laws and regulations, we are required to make appropriate individuals and certain audit documentation available in a timely manner to others, including Regulators, upon request. In addition, we may also be requested to make certain Engagement Documentation available to Regulators pursuant to authority provided by law or regulation. If requested, access to such Engagement Documentation will be provided. Furthermore, Regulators may obtain copies of selected Engagement Documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

**Section 1.04 4. Assignment, waiver, and severability.**

- (a) Subject to Paragraph 2(a) above, neither party may assign, transfer or delegate any of its rights, obligations, claims or proceeds from claims arising under or relating to this Agreement (including by operation of law, in which case the assigning party will, to the extent legally permissible, give as much advance written notice as is reasonably practicable thereof) without the prior written consent of the other party, such consent not to be unreasonably withheld, conditioned or delayed. Any assignment, transfer or delegation in violation hereof shall be null and void.



- (b) Failure of a party to exercise or enforce any of its rights hereunder is not a waiver of such rights.
- (c) In the event that any term or provision of this Agreement shall be held to be invalid, void or unenforceable, then the remainder of that provision is modified to the extent reasonably necessary to reflect the intent of the parties and this Agreement shall not be affected, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

**Section 1.05 5. Governing law.**

The Agreement and all disputes and claims between the parties (whether based in contract, tort, statute, rule, regulation or otherwise and whether pending in court or in an arbitral forum) shall be governed by and construed in accordance with the substantive and procedural laws of the State in which the Client is located.

**Section 1.06 6. Alternative dispute resolution.**

- (a) Any dispute or claim between the parties shall be submitted to non-binding mediation prior to commencing litigation in the State court of competent jurisdiction in which the Client is located.
- (b) Either party may seek to enforce any written agreement reached by the parties during mediation, in any court of competent jurisdiction, provided that any party moving to enforce, confirm or vacate any such agreement or award, as the case may be, will file such motion under seal unless prohibited under applicable court rules. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

**Section 1.07 7. Independence.**

For the purpose of complying with the AICPA Code of Professional Conduct, Client agrees to provide the following in relation to the entity(ies) for which we perform a financial statement audit, review, or compilation engagement (as applicable):

- (a) a complete and accurate listing of all of entity's affiliates as defined by AICPA Code of Professional Conduct interpretation ET 1.224, *Affiliates, Including State and Local Government Affiliates*, as applicable;
- (b) timely information about events that may result in a change in entity's affiliates; and
- (c) a listing of officers, directors, individuals who have a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the entity, and individuals in Key Positions with respect to the preparation or oversight of the financial statements.

For the purpose of complying with the AICPA Code of Professional Conduct, Client agrees to provide the following in relation to the entity(ies) for which we perform a non-financial statement audit or attestation engagement (as applicable):

- (a) a listing of officers, directors, individuals who have a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the entity, and individuals in Key Positions with respect to the subject matter of the attest engagement.

**Section 1.08 8. KPMG Clara.**

In an effort to facilitate efficient communication between KPMG and Client related to the Services and to track engagement progress during the course of the engagement, KPMG may provide Client with access to certain service coordination tools (e.g., KPMG Clara). If such access is provided to Client, the provisions set forth in Exhibit I shall apply to such access.

**Section 1.09 9. Our fees.**

- (a) Professional standards prohibit us from performing services for attest clients where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services.
- (b) Professional standards also indicate that independence may be impaired if fees for professional services are outstanding for an extended period of time; therefore, it is important that our fees be paid promptly



when billed. If a situation arises in which it may appear that our independence would be questioned because of past due unpaid fees, we may be prohibited from issuing our report and associated consent, if applicable.

- (c) Where we are reimbursed for expenses, we will bill you for the amount we paid and will not add any markup to the expense. After such expenses are incurred, KPMG may receive rebates or incentive payments based on its aggregate purchases, which may include expenses reimbursed by you in addition to other clients. Such rebates are not credited back to you but are used to reduce KPMG's overhead.
- (d) All fees, charges, and other amounts payable to KPMG under the Engagement Letter do not include any sales, use, excise, value added, income or other applicable taxes, tariffs or duties, payment of which shall be your sole responsibility. KPMG shall be responsible for its net income or applicable employment taxes.

**Section 1.10 10. Miscellaneous.**

- (a) Use of Names and Logos. You give us the right to use your logo solely for presentations or reports to you or for internal KPMG presentations and intranet sites.
- (b) Export Control.
  - (i) Each party shall comply with all Applicable Export Control Laws in the performance of each party's respective activities under the Engagement Letter and in the use of any Enabling Tools or KPMG Clara made accessible to Client hereunder.
  - (ii) Unless requested by KPMG to allow it to complete its Services, Client shall not provide KPMG, or grant KPMG access to, (A) information (including technical data or technology) verbally, electronically, or in hardcopy, (B) software or (C) hardware that is controlled for export by the United States government ("Export Controlled Information"), except information, software or hardware that is classified as EAR99 under the Export Administration Regulations. If KPMG requests Export Controlled Information from Client, Client shall provide KPMG with notice of provision of Export Controlled Information at least 48 hours prior to providing such Export Controlled Information to KPMG.
  - (iii) Either party may suspend or terminate access to technology if it concludes that providing access to the technology pursuant to this Agreement would cause a violation of Applicable Export Control Laws.
- (c) Personnel. KPMG is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the Services KPMG is providing, non-CPA holders may participate in the provision of Services under the Agreement.
- (d) Order of Precedence. In the event of a conflict between the provisions of these Standard Terms and Conditions for Audit and Attestation Services and the specific provisions in the Engagement Letter, the terms of these Standard Terms and Conditions for Audit and Attestation Services shall control except to the extent the Engagement Letter expressly references the provisions of these Standard Terms and Conditions for Audit and Attestation Services which they modify.

**Section 1.11 11. Entire agreement; Amendment.**

This Agreement constitutes the final, complete, and exclusive agreement between the parties with respect to the subject matter of the foregoing and supersedes all other previous and contemporaneous oral and written agreements relating to that subject matter. Any amendments to the Agreement must be made in writing. To facilitate compliance with applicable professional standards, KPMG shall provide Client with an annual Engagement Letter or an amendment thereto, updating and outlining the agreed upon services and party responsibilities. The annual Engagement Letters and amendments, executed by both parties, shall be incorporated into this Agreement.



**KPMG CLARA**  
**TERMS OF USE**

As used herein, "KPMG Clara" shall refer to those service coordination tools made available to Client by KPMG that allow a group of users to access a virtual repository for the purposes of sharing information, engaging in online discussions, providing status with regard to engagement activity, and accessing certain content. These terms of use (the "Terms") are between Client and KPMG and shall govern Client's use of KPMG Clara, including content posted to KPMG Clara by KPMG and/or its licensors. If Client is comprised of multiple legal entities, Client agrees that (a) it has the authority to bind all such entities, and (b) these Terms shall govern such entities' use of KPMG Clara. In the event of any conflict or inconsistency between these Terms and the contract(s) between KPMG and Client to which these Terms or KPMG Clara relates, these Terms shall govern with respect to Client's use of KPMG Clara only.

1. Client and its Authorized Users (as defined below) may access and use KPMG Clara solely in furtherance of KPMG's engagement(s) with Client. KPMG Clara is not intended for use as a document retention system and should not be regarded as a system of record. Client should retain or download any information from KPMG Clara it wishes to retain for its files. Access to information within KPMG Clara may be removed or become unavailable within a reasonable time once the corresponding engagement is completed. "Authorized User" means Client's employees and other personnel authorized by Client and approved by KPMG to access and use KPMG Clara. Client shall ensure that all Authorized Users who access and use KPMG Clara comply with these Terms. Client shall promptly notify KPMG about any Authorized User who should no longer have access to KPMG Clara or improper access to the password of an Authorized User.
2. Client may not: (a) copy, translate, modify, adapt or create derivative works from KPMG Clara; (b) rent, lease, lend, pledge, or directly or indirectly transfer or distribute KPMG Clara to any third party; or (c) use KPMG Clara to upload, store, post, email, transmit or otherwise make available any content that is unlawful and/or infringes any intellectual property rights or data protection, privacy or other rights of any other party. Client is responsible for the information its users may upload to such tools and compliance with all laws and regulations applicable to use or access by Client's users outside the U.S. (e.g., export control and data privacy laws and regulations). Except for the license granted herein to Client, Client acquires no right or interest of any kind in or to KPMG Clara.
3. Technical factors such as bandwidth, network configurations, and browser settings can affect KPMG Clara's speed and accessibility. KPMG does not guarantee the continuous, uninterrupted, or error-free operability of KPMG Clara, or compatibility with Client's computer browser or any other part of its computing systems. Access to KPMG Clara may be suspended or limited at any time, and content may be unavailable. KPMG is not responsible for the content of any third-party websites, or hyperlinks which may be featured on KPMG Clara.
4. If KPMG's relationship with Client terminates for any reason, all further access to and use of KPMG Clara by Client and its Authorized Users must immediately cease and KPMG may deactivate or delete related user accounts, unless otherwise required by applicable law or professional standards to maintain such accounts. KPMG reserves the right to terminate Client's access to KPMG Clara for any reason.
5. EXCEPT AS EXPRESSLY STATED IN THESE TERMS, KPMG CLARA IS MADE AVAILABLE ON AN "AS-IS", "AS AVAILABLE" BASIS WITHOUT REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED.
6. Refer to KPMG's Privacy Statement (<https://home.kpmg/us/en/home/misc/privacy.html>) for information about how KPMG collects, uses, and protects personal data.



Mark Henrichs CPA MHA  
Associate Vice President and Chief  
Financial Officer

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October 31, 2025

KPMG LLP  
Suite 600  
350 N. 5th Street  
Minneapolis, MN 55401

We are providing this letter in connection with your audits of the statements of net position of the University of Iowa Health Care – Hospital System (the System), a department of State University of Iowa, as of and for the year ended June 30, 2025 and 2024, the related statements of revenues, expenses, and changes in net position, and cash flows for each of the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether these financial statements present fairly, in all material respects, the financial position, results of operations, changes in net assets and cash flows thereof in conformity with US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 31, 2025:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 11, 2025, for the preparation and fair presentation of the financial statements in accordance with US GAAP.
2. We have made available to you:
  - a. All records, documentation, and information that is relevant to the preparation and fair presentation of the financial statements;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. All minutes of the meetings of the Board of Regents, or summaries of actions of recent meetings for which minutes have not yet been prepared. All significant board actions are included in the summaries; and
  - d. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
3. Except as disclosed to you in writing, there have been no communications from regulatory agencies, governmental representatives, employees or others concerning investigations or allegations of noncompliance with laws and regulations in any jurisdiction (including those related to the Medicare and Medicaid antifraud and abuse statutes), deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
4. There are no known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
5. All material transactions have been recorded in the accounting records and are reflected in the financial

statements.

6. There are no side agreements or other arrangements (either written or oral).
7. All events subsequent to the date of the statement of net position and through the date of this letter for which US GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with paragraphs 96 – 113 of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
9. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements
10. The effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements for each respective opinion unit.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements, whether due to error or fraud. We understand that the term 'fraud' is defined as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit.
12. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting of which we are aware, which could adversely affect the System's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definition in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
16. We have no knowledge of any officer or member of governing body of the System, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
17. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with US GAAP.

18. We have disclosed to you the identity of all our related parties and all the related party relationships and transactions of which we are aware.
19. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party relationships and transactions, of which we are aware, in accordance with US GAAP, including sales, purchases, loans, transfers, leasing arrangements, guarantees, ongoing contractual commitments and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the System is contingently liable.
  - c. The existence of and transactions with joint ventures and other related organizations.
20. The System has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
21. The System has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
22. Billings to third-party payors comply in all material respects with applicable coding guidelines (e.g. ICD-10-CM and CPT-4) and laws and regulations (including those dealing with Medicare and Medicaid antifraud and abuse) and only reflect charges for goods and services that were medically necessary, ordered in writing by a treating physician, properly approved by regulatory bodies (for example, the Food and Drug Administration), if required, and properly rendered.
23. We have disclosed to you all accounting policies and practices we have adopted that, if applied to significant items or transactions, would not be in accordance with U.S. GAAP. We have evaluated the impact of the application of each such policy and practice, both individually and in the aggregate, on the System's current period financial statements, and the expected impact of each such policy and practice on future periods' financial reporting. We believe the effect of these policies and practices on the financial statements is not material. Furthermore, we do not believe the impact of the application of these policies and practices will be material to the financial statements in future periods.
24. To the best of our knowledge and belief, we have provided you with a complete and accurate listing of our affiliates as defined by the AICPA Code of Professional Conduct interpretation ET 1.224.020, *State and Local Government Client Affiliates*. We have also provided you with information about events, which may result in changes to the Entity's affiliates. We have also provided you with a list of officers, directors, individuals with significant influence over the Entity, and individuals in key positions with respect to the preparation or oversight of the financial statements. The term 'key position' means position in which an individual has primary responsibility for significant accounting functions that support material components of the financial statements; primary responsibility for the preparation of the financial statements; or the ability to exercise influence over the contents of the financial statements, including when the individual is a member of the board of directors or similar governing body, chief executive officer, president, chief financial officer, chief operating officer, general counsel, chief accounting officer, controller, director of internal audit, director of financial reporting, treasurer, or any equivalent position. To the best of our knowledge and belief, we are not aware of any former KPMG partners in a key position with respect to the preparation or oversight of the Entity's financial statements and who have a prohibited financial or business relationship with KPMG (as defined under Section ET 1.279.020 of the AICPA Code of Professional Conduct) during the period covered by this letter.
25. We acknowledge our responsibility for the presentation of the required supplementary information which includes, management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of employer contributions – pension, the schedule of changes in the System's total OPEB liability and related ratios, and notes to required supplementary information – pension and OPEB, in accordance with the applicable criteria and prescribed guidelines established by the *Governmental Accounting Standards Board* and:

- a. Believe the required supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria and prescribed guidelines.
- b. The methods of measurement or presentation of the required supplementary information have not changed from those used in the prior period.
- c. The significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information are reasonable and appropriate.

Very truly yours,

State University of Iowa, University of Iowa Health Care – Hospital System

DocuSigned by:

*Mark Henrichs*

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Mark Henrichs

*Associate Vice President for Finance and Chief Financial Officer, University of Iowa Health Care*

Signed by:

*Bradley Haws*

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Bradley Haws

*Associate Vice President and Chief Executive Officer, University of Iowa Health Care*

