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Mark J. Braun, EdD, Executive Director

November 11, 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 30,2026 and 2025.

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\2027\Reports\

Attachments
cc: Michael Peters
Legislative Liaisons
Legislative Log

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

October 29, 2026

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 State University of Iowa, University of Iowa Health Care – Hospital System (the System) as of June 30, 2026 and 2025 and for each of the years then ended, and expect to issue our report thereon under date of October 29, 2026. 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

In connection with our audit of the System's financial statements, no significant unusual transactions were identified.

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

KPMG LLP, a Delaware limited liability partnership, and its subsidiaries are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

were identified as of and for the year ended June 30, 2026. 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, 2026.

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 29, 2026.

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.

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

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

Telephone +1 612 305 5000
Fax +1 612 305 5100
kpmg.com

January 26, 2026

State University of Iowa, University of Iowa Health Care – Hospital System
3281 Ridgeway Dr. Suite 200
Coralville, IA 52241

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

This Engagement Letter, including the Negotiated 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 Health Care – Hospital System (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.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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:

- 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.

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.

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 Health Care – Hospital System

Mark Henrichs

Chief Financial Officer

1/27/26

Date

KPMG

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, 2026, and 2025	$293,000

Non-audit services

Word processing and reproduction assistance, assistance in preparing financial statements	Included in fee above

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 approximately $2,500. Fees associated with GASB 96 will be approximately $1,500. Fees associated with the Due from State amount will be approximately $12,000. Fees associated with additional scope of Mercy will be approximately $15,000. Fees associated with additional scope of Mission Cancer + Blood will be approximately $15,000. 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.

KPMG

Appendix II

Negotiated Terms and Conditions for Audit and Attestation Services – SLG

Section 1.01 1. Definitions.

(a) "Agreement" means the Engagement Letter and these Negotiated 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 Negotiated 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 so 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 Negotiated Terms and Conditions for Audit and Attestation Services and the specific provisions in the Engagement Letter, the terms of these Negotiated Terms and Conditions for Audit and Attestation Services shall control except to the extent the Engagement Letter expressly references the provisions of these Negotiated 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.

Exhibit I

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.

AICPA

National Peer
Review Committee

December 07, 2023

Paul Knopp
KPMG LLP
345 Park Ave
New York, NY 10154

Dear Paul Knopp:

It is my pleasure to notify you that on December 07, 2023, the National Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is September 30, 2026. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

Michael Wagner
Chair, National PRC

+1.919.402.4502

cc: Dawn Trapani, Stephen Hicks

Firm Number: 900010054128 Review Number: 601233

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REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

November 20, 2023

To the Partners of KPMG LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of KPMG LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2023. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act; audits of employee benefit plans; an audit performed under FDICIA; and examinations of service organizations (SOC 1® and SOC 2® engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

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Grant Thornton

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of KPMG LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2023, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies),* or *fail.* KPMG LLP has received a peer review rating of *pass.*

Grant Thornton LLP

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IOWA
HEALTH CARE

October 29, 2026

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 State University of Iowa, University of Iowa Health Care – Hospital System (the System) as of and for the years ended June 30, 2026 and 2025, the related statements of revenues, expenses, and changes in net position, and cash flows for 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 position 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 29, 2026:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 26, 2026, 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 and committee 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.

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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. We have disclosed to you all known concentrations and constraints, as defined in GASB Statement No. 102, *Certain Risk Disclosures*, that should be considered when preparing the financial statements.

11. There are no uncorrected financial misstatements.

12. 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.

13. We have disclosed to you all deficiencies 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 separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C Section 265.07, *Communicating Internal Control Related Matters Identified in an Audit*.

14. 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.

15. 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.

16. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

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17. We have no knowledge of any officer or member of the 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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,

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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.

26. 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
83E758B20BB94CA...

Mark Henrichs

Associate Vice President for Finance and Chief Financial Officer

Signed by:
Bradley Haws
B90F18F0F702411D...

Bradley Haws

Associate Vice President and Chief Executive Officer

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

Financial Statements

June 30, 2026 and 2025

(With Independent Auditors' Report Thereon)

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

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

Independent Auditors' Report

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, 2026 and 2025, 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, 2026 and 2025, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only 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, 2026 and 2025, 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.

As discussed in Note 1(r) to the financial statements, in fiscal year 2026, the System adopted Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. 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

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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 the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions, schedule of changes in total OPEB liability, and the notes to 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 29, 2026

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

Management's Discussion and Analysis

June 30, 2026 and 2025

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, 2026 and 2025. The MD&A provides an overview of the System's financial activities, including condensed comparative financial information, analysis of significant changes in financial position and results of operations, discussion of significant capital asset and long-term financing activity, and currently known facts, decisions, or conditions expected to have a significant effect on the System's financial position or results of operations. Readers should consider the information presented in this MD&A in conjunction with the basic financial statements and accompanying notes.

Overview of the Financial Statements

The System's basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles promulgated by the Governmental Accounting Standards Board (GASB).

The basic financial statements include:

- The Statements of Net Position, which present the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of the end of each fiscal year.
- The Statements of Revenues, Expenses, and Changes in Net Position, which present the System's operating and nonoperating financial activity and the resulting change in net position for each fiscal year.
- The Statements of Cash Flows, which present the sources and uses of cash from operating, noncapital financing, capital and related financing, and investing activities.

The notes to the financial statements are an integral part of the basic financial statements and provide additional information necessary to understand the amounts reported in the financial statements.

Financial Summary

The following condensed financial information summarizes the System's financial position and results of operations for fiscal years 2026 and 2025. Significant changes in financial position and results of operations are discussed in the Detailed Analysis section that follows.

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

		2026	Restated 2025
Operating revenue:			
Net patient service revenue	$	3,977,186	3,447,676
Other revenue		74,876	72,892
Total operating revenue		4,052,062	3,520,568
Operating expenses:			
Salaries and benefits		1,236,647	1,157,631
Medical supplies and drugs		1,452,896	1,172,646
Other supplies and general expenses		792,386	724,966
Depreciation and amortization		220,010	168,529
Total operating expenses		3,701,939	3,223,772
Operating income		350,123	296,796
Noncapital subsidies, net		3,193	(43,260)
Operating income and noncapital subsidies		353,316	253,536
Other nonoperating revenue, net		33,493	14,642
Increase in net position		386,809	268,178
Net position, beginning of year		3,472,730	3,204,552
Net position, end of year	$	3,859,539	3,472,730

(Continued)

Table 2
Condensed Statements of Net Position
(In thousands)

Assets and Deferred Outflows		2026	Restated 2025
Current and other assets	$	3,350,515	3,075,531
Capital assets, net		1,911,013	1,848,608
Total assets		5,261,528	4,924,139
Deferred outflows		288,492	314,269
Total assets and deferred outflows	$	5,550,020	5,238,408
Liabilities, Deferred Inflows, and Net Position			
Current liabilities	$	439,765	482,828
Long-term debt		925,065	960,270
Long-term lease and subscription IT obligations		181,835	162,778
Other long-term liabilities		88,387	124,757
Total liabilities		1,635,052	1,730,633
Deferred inflows		55,429	35,045
Total net position		3,859,539	3,472,730
Total liabilities, deferred inflows, and net position	$	5,550,020	5,238,408

Detailed Analysis

The following discussion highlights significant changes in the System's results of operations and financial position during fiscal year 2026.

The System continued to experience strong demand for patient care services in fiscal year 2026 while expanding access across surgical, cancer, cardiac, maternal, neonatal, and other specialty services. Acute patient days, ambulatory visits, emergency department visits, and surgical cases reached record levels, while the complexity of care provided also increased. Operating revenue increased $531.5 million, or 15.1%, to $4.1 billion, compared with a $478.2 million, or 14.8%, increase in operating expenses to $3.7 billion. As a result, operating income increased $53.3 million, or 18.0%, to $350.1 million.

A significant portion of the year-over-year growth reflects the maturation of major investments in expanded patient access made during fiscal year 2025. Medical Center North Liberty began patient care operations in April 2025, and the System completed an asset purchase agreement for substantially all assets of Mission Cancer + Blood on December 31, 2024. Accordingly, fiscal year 2026 reflects a full year of activity from both operations compared with partial-year activity in fiscal year 2025. These expansions, together with additional

(Continued)

inpatient and specialty capacity across the System, contributed to growth in both operating revenues and operating expenses.

Growth was also supported by continued strong utilization across the broader System. Acute patient days increased 1.2%, surgical cases increased 4.6%, and emergency department visits increased 14.0%. Expanded inpatient capacity contributed to higher acute activity, while continued investments in operating room, cancer, cardiac, maternal, and neonatal services supported increased access to care. The System's case mix index, a measure of patient complexity, increased from 2.33 in fiscal year 2025 to 2.36 in fiscal year 2026, and activity in highly specialized therapies, including CAR-T cell and gene therapies, also increased during the year.

Operating expenses increased consistent with the expanded scale, volume, and complexity of patient care. Medical supplies and drugs increased $280.3 million, salaries and benefits increased $79.0 million, and other supplies and general expenses increased $67.4 million. Depreciation and amortization increased $51.5 million, reflecting the full-year effect of significant assets placed in service during fiscal year 2025, additional assets placed in service during fiscal year 2026, and amortization associated with the Mission Cancer + Blood asset purchase agreement.

Noncapital subsidies, net, increased from a net outflow of $43.3 million in fiscal year 2025 to a net inflow of $3.2 million in fiscal year 2026. The change primarily reflects differences in the timing and nature of interorganizational support and governmental funding between the periods. Fiscal year 2025 included certain significant, nonrecurring academic and research support provided to the Carver College of Medicine and initial capitalization provided to University of Iowa Health System Medical Group, LLC, while fiscal year 2026 included Federal Emergency Management Agency reimbursements associated with pandemic-era projects. Other nonoperating revenue, net, increased from $14.6 million to $33.5 million, primarily due to lower capital subsidies provided in fiscal year 2026, partially offset by higher interest expense and losses on disposal of capital assets. Collectively, the System reported a $386.8 million increase in net position in fiscal year 2026, compared with $268.2 million in fiscal year 2025.

The System's financial position remained strong at June 30, 2026. Total assets increased $337.4 million to $5.3 billion, while total liabilities decreased $95.6 million to $1.6 billion. Total net position increased $386.8 million, or 11.1%, to $3.9 billion.

Current and other assets increased primarily due to higher patient receivables, amounts due from government agencies, short-term investments, and prepaid and other current assets. These changes were generally consistent with the increased scale of operations and timing of reimbursement and other cash flows. Capital assets, net, increased $62.4 million during fiscal year 2026 as continued capital investment exceeded the combined effects of depreciation, amortization, and significant asset disposals.

Total liabilities decreased during fiscal year 2026. Current liabilities declined primarily as amounts due to other University units and accounts payable and accrued expenses decreased from the prior year. Other long-term liabilities also decreased, primarily due to reductions in pension and other postemployment benefit liabilities. Long-term debt decreased as the System made scheduled principal payments and issued no new bonds during fiscal year 2026. Lease and subscription IT obligations increased as the System entered into new arrangements in the ordinary course of operations.

Significant Capital Asset and Long-Term Financing Activity

The System continued to make significant investments in facilities, infrastructure, equipment, and technology during fiscal year 2026 to support patient care capacity and access. Capital asset additions totaled approximately $351.5 million during the year. Significant activity included continued investment in centralized emergency power infrastructure, buildout of cancer care facilities in central Iowa, expansion of maternal and neonatal capacity, and other clinical, facility, equipment, and technology investments across the System. At June 30, 2026, construction in progress totaled $194.3 million.

Capital assets, net, increased $62.4 million to $1.9 billion at June 30, 2026. Continued capital investment was partially offset by depreciation and amortization and significant asset disposals during the year, including the derecognition of certain building components and previously capitalized planning and design costs for projects that no longer met the criteria for continued capitalization. The System recognized a $21.0 million loss on disposal of capital assets in fiscal year 2026.

The System issued no new long-term bonds during fiscal year 2026. Bond activity consisted primarily of scheduled principal payments, and total bonds outstanding declined from approximately $849.4 million at June 30, 2025 to $825.8 million at June 30, 2026. The System also entered into lease and subscription-based information technology arrangements in the ordinary course of operations. New lease and subscription obligations totaled approximately $68.1 million during fiscal year 2026. No individual arrangement represented a significant change in the System's long-term financing strategy.

Currently Known Facts, Decisions, or Conditions

Enacted federal legislation established new limits on certain Medicaid state-directed payment arrangements that are expected to reduce the level of supplemental Medicaid reimbursement available to the System over time.

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, 2026 and 2025

(In thousands)

Assets and Deferred Outflows	2026	Restated 2025
Current assets:		
Cash and cash equivalents	$ 28,284	31,706
Short-term investments	324,741	280,044
Patient accounts receivable, net of estimated uncollectible of $88,488 in 2026 and $56,838 in 2025	495,823	420,022
Inventories, at lower of cost or market	102,294	96,654
Current investments for debt service – restricted	15,564	12,830
Due from government agencies	428,566	341,857
Prepaid expenses and other current assets	64,443	35,993
Total current assets	1,459,715	1,219,106
Noncurrent assets:		
Capital assets, net	1,911,013	1,848,608
Noncurrent cash and investments	1,887,462	1,852,599
Other noncurrent assets	3,338	3,826
Total noncurrent assets	3,801,813	3,705,033
Total assets	5,261,528	4,924,139
Deferred outflows of resources:		
Excess consideration provided for acquisition	228,877	256,350
Pension-related deferred outflows	46,204	39,796
OPEB-related deferred outflows	13,173	17,670
Debt refunding loss	238	453
Total deferred outflows	288,492	314,269
Total assets and deferred outflows	$ 5,550,020	5,238,408
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Current maturities of long-term debt	$ 30,305	24,004
Current portion of lease and subscription IT obligations	36,319	29,503
Accounts payable and accrued expenses	291,659	315,477
Estimated third-party payer settlements	3,840	5,580
Due to other University units	19,295	55,530
Other current liabilities	47,536	40,588
Accrued interest	10,811	12,146
Total current liabilities	439,765	482,828
Long-term debt and other obligations, net of current maturities	925,065	960,270
Long-term portion of lease and subscription IT obligations	181,835	162,778
Other long-term liabilities	88,387	124,757
Total liabilities	1,635,052	1,730,633
Deferred inflows of resources:		
Pension-related deferred inflows	5,919	200
OPEB-related deferred inflows	48,151	33,293
Leases	798	905
Debt refunding gain	561	647
Total deferred inflows	55,429	35,045
Net position:		
Net investment in capital assets	816,054	841,580
Restricted by donors for specific purposes	16,413	14,782
Restricted for debt service	22,307	13,695
Unrestricted	3,004,765	2,602,673
Total net position	3,859,539	3,472,730
Total liabilities, deferred inflows, and net position	$ 5,550,020	5,238,408

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, 2026 and 2025

(In thousands)

	2026	Restated 2025
Operating revenue:		
Net patient service revenue, net of provision for bad debts of $107,203 in 2026 and $74,374 in 2025	$ 3,977,186	3,447,676
Other revenue	74,876	72,892
Total operating revenue	4,052,062	3,520,568
Operating expenses:		
Salaries and benefits	1,236,647	1,157,631
Medical supplies and drugs	1,452,896	1,172,646
Other supplies and general expenses	792,386	724,966
Depreciation and amortization	220,010	168,529
Total operating expenses	3,701,939	3,223,772
Operating income	350,123	296,796
Noncapital subsidies:		
Noncapital subsidies received	14,495	3,785
Noncapital subsidies provided	(11,302)	(47,045)
Total noncapital subsidies	3,193	(43,260)
Operating income and noncapital subsidies	353,316	253,536
Other nonoperating revenue (expenses):		
Investment income	136,461	142,526
Interest expense	(41,232)	(30,901)
Loss on disposal of capital assets	(20,985)	(1,204)
Capital subsidies received	875	1,068
Capital subsidies provided	(41,626)	(96,847)
Total other nonoperating revenue, net	33,493	14,642
Increase in net position	386,809	268,178
Net position, beginning of year	3,472,730	3,204,552
Net position, end of year	$ 3,859,539	3,472,730

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, 2026 and 2025

(In thousands)

	2026	Restated 2025
Cash flows from operating activities:		
Receipts from patient services	$ 3,786,399	3,363,383
Other receipts	76,348	63,685
Payments to employees	(1,252,783)	(1,142,960)
Payments to suppliers and contractors	(2,286,334)	(1,862,153)
Net cash provided by operating activities	323,630	421,955
Cash flows from noncapital financing activities:		
Noncapital subsidies received	14,495	3,785
Noncapital subsidies provided	(36,851)	(22,045)
Net cash used in noncapital financing activities	(22,356)	(18,260)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(238,685)	(307,634)
Acquisition of clinical operations	—	(192,081)
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	(63,280)	(62,701)
Interest paid on long-term debt and other obligations	(47,357)	(30,850)
Other capital and related financing activities	(12,245)	(95,694)
Net cash used in capital and related financing activities	(361,567)	(438,049)
Cash flows from investing activities:		
Proceeds from sale of investments	345,366	493,114
Purchase of investments	(334,907)	(507,922)
Interest and dividends received on investments	46,412	66,650
Net cash provided by investing activities	56,871	51,842
Net (decrease) increase in cash and cash equivalents	(3,422)	17,488
Cash and cash equivalents at beginning of year	31,706	14,218
Cash and cash equivalents at end of year	$ 28,284	31,706
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 350,123	296,796
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	220,010	168,529
Provision for bad debts	107,203	74,374
Changes in assets and liabilities:		
Accounts receivable	(183,004)	(110,336)
Inventories and supplies	(5,639)	(15,431)
Other assets	(6,608)	(2,649)
Accounts payable and accrued expenses	(23,818)	46,593
Other liabilities	(8,953)	(8,427)
Due to other University units	(11,235)	14,356
Estimated third-party payer settlements and due from contractual agencies	(114,449)	(41,850)
Net cash provided by operating activities	$ 323,630	421,955
Supplemental schedule of noncash noncapital financing, capital financing, and investing activities:		
Unrealized change in fair value of investments	$ 90,009	75,866
Carrying amount of capital assets disposed of	(49,456)	(1,205)
Obligations acquired under lease and subscription IT arrangements	68,114	80,520
Right-of-use assets acquired under lease and subscription IT arrangements	67,929	80,423
Accrued subsidy provided to other University units	—	25,000
Obligations incurred as part of acquisition of clinical operations	—	84,000

See accompanying notes to financial statements.

(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.

- *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 postemployment benefit amounts.

(d) Cash, Cash Equivalents, and Investments

Pooled arrangements – Certain cash and investment balances of the System are pooled with cash and investments of the University and held in the University's name. The System's share of pooled investments and related income is determined on a pro rata basis on the System's amounts available for investment relative to 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 the Iowa Board of Regents 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 cash equivalents.

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 applicable GASB guidance, including GASB Statement No. 72, Fair Value Measurement and Application. Certain investments for which quoted market prices are not readily available are measured using net asset value (NAV) per share as a practical expedient and are excluded from the fair value hierarchy. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

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, 2026 and 2025.

(e) Inventories and Supplies

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

Measurement – Inventories are stated at the lower of cost or market. 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.

Expenditures are capitalized in accordance with the System's established capitalization thresholds. All capital assets other than land are depreciated or amortized using the straight-line method of depreciation using the following estimated useful 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 under various noncancellable leases for buildings and equipment. The System also enters into noncancellable subscription-based information technology agreements (SBITAs) that provide 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 SBITA respectively.

Leases and SBITAs other than short-term – For leases and SBITAs that are not short-term and whose undiscounted minimum payment obligations exceed the System's capitalization thresholds, the System recognizes a lease or SBITA liability and a corresponding intangible right-of-use lease asset or SBITA asset.

Measurement of lease and SBITA amounts – At 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, plus 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 the discount rate used to calculate the present value of expected lease and subscription payments, the lease or subscription term, and the payments included in the measurement of the related liability.

- 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 unless the rate charged by the lessor or vendor is known. The SLGS rate is selected based on the commencement or remeasurement date and the term of the lease or subscription arrangement.
- The lease or subscription term includes the noncancellable period of the arrangement, plus additional periods covered by an option to extend when it is reasonably certain the option will be

exercised, or an option to terminate when it is reasonably certain the option will not be exercised. Periods for which both parties have the option to terminate the arrangement, or for which both parties must agree to extend the arrangement, are excluded from the lease or subscription term.

- Payments are evaluated to determine whether they should be included in measurement of the lease or SBITA liability, including payments requiring judgment as to whether they are reasonably certain of being made, such as certain variable payments, 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 SBITAs 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 related right-of-use asset.

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 SBITA 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 include:

- *Pensions and other postemployment benefit*s – 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.
- *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 arise when consideration provided in a government acquisition exceeds the net position acquired and are recognized as amortization expense on a systematic and rational basis over the period of expected benefits to operations.

- *Leases* – Deferred inflows of resources associated with lease receivables are recognized as lease revenue over the lease term. Related lease 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 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 transactions are recognized as revenues as the related goods or 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 – Gifts and grants are classified as operating or nonoperating based on the nature of the underlying transaction and applicable GASB guidance. Amounts that meet the definition of a subsidy and are not capital-related are reported as noncapital subsidies. Subsidies and other contributions restricted for capital acquisition or construction are reported within other nonoperating revenues. Exchange grants arising from the System's principal operations are reported as operating revenue.

(j) Restricted Resources

Resources whose use is externally restricted by creditors, grantors, contributors, laws, or regulations are reported as restricted. 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 into the following components:

- *Net investment in capital assets* – This category consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding debt, lease obligations, and subscription IT obligations attributable to the acquisition, construction, or improvement of those assets, and adjusted for related deferred outflows and inflows of resources.
- *Restricted by donors* – This category consists of resources whose use is externally restricted by donors or grantors.
- *Restricted for debt service* – This consists of resources restricted for debt service obligations.
- *Unrestricted* – This category represents the residual amount of net position that is not included in the categories above. Unrestricted net position may include amounts designated by the Board for specific purposes. Such designations may be changed 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 in accordance with applicable GASB guidance.

Operating revenues arise from providing patient care and related healthcare services, which constitute the System's principal operations. Operating expenses are costs incurred in providing those services and include salaries and benefits, medical supplies and drugs, other supplies and general expenses, and depreciation and amortization.

Nonoperating revenues and expenses include activities that are not part of the System's principal operations, including investment income, interest expense, certain gifts and grants, subsidies, and other financing-related activities.

Noncapital subsidies are presented separately from other nonoperating revenues and expenses and include resources received from or provided to other parties that meet the definition of a subsidy under GASB guidance. Capital-related subsidies are reported within other nonoperating revenues and expenses.

(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 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. Amounts attributable to these programs are recognized in net patient service revenue when eligibility criteria are met and the amounts are reasonably estimable. Related retroactive settlements are 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, such amounts 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,

Compensated Absences, 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 – Changes in the compensated absences liability are recognized in operating expenses. The portion expected to be paid within one year is reported in accounts payable and accrued expenses, and the remainder is reported in other long-term liabilities.

(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 plan investments are reported at fair value.

The System recognizes employer contributions made subsequent to the measurement date as deferred outflows of resources, which are recognized as a reduction of the net pension liability in the following fiscal year. Other deferred outflows and 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 periods prescribed by applicable GASB guidance.

Required contribution rates, covered payroll, the System's proportionate share, and related information 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 Sections 511 through 514 of the Internal Revenue Code. The University evaluates its activities for potential unrelated business income tax exposure and files returns as required. No provision for federal income taxes has been recorded in the accompanying financial statements.

(r) Recently Adopted Accounting Pronouncements

GASB 103 revised certain elements of the financial reporting model, including the structure and content of management's discussion and analysis and the presentation of operating and nonoperating revenues and expenses for business-type activities. The statement also established presentation requirements for subsidies, including separate presentation of noncapital subsidies. The System applied GASB 103 retroactively, and the 2025 comparative amounts have been restated to conform to the presentation requirements of the statement.

GASB 104 revised capital asset note disclosure requirements, including separate disclosure of certain intangible right-to-use lease assets and subscription-based information technology assets, and established disclosure requirements for capital assets held for sale. The System applied the disclosure requirements of GASB 104 in the accompanying financial statements.

(2) Cash, Cash Equivalents, and Investments

The System's cash, cash equivalents, and investments include both specific holdings and amounts pooled with the University and held in the University's name. The System's pro-rata share of pooled investment earnings is based on its relative average balances available for investment. The following table summarizes cash, cash equivalents, and investments reported in the statement of net position at June 30, 2026 and 2025:

		2026	2025
Cash and cash equivalents	$	28,284	31,706
Short-term investments		324,741	280,044
Current investments for debt service - restricted		15,564	12,830
Noncurrent cash and investments:			
Limited by bond resolutions		80,978	171,140
Internally designated for capital projects and other purposes		1,783,498	1,666,133
Restricted by donors		22,986	15,326
	$	2,256,051	2,177,179

(Continued)

The System's investments are recorded at fair value. At June 30, 2026, the System had the following investments and credit quality ratings:

Investment Type	Effective duration (years)	TSY/AGY AAA	AA	A	BB	B	Not Rated	Total fair value
Fixed-income:								
U.S. government agencies	5.68	$ —	804	—	—	—	—	804
Fixed-income pooled funds	4.09	—	—	—	—	—	1,174,617	1,174,617
		$ —	804	—	—	—	1,174,617	1,175,421
Equity and other:								
Common stock								5,419
Mutual funds								472,331
Real estate								78,743
Private market								43,592
Cash, money market, and other cash equivalents								480,545
Total investments June 30, 2026								$ 2,256,051

Certain fixed-income pooled funds are reported as not rated because the funds themselves do not have credit-quality ratings assigned by a nationally recognized statistical rating organization. Credit-quality ratings may exist for individual securities held within those funds.

At June 30, 2025, the System had the following investments and credit quality ratings:

Investment Type	Effective duration (years)	TSY/AGY AAA	AA	A	BB	B	Not Rated	Total fair value
Fixed-income:								
U.S. government treasuries	4.79	$ —	79,582	—	—	—	—	79,582
Fixed-income pooled funds	4.19	—	—	—	—	—	1,159,695	1,159,695
		$ —	79,582	—	—	—	1,159,695	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

(Continued)

(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 sixty-three months. There is no explicit limit on the average maturity of fixed-income securities in the endowment portfolios. Each fixed income portfolio is managed to an appropriate benchmark.

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 U.S. Treasury or agency securities, no more than 5% of the University's direct investments may be invested in securities of a single issuer at the time of purchase. All direct investment purchases by the University in the operating portfolio are U.S. Treasury and agency securities.

(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 establish a hierarchy that prioritizes the inputs used in the valuation techniques based on their observability in the marketplace. Fair value measurements 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 classification of fair value measurements by level of the hierarchy is based upon the lowest-level input that is significant to the overall measurement. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period.

Certain investments do not have a readily determinable fair value and are reported using Net Asset Value per share (NAV), or its equivalent, as a practical expedient. NAV is provided by the fund manager and reviewed by the University. Investments measured using NAV include interests in funds

investing in nonmarketable private equity, private debt, real estate and infrastructure, as well as certain commingled fixed-income and international equity funds.

Due to the nature of these investments, changes in market conditions, economic conditions, currency exchange rates, interest rates, commodity prices, and other factors may affect the NAV of the underlying funds and, consequently, the value of the System's interest in those funds. The University manages these risks through diversification, ongoing due diligence of fund managers, maintenance of adequate liquidity, and monitoring of economic and market conditions.

The following tables present the System's investment assets measured at fair value at June 30, 2026 and 2025, respectively, categorized according to the lowest level of significant input used in each measurement or measured using NAV as a practical expedient.

	2026				
	Level 1	Level 2	Level 3	NAV	Total
Fixed-income:					
U.S. government agencies	$ —	804	—	—	804
Fixed-income pooled funds	597,220	—	—	577,397	1,174,617
Equity and other:					
Common stock	5,029	390	—	—	5,419
Mutual funds	335,814	—	—	136,517	472,331
Real estate	—	—	—	78,743	78,743
Private markets	—	—	—	43,592	43,592
	$ 938,063	1,194	—	836,249	1,775,506
Money market/cash equivalents					480,545
Total cash and investments					$ 2,256,051

Asset class	Fair value determined using NAV 2026	Unfunded commitments at June 30, 2026	Redemption frequency	Redemption notice period
Fixed-income pooled funds	$ 577,397	—	Daily to monthly	5–60 Days
Equity mutual funds	136,517	—	Daily to monthly	2–30 Days
Real estate:				
Redeemable	78,743	—	Quarterly to semi-annually	60–90 Days
Private markets:				
Nonredeemable	43,592	40,361		
Investments measured at NAV	$ 836,249	40,361		

(Continued)

	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
	$ 950,194	242	—	818,063	1,768,499
Money market/cash equivalents					408,680
Total cash and investments					$ 2,177,179

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	$ 818,063	18,355		

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 and commingled funds holding fixed-income assets intended to provide stability, generate income, and diversify market risk.
- **Equity mutual funds** – This category includes investments in global equities, including both developed and emerging markets.
- **Real estate** – This category includes investments in open-end real estate funds. The University subscribes to purchase interests in these funds, which may be called over a period of up to

(Continued)

18 months after the subscription date based on the fund contribution queue. Interests are generally redeemable on a quarterly or semiannual basis following any applicable lock period, subject to the fund's redemption queue and the terms of the governing agreement.

- **Private markets** – This category includes funds investing in strategies such as private equity, private real estate, and private resource investments. Capital is generally committed during an investment period of approximately four years. The System's interests in these nonredeemable funds are illiquid, and distributions generally occur as underlying investments are liquidated at the discretion of the general partner. These funds are typically liquidated over periods of approximately five to ten years, subject to extension provisions in the governing agreements.

(3) Capital Assets

Capital assets at June 30, 2026 and 2025 are summarized as follows:

	2026	2025
Land (nondepreciable)	$ 34,087	31,908
Land improvements	4,555	4,446
Infrastructure	46,379	45,126
Buildings and leasehold improvements	2,189,004	2,116,243
Equipment and software	768,309	773,029
Construction in progress (nondepreciable)	194,267	179,673
	3,236,601	3,150,425
Less accumulated depreciation	1,546,567	1,499,767
Total capital assets, net excluding lease and subscription IT assets	1,690,034	1,650,658
Lease and subscription IT assets, net (note 12)	220,979	197,950
Total capital assets, net	$ 1,911,013	1,848,608

(Continued)

Capital asset activity for the years ended June 30, 2026 and 2025 was as follows:

Capital Asset Class		June 30, 2025 balances	Increases	Decreases	June 30, 2026 balances
Land (nondepreciable)	$	31,908	2,180	(1)	34,087
Land improvements		4,446	109	—	4,555
Infrastructure		45,126	1,253	—	46,379
Buildings and leasehold improvements		2,116,243	107,418	(34,657)	2,189,004
Equipment and software		773,029	84,508	(89,228)	768,309
Construction in progress (nondepreciable)		179,673	156,006	(141,412)	194,267
Total at historical cost		3,150,425	351,474	(265,298)	3,236,601
Less accumulated depreciation for:					
Land improvements		3,127	402	—	3,529
Infrastructure		22,547	2,480	—	25,027
Buildings and leasehold improvements		944,227	78,423	(13,345)	1,009,305
Equipment and software		529,866	69,013	(90,173)	508,706
Total accumulated depreciation		1,499,767	150,318	(103,518)	1,546,567
Total capital assets, net excluding lease and subscription IT assets		1,650,658	201,156	(161,780)	1,690,034
Lease and subscription IT assets					
Buildings and improvements		192,429	17,376	(4,236)	205,569
Equipment		26,825	1,451	(2,166)	26,110
Subscription IT assets		57,275	49,102	(11,200)	95,177
Total lease and subscription IT assets		276,529	67,929	(17,602)	326,856
Less accumulated amortization for:					
Buildings and improvements		44,032	16,464	(2,883)	57,613
Equipment		9,900	5,964	(2,166)	13,698
Subscription IT assets		24,647	19,790	(9,871)	34,566
Total accumulated amortization		78,579	42,218	(14,920)	105,877
Lease and subscription IT assets, net		197,950	25,711	(2,682)	220,979
Total capital assets, net	$	1,848,608	226,867	(164,462)	1,911,013

(Continued)

Capital Asset Class	June 30, 2024 balances	Increases	Decreases	June 30, 2025 balances
Land (nondepreciable)	$ 31,908	—	—	31,908
Land improvements	3,895	551	—	4,446
Infrastructure	30,570	14,556	—	45,126
Buildings and leasehold improvements	1,668,220	448,023	—	2,116,243
Equipment and software	681,152	121,517	(29,640)	773,029
Construction in progress (nondepreciable)	447,894	223,579	(491,800)	179,673
Total at historical cost	2,863,639	808,226	(521,440)	3,150,425
Less accumulated depreciation for:				
Land improvements	2,745	382	—	3,127
Infrastructure	20,765	1,782	—	22,547
Buildings and leasehold improvements	882,635	61,592	—	944,227
Equipment and software	501,149	56,604	(27,887)	529,866
Total accumulated depreciation	1,407,294	120,360	(27,887)	1,499,767
Total capital assets, net excluding lease and subscription IT assets	1,456,345	687,866	(493,553)	1,650,658
Lease and subscription IT assets				
Buildings and improvements	154,827	43,035	(5,433)	192,429
Equipment	21,121	13,620	(7,916)	26,825
Subscription IT assets	38,835	23,768	(5,328)	57,275
Total lease and subscription IT assets	214,783	80,423	(18,677)	276,529
Less accumulated amortization for:				
Buildings and improvements	32,559	14,245	(2,772)	44,032
Equipment	11,226	6,517	(7,843)	9,900
Subscription IT assets	15,295	13,289	(3,937)	24,647
Total accumulated amortization	59,080	34,051	(14,552)	78,579
Lease and subscription IT assets, net	155,703	46,372	(4,125)	197,950
Total capital assets, net	$ 1,612,048	734,238	(497,678)	1,848,608

At June 30, 2026, the System had significant capital projects in various stages of planning and construction. Outstanding encumbrances related to these projects were approximately $314 million. Based on current project estimates, management expects to incur an additional approximately $873 million to

complete the projects. Actual timing and amounts may vary as projects progress through planning, approval, procurement, and construction.

(4) Long-term Debt and Other Obligations

Long-term debt and other obligations outstanding at June 30, 2026 and 2025 were as follows:

	2026	2025
Hospital Revenue Bonds:		
Series S.U.I. 2016 – 5.000%; maturing serially on September 1 through 2027	$ 6,305	9,235
Series S.U.I. 2016A – 3.000%; maturing serially on September 1 through 2028	6,620	8,730
Series S.U.I. 2018 – 3.000% to 5.000%; maturing serially on September 1 through 2043	26,690	27,740
Series S.U.I. 2019 – 3.000% to 5.000%; maturing serially on September 1 through 2039	33,255	34,990
Series S.U.I. 2020 – 2.000% to 5.000%; maturing serially on September 1 through 2036	17,270	18,480
Series S.U.I. 2021A – 2.000% to 5.000%; maturing serially on September 1 through 2051	94,775	98,900
Series S.U.I. 2022A – 2.375% to 5.000%; maturing serially on September 1 through 2051	175,090	178,705
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	113,415	119,465
Series S.U.I. 2025A – 4.000% to 5.000%; maturing serially on September 1 through 2050	241,665	241,665
Telecommunications Facilities Revenue Bonds:		
Series S.U.I. 2020 – 2.000% to 5.000%; maturing serially on July 1 through 2036	7,841	8,382
Series S.U.I. 2021 – 2.000% to 5.000%; maturing serially on July 1 through 2032	2,618	2,922
Total long-term bonds	825,764	849,434
Net unamortized bond premium	44,133	49,052
Total long-term bonds and net unamortized bond premiums	869,897	898,486

(Continued)

	2026	2025
Notes payable	$ 84,000	84,000
Financed purchase obligations	1,473	1,788
Lease and subscription IT obligations (note 12)	218,154	192,281
Total long-term obligations	1,173,524	1,176,555
Less current portion	(66,624)	(53,507)
	$ 1,106,900	1,123,048

Activity in long-term debt and other obligations for the years ended June 30, 2026 and 2025 was as follows:

	June 30, 2025 balance	Additions	Reductions	June 30, 2026 balance	Amounts due within one year
Hospital Revenue Bonds, Series 2016	$ 9,235	—	(2,930)	6,305	3,070
Hospital Revenue Bonds, Series 2016A	8,730	—	(2,110)	6,620	2,160
Hospital Revenue Bonds, Series 2018	27,740	—	(1,050)	26,690	1,100
Hospital Revenue Bonds, Series 2019	34,990	—	(1,735)	33,255	1,825
Hospital Revenue Bonds, Series 2020	18,480	—	(1,210)	17,270	1,270
Hospital Revenue Bonds, Series 2021A	98,900	—	(4,125)	94,775	4,325
Hospital Revenue Bonds, Series 2022A	178,705	—	(3,615)	175,090	3,800
Hospital Revenue Bonds, Series 2022B	100,220	—	—	100,220	—
Hospital Revenue Bonds, Series 2022C	119,465	—	(6,050)	113,415	6,360
Hospital Revenue Bonds, Series 2025A	241,665	—	—	241,665	5,085
Telecommunications Facilities Revenue Bonds:					
Series 2020	8,382	—	(541)	7,841	572
Series 2021	2,922	—	(304)	2,618	320
Total bonds payable	849,434	—	(23,670)	825,764	29,887
Net unamortized bond premium	49,052	—	(4,919)	44,133	
Total bonds payable & unamortized bond premiums	898,486	—	(28,589)	869,897	29,887
Notes Payable	84,000	—	—	84,000	—
Total Notes Payable	84,000	—	—	84,000	—
Financed purchase obligations	1,788	25	(340)	1,473	418
Lease and subscription IT obligations (Note 12)	192,281	68,114	(42,241)	218,154	36,319
Total long-term obligations	$ 1,176,555	68,139	(71,170)	1,173,524	66,624

(Continued)

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

Notes Payable – In connection with the December 31, 2024 Mission Cancer + Blood asset purchase agreement, the System recognized an $84 million deferred payment obligation to the seller. The obligation bears interest at a fixed rate of 8.0%, with interest payable quarterly. Principal is payable in two equal installments on the third and fifth anniversaries of the closing date. At June 30, 2026, no principal is due within twelve months; accordingly, the entire $84 million obligation is classified as long-term. Accrued interest payable within twelve months is included in current liabilities.

(Continued)

(a) Long-Term Bonds

Hospital revenue bonds are special obligations of the Board payable solely from hospital income and are generally issued to finance the expansion and improvement of System facilities. Under the applicable bond resolution, hospital income generally includes revenues and other funds received from System healthcare operations, net of defined current expenses, and excludes State appropriations to the University. While the bonds remain outstanding, hospital income is deposited into the revenue fund and applied in the order specified by the bond resolution, including amounts required for operations and maintenance, debt service, and other System purposes. At June 30, 2026, the maximum amount of pledged hospital income represented by undiscounted principal and interest on outstanding hospital revenue bonds was approximately $1.3 billion.

The Telecommunications Facilities Revenue Bonds represent the System's share of outstanding bonds issued by the University to finance communications facilities and equipment. No specific System revenue stream is pledged to service these bonds. The System is responsible for a portion of the periodic payments required for principal and interest.

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

		Principal	Interest	Total
Year(s) ending June 30:				
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		28,665	25,840	54,505
2032-2036		157,507	109,497	267,004
2037–2041		150,664	75,359	226,023
2042–2046		120,390	51,864	172,254
2047–2051		136,485	29,807	166,292
2052–2056		50,320	13,062	63,382
2057–2061		52,265	5,728	57,993
2062		11,431	171	11,602
	$	825,764	428,183	1,253,947

The following are deferred outflows of resources and deferred inflows of resources related to debt refundings at June 30, 2026 and 2025:

		2026 Deferred outflows of resources	2026 Deferred inflows of resources
Deferred outflows and inflows from debt refunding:			
Revenue Bonds Series 2016 refunding loss	$	73	—
Revenue Bonds Series 2016A refunding loss		165	—
Revenue Bonds Series 2020 refunding gain		—	46
Revenue Bonds Series 2021A refunding gain		—	44
Revenue Bonds Series 2022C refunding gain		—	451
Telecommunications Bonds Series 2020 refunding gain		—	15
Telecommunications Bonds Series 2021 refunding gain		—	5
	$	238	561

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

(Continued)

(b) Financed Purchase Obligations

Financed purchase obligations primarily arise from agreements under which ownership of the underlying assets transfers to the System at the end of the agreement. Scheduled principal and interest payments are as follows:

	Principal	Interest	Total
Year ending June 30:			
2027	$ 418	87	505
2028	481	67	548
2029	233	44	277
2030	341	26	367
	$ 1,473	224	1,697

(c) Notes Payable

Scheduled principal and interest payments on the deferred payment obligation are as follows:

	Principal	Interest	Total
Year ending June 30:			
2027	$ —	6,720	6,720
2028	42,000	5,880	47,880
2029	—	3,360	3,360
2030	42,000	2,520	44,520
	$ 84,000	18,480	102,480

(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. System contributions to the Plan were $54 million in fiscal year 2026 and $52 million in fiscal year 2025.

(b) Iowa Public Employees Retirement System

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

Contributions – Statutorily required contribution rates (member/employer) combined are set annually by the IPERS Investment Board. For fiscal year 2026 and fiscal year 2025 the rates were as follows for the respective membership groups:

Fiscal year	Membership group	Member	System	Total
2026	Regular	6.29 %	9.44 %	15.73 %
2026	Protection occupations	6.34	9.19	15.53
2025	Regular	6.29	9.44	15.73
2025	Protection occupations	6.21	9.31	15.52

The System's contributions to IPERS for the years ended June 30, 2026 and 2025 were $22 million and $18 million, respectively. Payables to the pension plan at June 30, 2026 and 2025, were $1,938 thousand and $1,591 thousand, respectively, for legally required employer contributions and $1,292 thousand and $1,060 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, 2026, and 2025, the System reported a liability in other long-term liabilities on the statements of net position of $47 million and $59 million. IPERS' measurement date is one year prior to the employer reporting date (June 30, 2025, and June 30, 2024). The System's proportion of the collective net pension liability was 2.00813% for the 2025 measurement and 1.62601% for the 2024 measurement.

Pension expense – For the years ended June 30, 2026, and 2025, the System recognized pension expense of $8 million and $14 million, respectively.

(Continued)

Deferred outflows and inflows of resources – At June 30, 2026 and 2025, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		2026 Deferred outflows of resources	2026 Deferred inflows of resources
Difference between expected and actual experience	$	7,092	—
Changes of assumptions		—	(25)
Net difference between projected and actual earnings on pension plan investments		—	(5,751)
Changes in proportion and differences between contributions and proportionate share of contributions		17,611	(143)
Contributions subsequent to the measurement date		21,501	—
Total	$	46,204	(5,919)

		2025 Deferred outflows of resources	2025 Deferred inflows of resources
Difference between expected and actual experience	$	4,865	(37)
Changes of assumptions		—	(36)
Net difference between projected and actual earnings on pension plan investments		747	—
Changes in proportion and differences between contributions and proportionate share of contributions		15,861	(127)
Contributions subsequent to the measurement date		18,096	—
Other		227	—
Total	$	39,796	(200)

At June 30, 2026 the $22 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, 2027. At June 30, 2026 amounts

(Continued)

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:	
2027	$ 35,131
2028	3,386
2029	(4,129)
2030	(2,719)
2031	1,444
	$ 33,113

Assumptions and discount rate – The discount rate used to measure the total pension liability was 7.0% for the 2025 and 2024 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, 2026 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.

	1% decrease	Discount rate	1% increase
System's proportionate share of the net pension liability	$ 155,511	46,642	(44,469)

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 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.

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

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

(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 2026 and $2 million in fiscal year 2025.

Total OPEB liability – The System's total OPEB liability for June 30, 2026 and 2025 was determined by an actuarial valuation with measurement dates of June 30, 2025 and 2024, respectively.

At June 30, 2026 and 2025, the System recognized a total other postemployment benefits (OPEB) liability of $11 million and $30 million, respectively, for its PSF and a liability of $2 million and $8 million for its Merit Plan, for a total OPEB liability of $13 million and $38 million, respectively.

At June 30, 2026 and 2025, $11 million and $35 million, respectively, of the total liability was recorded in other long-term liabilities while $2 million and $3 million, respectively, was recorded in other current liabilities.

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

Changes in total PSF OPEB liability		2026 total OPEB liability	2025 total OPEB liability
Total OPEB liability, beginning of year, July 1	$	30,201	30,173
Changes for the year:			
Service cost		1,549	1,584
Interest		1,182	1,123
Differences between expected and actual experiences		(2,493)	(139)
Changes of assumptions		(16,689)	(595)
Benefit payments		(2,157)	(1,896)
Other		(603)	(49)
Net changes		(19,211)	28
Total OPEB liability, end of year, June 30	$	10,990	30,201

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Changes in total Merit Plan OPEB liability		2026 total OPEB liability	2025 total OPEB liability
Total OPEB liability, beginning of year, July 1	$	7,961	7,934
Changes for the year:			
Service cost		492	501
Interest		315	297
Differences between expected and actual experiences		(2,022)	(2)
Changes of assumptions		(4,035)	(164)
Benefit payments		(548)	(592)
Other		(159)	(13)
Net changes		(5,957)	27
Total OPEB liability, end of year, June 30	$	2,004	7,961

Key assumptions – The System's total OPEB liability for June 30, 2026 and 2025, was determined by an actuarial valuation with measurement dates of June 30, 2025, and 2024, respectively.

The June 30, 2026 and 2025, liabilities were determined using the following actuarial assumptions and the entry-age normal actuarial cost method, applied to all periods included in the measurements.

	2026	2025
Rate of inflation	2.30 %	2.30 %
Rates of salary increase	3.00	3.00
Discount rate	5.20	3.93
Healthcare cost trend rate pre-65 (decreasing to an ultimate rate of 4.50%)	8.63	7.45
Healthcare cost trend rate post-65 (decreasing to an ultimate rate of 4.50%)	9.73	6.34

Changes in actuarial assumptions – During fiscal year 2026, certain actuarial assumptions used to measure the OPEB liability, including assumptions related to retiree healthcare participation and continuation of coverage after age 65 were updated. The updated assumptions were based on recent experience data and reflect lower expected participation in employer-sponsored retiree healthcare coverage, particularly among Medicare-eligible retirees. The changes were accounted for prospectively as changes in actuarial assumptions and contributed significantly to the decrease in the System's total OPEB liability at June 30, 2026.

The June 30, 2026 and 2025, discount rate used to measure the total OPEB liability was 5.20% and 3.93%, respectively, which reflects the index rate for bond Buyer 20 Year GO Index as of the measurement date.

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Mortality rates are from the Pub-2016 Amounts-Weighted Teachers and General Classification Mortality Table with Generational Improvements from 2016 using Scale MP-2021 for measurement date of June 30, 2025, and Pub-2010 Aggregate Mortality Table projected using Scale MP-2021 for measurement date of June 30, 2024.

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

The actuarial assumptions used in determining the June 30, 2026 liability reflect the results of an actuarial experience review that considered actual plan experience for the three-year period January 1, 2022 through December 31, 2024. Certain demographic assumptions, including retiree healthcare participation and lapse assumptions, were updated based on the experience data.

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, 2026 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 (4.20%) or one-percentage-point higher (6.20%) than the current discount rate.

		1% decrease	Discount rate	1% increase
System's PSF OPEB liability	$	11,518	10,990	10,485
System's Merit OPEB liability		2,098	2,004	1,915
	$	13,616	12,994	12,400

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

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

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, 2026 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 (7.63%) or one-percentage-point higher (9.63%) than the current healthcare cost trend rate for pre-65

(Continued)

participants, and one-percentage-point lower (8.73%) or one-percentage-point higher (10.73%) than the current healthcare cost trend rate for post-65 participants.

Pre-65 participants Post-65 participants	1% decrease	Healthcare cost trend rate	1% increase
System's PSF OPEB liability	$ 10,477	10,990	11,713
System's Merit OPEB liability	1,898	2,004	2,149
	$ 12,375	12,994	13,862

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 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.

Pre-65 participants Post-65 participants	1% decrease	Healthcare cost trend rate	1% increase
System's PSF OPEB liability	$ 33,618	30,201	27,985
System's Merit OPEB liability	8,948	7,961	7,262
	$ 42,566	38,162	35,247

OPEB expense and deferred outflows and inflows of resources related to OPEB – For the years ended June 30, 2026 and 2025, the System recognized an OPEB benefit of $(1,808) thousand and $(57) thousand, respectively, for the PSF and $(689) thousand and $(181) thousand, respectively, for the Merit Plan.

At June 30, 2026 and 2025, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PSF		2026 Deferred outflows of resources	2026 Deferred inflows of resources
Difference between expected and actual experience	$	3,266	(9,919)
Changes of assumptions		5,214	(25,899)
Contributions subsequent to the measurement date		1,840	—
Total	$	10,320	(35,818)

Merit Plan		2026 Deferred outflows of resources	2026 Deferred inflows of resources
Difference between expected and actual experience	$	612	(5,421)
Changes of assumptions		1,839	(6,912)
Contributions subsequent to the measurement date		402	—
Total	$	2,853	(12,333)

PSF		2025 Deferred outflows of resources	2025 Deferred inflows of resources
Difference between expected and actual experience	$	5,002	(9,083)
Changes of assumptions		6,760	(15,633)
Contributions subsequent to the measurement date		2,201	—
Total	$	13,963	(24,716)

Merit Plan		2025 Deferred outflows of resources	2025 Deferred inflows of resources
Difference between expected and actual experience	$	757	(4,351)
Changes of assumptions		2,391	(4,226)
Contributions subsequent to the measurement date		559	—
Total	$	3,707	(8,577)

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The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

		PSF
Year ending June 30:		
2027	$	(4,539)
2028		(3,100)
2029		(2,935)
2030		(3,519)
2031		(3,125)
Total thereafter		(10,120)
Total	$	(27,338)

		Merit Plan
Year ending June 30:		
2027	$	(1,496)
2028		(1,496)
2029		(1,047)
2030		(1,242)
2031		(1,176)
Total thereafter		(3,425)
Total	$	(9,882)

(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.

Employee medical and dental claims – The University, on behalf of the System, self-insures employee medical and dental benefits and purchases commercial life and disability insurance for eligible employees. Based on actuarial analysis of employee medical and dental claims, the System recorded liabilities for incurred-but-not-reported claims of approximately $18 million and $14 million at June 30, 2026 and 2025, respectively, which are included in other current liabilities. The changes in that liability were as follows:

		2026	2025
Liability for unpaid healthcare claims at beginning of year	$	13,881	13,697
Healthcare expenses incurred during the year		253,933	224,300
Healthcare payments to the University during the year		(250,216)	(224,116)
Liability for unpaid healthcare claims at end of year	$	17,598	13,881

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. The System's share of estimated unpaid professional liability claims included in other current liabilities were approximately $27 million and $23 million at June 30, 2026 and 2025, respectively.

Other risks and coverages – The University and other Board institutions are self-insured for automobile liability up to $250,000. Losses in excess of that amount are paid by the State as 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.

Services received from related parties – The University, CCOM, and UIHS provide administrative, facility, and clinical support services to the System at approximate cost. For the years ended June 30, 2026 and 2025, the System recognized operating expenses of $374 million and $353 million, respectively.

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, 2026 and 2025, the System recognized revenue from these units of approximately $14 million and $16 million, respectively, for these services, which are recorded in operating revenue in the statements of revenue, expenses, and changes in net position.

Subsidies to and from related parties – The System provides and receives financial support to and from other University departments and UIHS. Under GASB 103, these transactions are classified as noncapital or capital subsidies based on the nature and purpose of the underlying support.

For fiscal year 2026, the System reported approximately $9 million of net noncapital subsidies provided to related parties. Noncapital subsidy activity primarily consisted of interorganizational support, including academic and research support provided to the CCOM.

For the year ended June 30, 2025, the System reported approximately $46 million of net noncapital subsidies provided to related parties. Fiscal year 2025 activity primarily included approximately $34 million of hospital support provided to CCOM and $12 million of initial funding provided to University of Iowa Health System Medical Group, LLC (UIHSMG).

For the years ended June 30, 2026 and 2025, the System provided approximately $42 million and $96 million, respectively, of capital subsidies to related parties. These amounts primarily consisted of support for University managed capital projects and other capital-related initiatives.

Amounts due to and from related parties – At June 30, 2026 and 2025, the System had no material amounts due from related parties. Amounts due to related parties were approximately $22 million and $58 million at June 30, 2026 and 2025, respectively. Of these amounts, approximately $19 million and $56 million, respectively, due to other University units are presented separately in the statements of net position as Due to other University units. Approximately $3 million and $3 million, respectively, due to UIHS and its subsidiaries are included in Accounts payable and accrued expenses.

(9) Net Patient Service Revenue

A summary of patient service revenues for the years ended June 30, 2026 and 2025 is as follows:

		2026	2025
Gross patient charges:			
Inpatient charges	$	4,970,699	4,344,341
Outpatient charges		8,257,167	6,653,971
Total gross patient charges		13,227,866	10,998,312
Less deductions from gross patient charges:			
Contractual adjustments – Medicare, Medicaid, and other		9,143,477	7,476,262
Provision for bad debts		107,203	74,374
Net patient service revenue	$	3,977,186	3,447,676

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services provided, net of contractual adjustments and estimated uncollectible amounts. Management estimates these amounts using historical collection experience, current payer mix and reimbursement trends, aged receivable analyses, and other relevant information. Estimates are adjusted in future periods as additional information becomes available and settlements are finalized.

The System is reimbursed by Medicare, Medicaid, and commercial payers under arrangements that include prospectively determined rates, fee schedules, per diem payments, reimbursed costs, and negotiated discounts from charges.

In partnership with the State, the System participates in a Medicaid state-directed payment program. Amounts recognized under the program are included in net patient service revenue when applicable eligibility requirements are met and amounts are reasonably estimable. In fiscal years 2026 and 2025, the System recognized approximately $487 million and $418 million, respectively, of net patient service revenue related to the program. Related receivables were approximately $429 million and $342 million at June 30, 2026 and 2025, respectively, and are reported as amounts due from government agencies within current assets.

Laws and regulations governing Medicare, Medicaid, and other government reimbursement programs are complex and subject to interpretation. Accordingly, estimates of amounts due to or from third-party payers and governmental agencies may change as additional information becomes available or settlements are finalized.

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(10) Charity Care and Uncompensated Cost of Services

The System provides care to patients who meet its financial assistance criteria. Amounts approved under the System's charity care policy are not pursued for collection and therefore are not reported as net patient service revenue. State institution accounts are automatically classified as charity care and written off in full. Patient charges written off for services and supplies furnished under the System's charity policy for the years ended June 30, 2026 and 2025 are as follows:

		2026	2025
Charity care	$	28,949	25,342
Charity care for state institution patients		74,188	61,269
Charity care charges forgone	$	103,137	86,611

The estimated cost of services and supplies provided under the System's charity care policy was approximately $25 million and $22 million for the years ended June 30, 2026 and 2025, respectively. The estimated cost of charity care is determined by applying the System's ratio of cost to charges to charity care charges forgone.

The System also incurs unreimbursed costs associated with services provided to patients covered by government programs and other reduced-price or free programs. Uncompensated costs are estimated using the System's cost-accounting data and represent the excess of allocated costs of care over related reimbursement for the applicable payer categories. Uncompensated costs other than charity care for the years ended June 30, 2026 and 2025 were approximately as follows:

		2026	2025
Medicare	$	263,477	243,612
Medicaid		8,085	7,730
Medicaid out of state		5,839	3,405
State institution		13,659	12,263
Uncompensated costs of services	$	291,060	267,010

(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,

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financial-assistance programs, and monitoring of payer performance. The composition of gross patient accounts receivable by primary payer at June 30, 2026 and 2025 was as follows:

	2026	2025
Blue Cross Blue Shield	28 %	26 %
Other commercial	24	27
Medicare	32	31
Medicaid	12	12
Self-pay	1	1
Other	3	3
	100 %	100 %

(12) Leases and Subscription-Based Information Technology Arrangements

The System is a lessee under various noncancellable leases of buildings and equipment and enters into subscription-based information technology arrangements (SBITAs). Lease and subscription IT asset activity is presented in Note 3 – Capital Assets.

Lease and SBITA liability activity during the years ended June 30, 2026 and 2025 is summarized as follows:

	June 30, 2025 balances	Additions	Deductions	Retirements	June 30, 2026 balances
Lease and subscription IT liabilities	$ 192,281	68,114	(39,270)	(2,971)	218,154

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

(Continued)

Future annual lease and subscription IT payments are as follows:

		Principal amount	Interest amount	Total
Year(s) ending June 30:				
2027	$	36,319	6,444	42,763
2028		31,425	5,417	36,842
2029		29,020	4,537	33,557
2030		25,900	3,714	29,614
2031		16,326	3,089	19,415
2032–2036		44,584	10,160	54,744
2037–2041		18,891	5,094	23,985
2042–2046		14,094	1,487	15,581
2047–2051		1,595	44	1,639
Total	$	218,154	39,986	258,140

(a) Variable lease and subscription IT payments

Variable lease and subscription IT payments that do not depend on an index or rate and are not fixed in substance are excluded from the measurement of lease and subscription IT liabilities and are recognized as expense in the period in which the obligation is incurred.

Variable payments excluded from the measurement of lease and subscription IT liabilities and recognized as expense were approximately $5 million and $7 million for the years ended June 30, 2026 and 2025, respectively.

(b) Residual value guarantees of leases

At June 30, 2026 the System had no lease obligations with residual value guarantees.

(c) Lessor arrangements

The System is a lessor for certain building space. At lease commencement, the System recognizes a lease receivable and a corresponding deferred inflow of resources. The deferred inflow is recognized as lease revenue over the lease term. Lease and interest revenue recognized from these arrangements were approximately $313 thousand and $207 thousand for the years ended June 30, 2026 and 2025, respectively.

(Continued)

(13) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses reported as current liabilities at June 30, 2026 and 2025 consisted of the following amounts:

		2026	2025
Payable to employees (including compensated absences)	$	163,510	161,472
Payable to suppliers		120,044	146,693
Other		8,105	7,312
Total accounts payable and accrued expenses	$	291,659	315,477

(14) Other Long-Term Liabilities

Other long-term liabilities at June 30, 2026 and 2025 consisted of the following amounts:

		2026	2025
Pension liability	$	46,642	59,211
OPEB liability		10,752	35,402
Compensated absences		30,339	29,503
Bond arbitrage		654	641
Total other long-term liabilities	$	88,387	124,757

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

		2025	Increases	Decreases	2026
Pension liability	$	59,211		(12,569)	46,642
OPEB liability		35,402		(24,650)	10,752
Compensated absences		29,503	836		30,339
Bond arbitrage		641	13		654
Total other long-term liabilities	$	124,757	849	(37,219)	88,387

(15) Law, Regulations, and Other Uncertainties

The healthcare industry is subject to extensive federal, state, and local laws, regulations, and payment policies, including, among others, participation and billing requirements for Medicare and Medicaid; the federal 340B Drug Pricing Program; licensure and accreditation requirements; fraud-and-abuse laws; privacy and security requirements under HIPAA; and emergency treatment requirements under EMTALA.

(Continued)

These requirements and payment methodologies 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, penalties, corrective action, or exclusion from government programs.

The System derives a significant portion of its patient service revenue from governmental healthcare programs. During 2026, federal legislative and regulatory developments included changes affecting Medicaid state-directed payments. Enacted federal legislation established new limits on certain Medicaid state-directed payment arrangements that are expected to reduce the level of supplemental Medicaid reimbursement available to the System over time.

Management continues to monitor legislative and regulatory developments affecting governmental healthcare programs and evaluates their potential effect on the System's operations and financial results.

(16) Subsequent Events

The System has reviewed subsequent events through October 29, 2026 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, 2026

(Unaudited)

For the year ended	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability	Covered-employee payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2026	2.00813 %	$ 46,642	191,980	24.3 %	95.3 %
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	46,935	53,187	88.2	82.2
June 30, 2017	0.59454	37,417	42,998	87.0	81.8

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

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, 2026

(Unaudited)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	$ 21,501	18,096	14,351	11,566	10,053	8,431	7,260	5,921	5,224	4,623
Contributions in relation to the statutorily required contribution	(21,501)	(18,096)	(14,351)	(11,566)	(10,053)	(8,431)	(7,260)	(5,921)	(5,224)	(4,623)
Contribution deficiency	$ —	—	—	—	—	—	—	—	—	—
System's covered-employee payroll	$ 228,513	191,980	152,401	122,817	106,669	89,374	77,106	62,910	59,251	52,104
Contributions as a percentage of the covered-employee payroll	9.4 %	9.4 %	9.4 %	9.4 %	9.4 %	9.4 %	9.4 %	9.4 %	8.8 %	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, 2026

(Unaudited)

	2026	2025	2024	2023	2022	2021	2020	2019	2018
PSF Plan:									
Service cost	$ 1,549	1,584	1,536	2,375	2,301	1,806	971	970	10,283
Interest	1,182	1,123	1,281	1,084	1,248	1,737	1,582	1,535	5,609
Differences between expected and actual experience	(2,493)	(139)	(3,910)	(52)	(1,082)	(27)	1,278	—	15,488
Changes of assumptions	(16,689)	(595)	(1,788)	(5,173)	(5,153)	7,480	6,895	(308)	(30,071)
Benefit payments	(2,157)	(1,896)	(3,136)	(2,916)	(3,449)	(3,459)	(3,323)	(3,369)	(2,217)
Other	(603)	(49)	(8,396)	(492)	(1,168)	561	(848)	5,170	(148,291)
Net change in total OPEB liability	(19,211)	28	(14,413)	(5,174)	(7,303)	8,098	6,555	3,998	(149,199)
Total OPEB liability, beginning of year	30,201	30,173	44,586	49,760	57,063	48,965	42,410	38,412	187,611
Total OPEB liability, end of year	$ 10,990	30,201	30,173	44,586	49,760	57,063	48,965	42,410	38,412
Merit Plan:									
Service cost	$ 492	501	561	868	927	735	408	559	755
Interest	315	297	386	296	378	510	421	278	293
Differences between expected and actual experience	(2,022)	(2)	(2,390)	82	(1,725)	(39)	305	—	—
Changes of assumptions	(4,035)	(164)	(618)	(1,486)	(1,917)	2,385	2,707	(4,786)	(512)
Benefit payments	(548)	(592)	(686)	(829)	(915)	(854)	(429)	(421)	—
Other	(159)	(13)	(1,506)	(132)	(347)	162	(217)	5,444	(531)
Net change in total OPEB liability	(5,957)	27	(4,253)	(1,201)	(3,599)	2,899	3,195	1,074	5
Total OPEB liability, beginning of year	7,961	7,934	12,187	13,388	16,987	14,088	10,893	9,819	9,814
Total OPEB liability, end of year	$ 2,004	7,961	7,934	12,187	13,388	16,987	14,088	10,893	9,819

See accompanying independent auditors' report.

* Note: GASB Statement No. 75 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.

(1) Pension Liability

(a) Changes in Benefit Terms

There were no changes of benefit terms reflected in the June 30, 2025, valuation.

(b) Changes in Assumptions

The fiscal year 2026 total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

- Assumed investment return: 7.00%
- 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: 2.60%
- 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.

(Continued)

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
- 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 System's Total OPEB Liability and Related Ratios

- The 2025 valuation implemented the following refinements:
  - The financial accounting valuation reflects the following assumption changes:
    - A change in the discount rate to 5.20% as of June 30, 2025
    - The active mortality table assumption has been changed from the PUB-2010 Amount-Weighted Teachers and General Classification Mortality Table with Generational Improvements from 2010 using Scale MP-2021 to the PUB-2016 Amounts-Weighted Teachers and General Classification Mortality Table with Generational Improvements from 2016 using Scale MP-2021.
    - The retiree mortality table assumption has been changed from the PUB-2010 Aggregate Mortality Table projected using Scale MP-2021 (80 percent General/20 percent Teacher) to the PUB-2016 Aggregate Mortality Table projected using Scale MP-2021 (80 percent General/20 percent Teacher)
    - The disabled mortality table has been changed from the PUB-2010 Disabled Mortality Table projected using Scale MP-2021 to the PUB-2016 Non-Safety Classification Amounts-Weighted Disabled Retirement Mortality Table projected using Scale MP-2021.
    - Retiree healthcare participation and continuation assumptions were updated based on recent plan experience, including assumptions regarding participation before age 65 and continuation of employer-sponsored coverage after Medicare eligibility.
- The 2024 valuation reflected no changes in actuarial methods and changed the discount rate to 3.93% as of June 30, 2024.
- The 2023 valuation reflected the following assumption changes:
  - Discount rate changed to 3.65%
  - Mortality projection scale changed from MP-2020 to MP-2021
  - Healthcare trend assumptions were updated to begin at 7.73% for pre-65 participants and 8.27% for post-65 participants, grading to 4.50%

(Continued)

  - Marginal cost adjustment factors changed from 65.2% to 64.6% for pre-65 participants and from 90.3% to 90.2% for post-65 participants
  - Inflation assumption changed from 2.50% to 2.30%

- The 2022 valuation reflected no changes in actuarial methods and changed the discount rate to 3.54% as of June 30, 2022.
- The 2021 valuation reflected no changes in actuarial methods and the following assumption changes:
  - Discount rate changed to 2.16%
  - Retirement rates for staff employees were revised to better reflect recent experience
  - Mortality projection scale changed from MP-2018 to MP-2020
  - Healthcare trend assumptions were updated to begin at 6.12% for pre-65 participants and 6.57% for post-65 participants, grading to 4.50%
  - Marginal cost adjustment factors 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 reflected no changes in actuarial methods and the following assumption changes:
  - Discount rate changed to 2.21%
  - The excise tax on high-cost plans was removed from future healthcare trend assumptions
- The 2019 valuation reflected no changes in actuarial methods and the following assumption changes:
  - Discount rate changed to 3.50%
  - Mortality assumptions for healthy lives changed from the RP-2014 Aggregate Mortality Table projected using Scale MP-2016 to the Pub-2010 Aggregate Mortality Table projected using Scale MP-2018 by classification
  - Mortality assumptions for disabled lives changed from the CIA 1988-94 LTD table to the Pub-2010 Disabled Mortality Table projected using Scale MP-2018
  - Healthcare trend assumptions were updated to begin at 6.65% for pre-65 participants and 7.61% for post-65 participants, grading to 4.50%
  - Marginal cost adjustment factors changed from 60.1% to 62.9% for pre-65 participants and from 87.6% to 89.5% for post-65 participants
  - The estimated effect of the excise tax on high-cost plans was updated based on current claims and medical trend assumptions

(Continued)

- The 2018 valuation reflected no changes in actuarial methods and the following assumption changes:
  - Discount rate changed to 3.87%
  - The demographic assumption for Merit employees changed from the State assumption to the University staff assumption