

IOWA STATE UNIVERSITY

Financial Report

For the year ended June 30, 2023



UNIVERSITY OFFICIALS

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OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business type activities and the fiduciary activities of Iowa State University of Science and Technology, Ames, Iowa (Iowa State University) and its discretely presented component unit as of and for the years ended June 30, 2023 and 2022, and the related Notes to Financial Statements, which collectively comprise Iowa State University's basic financial statements listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the fiduciary activities of Iowa State University and its discretely presented component unit as of June 30, 2023 and 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the years ended June 30, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, the Iowa State University Foundation, the Iowa State University Achievement Fund and the Original University Foundation (the "Foundation"), discussed in Note 1, which represent 100% of the assets, net position and revenues of the discretely presented component unit. We also did not audit the financial statements of the blended component units, Iowa State University Research Foundation, Incorporated and Iowa State University Veterinary Services Corporation, discussed in Note 1, which represent 1.7% and 0.3%, respectively, of the assets and 0.3% and 0.5%, respectively, of the revenues of the University. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those financial statements, is based solely on the reports of the other auditors.

Basis for Our Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Iowa State University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of the Iowa State University Research Foundation and the Iowa State University Veterinary Services Corporation were not audited in accordance with Government Auditing Standards.

Emphasis of Matters

As discussed in Note 1, the financial statements of Iowa State University are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of Iowa State University. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2023 and 2022 and the changes in financial position and its cash flows for the years ended June 30, 2023 and 2022 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

As discussed in Note 10 to the financial statements, Iowa State University adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. 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 accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa State University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement 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 Iowa State University'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.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Iowa State University's ability to continue as a going concern for a reasonable period of time.

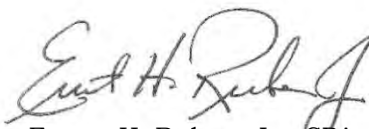
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of the Net Pension Liability (Asset), the Schedule of University Contributions and the Schedule of Changes in the University's Total OPEB Liability, Related Ratios and Notes on pages 7 through 14 and 60 through 62 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 audit of the basic financial statements, and other knowledge we obtained during our audit 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.

Other Reporting Required by Government Auditing Standards

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



Ernest H. Ruben, Jr., CPA
Deputy of Auditor of State

December 22, 2023

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Iowa State University (Iowa State) for the fiscal year ended June 30, 2023, along with comparative data for the fiscal years ended June 30, 2022 and 2021. Readers are encouraged to consider this information in conjunction with Iowa State's financial statements and related notes to the financial statements that follow.

Iowa State is a public, land-grant university established in 1858 by the legislature of the State of Iowa, based on the ideals that higher education should be accessible to all and teach a variety of subjects. Ten schools and colleges with 100 majors serve an enrollment of approximately 30,000. Iowa State is located in Ames, with a population of over 65,000 and is known for worldwide excellence in science and technology, discovery, and innovation.

USING THE FINANCIAL STATEMENTS

This financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities, and require that financial statements focus on the university as a whole.

Fiduciary activity is presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These statements can be found after the main financial statements. A discussion of the fiduciary net position and activity is not included in this MD&A.

The financial statements encompass Iowa State and its discretely presented component units: the Iowa State University Foundation, Iowa State University Achievement Fund, and the Original University Foundation (herein collectively referred to as the Foundation). This MD&A excludes the discretely presented component units. The Foundation's financial statements can be found immediately following the fiduciary financial statements.



FINANCIAL HIGHLIGHTS

Iowa State University experienced growth in fiscal year 2023. The university felt financial relief from challenges faced in previous years as a result of COVID-19 and economic downturns.

At the beginning of fiscal year 2023, Iowa State invested resources to launch its new strategic plan. More than 70 strategic initiative project proposals were submitted in fiscal year 2023, and 19 have been selected for funding and implementation in fiscal year 2024. Our employees continue to invest in the future of Iowa State by utilizing their exceptional knowledge, background, and innovative thinking.

Statement of Net Position

The following Statement of Net Position presents the financial position at the end of the fiscal year and includes all assets, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference reported as net position. Net position is one financial indicator of the current financial condition.

	June 30, 2023	June 30, 2022 (as restated)	June 30, 2021
Current assets	\$ 246,572,718	\$ 278,808,264	\$ 308,636,993
Capital assets	1,682,478,938	1,643,199,042	1,587,812,931
Other non-current assets	721,206,391	763,638,931	716,611,790
Total assets	2,650,258,047	2,685,646,237	2,613,061,714
Deferred outflows of resources	45,221,963	36,622,227	39,297,901
Current liabilities	206,410,473	208,403,424	172,172,055
Non-current liabilities	589,798,139	593,852,725	641,536,767
Total liabilities	796,208,612	802,256,149	813,708,822
Deferred inflows of resources	28,783,909	78,175,804	43,320,172
Total net position	\$ 1,870,487,489	\$ 1,841,836,511	\$ 1,795,330,621

Total assets as of June 30, 2023 are \$2.65 billion, which is \$35 million less than the prior year. Net capital assets comprise \$1.68 billion of the total assets, a \$39 million increase from June 30, 2022. Total liabilities are \$796.2 million at June 30, 2023, a decrease of \$6.0 million compared to the prior fiscal year.

The following presents the components of net position:

	June 30, 2023	June 30, 2022 (as restated)	June 30, 2021
Net investment in capital assets	\$ 1,184,741,417	\$ 1,104,992,087	\$ 1,064,066,787
Restricted, non-expendable	29,401,468	28,959,984	28,959,984
Restricted, expendable	115,324,636	116,456,184	110,727,589
Unrestricted	541,019,968	591,428,256	591,576,261
Total net position	\$ 1,870,487,489	\$ 1,841,836,511	\$ 1,795,330,621

Net position increased \$28.7 million, or 1.56%, which, in general, indicates that the financial condition has improved. The largest portion of net position (63.34%) is net investment in capital assets, which is land, buildings, infrastructure, land improvements, equipment, right-to-use lease assets, and intangible assets offset by the related debt. The restricted portion of net position (7.74%) is divided into expendable and non-expendable. The use of expendable restricted net position is determined by external entities that have placed restrictions on the assets. Non-expendable restricted net position is also restricted by external entities, but may never be spent. Iowa State's non-expendable restricted net position is the principal portion of endowments required to remain intact.



Statement of Revenues, Expenses, and Changes in Net Position

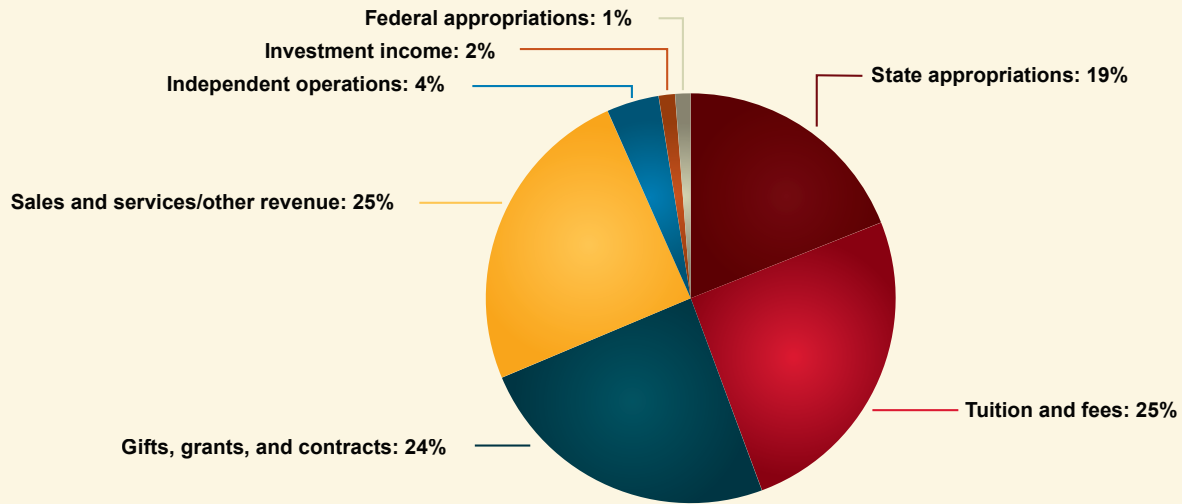
Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues and expenses. Public universities such as Iowa State, generally report an operating loss since the financial reporting model classifies state appropriations as non-operating revenue. Although changes in net position over time assist in determining whether the financial health is improving, other non-financial factors such as enrollment and the ability to attract and retain qualified faculty and staff can also help determine the overall health.

The following summarizes the Statement of Revenues, Expenses, and Changes in Net Position:

	June 30, 2023	June 30, 2022 (as restated)	June 30, 2021
Operating revenue	\$ 1,015,642,186	\$ 1,031,873,813	\$ 895,353,173
Operating expense	1,388,422,074	1,314,837,433	1,249,216,987
Operating loss	(372,779,888)	(282,963,620)	(353,863,814)
Non-operating revenue	345,687,991	275,853,657	357,409,039
Income (loss) before other net revenue	(27,091,897)	(7,109,963)	3,545,225
Other net revenue	55,742,875	53,615,853	40,886,096
Increase in net position	28,650,978	46,505,890	44,431,321
Net position, beginning of year	1,841,836,511	1,795,330,621	1,750,899,300
Net position, end of year	\$ 1,870,487,489	\$ 1,841,836,511	\$ 1,795,330,621

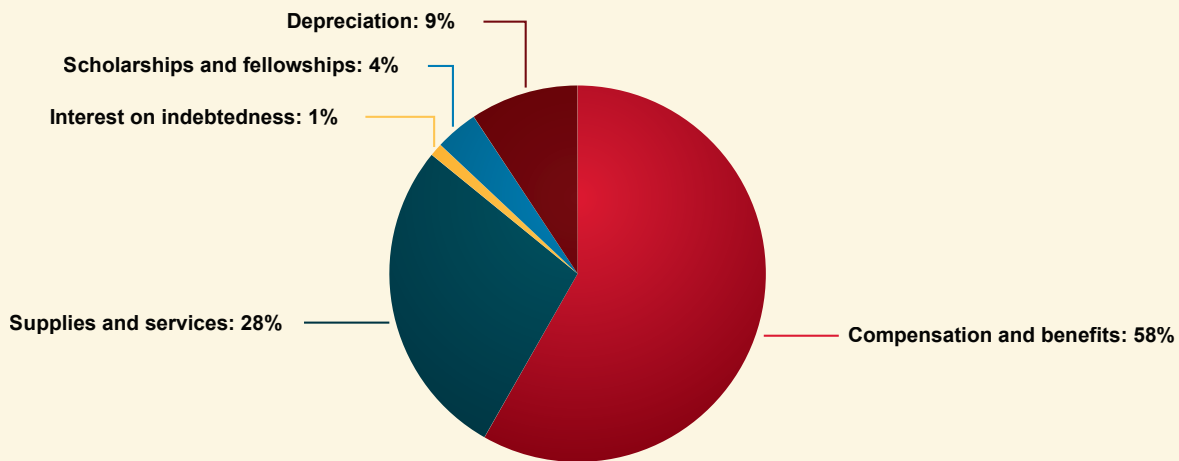
Revenues

Operating revenues decreased \$16.2 million from the prior year due to the COVID-19 pandemic grants in fiscal year 2022. The major components of all revenues are shown in the following chart:



Expenses

Operating expenses increased slightly (5.60%) from fiscal year 2022. Total expenses increased 5.48% and are broken out in the following chart:



Statement of Cash Flows

The primary purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements for the fiscal year. This statement also aids in the assessment of the ability to generate future net cash flows, meet obligations as they come due, and assess needs for external financing. The Statement of Cash Flows categorizes inflows and outflows as operating, non-capital financing, capital and related financing, and investing activities.

The overall cash balance went down 15.52% in fiscal year 2023. Areas with the most increase in cash outflows include the acquisition of capital assets and debt service payments.

A summary of the cash flows for the fiscal years ended June 30 is as follows:

	June 30, 2023	June 30, 2022 (as restated)	June 30, 2021
Cash provided by (used for):			
Operating activities	\$ (260,513,467)	\$ (186,030,046)	\$ (221,395,907)
Non-capital financing activities	331,425,104	323,204,712	317,006,388
Capital and related financing activities	(167,806,323)	(70,005,102)	(156,748,933)
Investing activities	76,619,960	(98,563,833)	(19,692,690)
Net decrease in cash	(20,274,726)	(31,394,269)	(80,831,142)
Cash and cash equivalents, beginning of year	130,633,193	162,027,462	242,858,604
Cash and cash equivalents, end of year	\$ 110,358,467	\$ 130,633,193	\$ 162,027,462

CAPITAL ASSETS

At June 30, 2023, Iowa State has \$3.65 billion in capital assets, with accumulated depreciation and amortization of \$1.97 billion. Depreciation and amortization expense for the fiscal year is \$130.6 million. The following shows capital assets, net of depreciation and amortization, as of June 30:

	June 30, 2023	June 30, 2022 (as restated)	June 30, 2021 (as restated)
Non-depreciable / non-amortizable:			
Land and land improvements	\$ 27,103,829	\$ 26,827,396	\$ 26,822,496
Construction in progress	99,109,990	109,299,052	51,535,649
Intangible assets in development	44,226,480	16,409,927	5,982,043
Depreciable / amortizable (net):			
Buildings	1,104,150,439	1,077,103,662	1,110,429,804
Land improvements	40,597,138	34,437,902	36,515,611
Infrastructure	136,380,768	131,293,300	137,687,640
Equipment & library materials	166,754,223	166,399,397	171,773,879
Intangible assets	19,303,464	24,721,091	30,138,716
Right-to-use lease assets	14,798,406	16,223,283	16,830,091
Right-to-use subscription assets	30,054,201	40,484,032	-
Total capital assets	\$ 1,682,478,938	\$ 1,643,199,042	\$ 1,587,715,929

Capital Appropriations, Grants, and Contracts

Capital appropriations from the State of Iowa have traditionally been a significant source of funding for construction of new buildings, as well as major renovations. The \$30.6 million in capital appropriations for fiscal year 2023 represents funding appropriated for the Veterinary Diagnostic Laboratory and the Student Innovation Center.

Capital gifts and grant revenue consists primarily of private gifts for major building projects. Major projects using the \$25.14 million received in fiscal year 2023 include the Jack Trice Stadium east gateway bridge, the Curtiss Farm Feed Mill and Grain Science Complex, and the Therkildsen Industrial Engineering Building, the new home for the Department of Industrial and Manufacturing Systems Engineering.

DEBT ADMINISTRATION

Outstanding debt at June 30 decreased \$41.76 million from 2022 to 2023, mostly due to no new bond issued in the current fiscal year.

	June 30, 2023	June 30, 2022 (as restated)	June 30, 2021
Academic building bonds	\$ 93,095,188	\$ 100,862,105	\$ 108,489,022
Enterprise fund bonds	363,982,771	388,267,198	399,955,561
Leases payable	15,512,107	16,725,891	17,068,160
Financed installment purchases	4,277,424	5,311,319	5,802,223
Subscription-based IT arrangements	30,633,878	38,098,310	-
	<u>\$ 507,501,368</u>	<u>\$ 549,264,823</u>	<u>\$ 531,314,966</u>

ECONOMIC OUTLOOK

The nation's GDP increased by 2.0% in the first quarter of 2022 and was followed by a 2.1% increase in the second quarter. In March, the Revenue Estimating Conference (REC) projected the state of Iowa's net general fund revenues to decrease by 0.5% by the end of fiscal year 2023. The REC also forecasts a decline for fiscal year 2024, projecting state revenue to decrease by 1.0%. For fiscal year 2024, Iowa State has been allocated \$174.1 million in general education operating appropriations and other directed operating appropriations of \$60.6 million. Capital appropriations for fiscal year 2024 are \$18 million.

Iowa State continues to demonstrate a long-term commitment to innovation, developing new revenue streams, and improving operational efficiencies. Fiscal year 2023 was the first rollout of WorkCyte phase II, which includes Workday Student and Workday Receivables. Iowa State expects to see continued operational efficiencies as these software programs are implemented in phases over the next 12 months.

Private funds remain a key component of Iowa State's financial support structure. Iowa State received its largest gift ever for an academic building in fiscal year 2022. With a commitment of \$42M, fiscal year 2023 was the groundbreaking year for the Therkildsen Industrial Engineering Building, the new home for the Department of Industrial and Manufacturing Systems Engineering.

Iowa State attracted a total of \$530.5 million in external funding in fiscal year 2023. The record for annual, external research funding of \$301.3 million included \$206.9 million from federal sources and non-federal funding of \$94.4 million. Iowa State ranks #17 among nearly 500 research universities without human medical schools, and is among the top 3% of universities in total research funding. Researchers continue to excel at transferring their research to the marketplace. Iowa State University Research Foundation, Inc. is consistently ranked in the top 100 universities worldwide for U.S. utility patents (currently #88).

The Iowa State University Research Park (ISURP) is thriving as the gateway to faculty expertise, student talent, research, innovation, and entrepreneurial ideas. ISURP is home to 125 companies or organizations employing 2,300 people. ISURP also has a state-wide impact. The latest effort in a long-standing partnership between ISURP and Alliant Energy is the Alliant Energy Agriculture Innovation Lab, a new multi-tenant collaboration space. Announced in March 2023, this facility will contain space for companies engaged in collaborative work with the Digital Agriculture Innovation team. This research team boasts more than 70 patents and 32 products sold globally that impact agriculture daily and brings in significant external investments creating more than 300 central Iowa based jobs. The new Alliant Energy Agriculture Innovation Lab will allow extended space and collaborations for this team.



Iowa State continues to earn national acclaim for advancing economic wellbeing across Iowa and the nation. For the fourth time in six years, the Association of Public and Land-Grant Universities honored Iowa State with an Innovation and Economic Prosperity Award. Iowa State was selected for the 2022 award based on the strength of three examples of innovation: building homes with 3D printers; partnering with industry to advance digital agriculture innovation; and CYTown, a multi-use development that will create a revenue stream to improve facilities for the cultural and performing arts and athletics. Iowa State takes great pride in the talent and skills of our faculty and staff to achieve these honors and continues to be an economic engine for Iowa and beyond. The Small Business Development Centers, operated by Iowa State, have established partnerships and connections to allow access to resources for Iowans interested in starting or growing a business. Last year, they counseled more than 4,200 entrepreneurs and business owners in all 99 Iowa counties, resulting in the creation of more than 1,900 jobs and nearly \$157 million in increased sales. The Center for Industrial Research and Service (CIRAS) also works with businesses in all 99 counties in Iowa. Their statewide impact from 2018-2022 was over \$3 billion dollars. CIRAS has assisted 4,442 clients in increasing or retaining sales, making new investments, and avoiding costs.

Iowa State is gaining international recognition as a leader in entrepreneurship. The Accreditation Council for Entrepreneurial and Engaged Universities named Iowa State the Entrepreneurial University of the Year for the Americas. This award recognizes Iowa State's growing reputation for excellence in entrepreneurship and the efforts to incorporate entrepreneurial initiatives throughout the university. Iowa State ranks number 12 in The Princeton Review's 2023 survey of the top 50 undergraduate entrepreneurship programs. The Princeton Review rankings are based on data collected from 300 public and private universities. This reflects Iowa State's growing national reputation as a destination campus for undergraduate innovation and entrepreneurship captured in the brand campaign Innovate at Iowa State. The central hub for these activities is the Student Innovation Center. The state-of-the-art space provides access to design, fabricate, test, and demonstrate ideas; everything from food science to lunar mining and from digital gaming to solar-powered vehicles. Innovate at Iowa State began its third year with the annual Ignite Innovation Showcase in May 2023, celebrating budding entrepreneurs and creators at Iowa State. To showcase the academic opportunities and resources around innovation and entrepreneurship that are incorporated into each college, the Start Something network was launched at the end of 2022. This portfolio of college-based academic offerings is designed to outline each college's innovative and entrepreneurship curriculum and resources to appeal to students' individual interests.



Iowa State and the state's other public institutions ranked #3 among all 50 public universities nationwide for highest student return on investment. As the state's only land-grant university, Iowa State opens its doors to provide a high-quality education to all eligible students at an affordable price. Iowa State started fiscal year 2023 with a fall 2022 enrollment of 29,969, including students from all 99 Iowa counties, all 50 states, and 114 countries. New first-year student enrollment was up 6.3% over the prior year, and new graduate student enrollment was up 1%. These increases reflect students' interest in the academic opportunities and experiences Iowa State has to offer.

The average time for students to earn a degree is 4.18 years, with more than 10% of students graduating in 3.5 years or less. Iowa State's four-year graduation rate of 56.3% is 15 points higher than the national average. Demand is exceptionally high for Iowa State graduates, with more than 95.5% of graduates landing a job in their field or continuing their education within six months of getting their degree and 58% of graduates pursuing their careers in Iowa.

CONTACTING IOWA STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of Iowa State's finances and to demonstrate the accountability for the funds received. Questions regarding this report or requests for additional financial information should be directed to the Controller's Department, Iowa State University, 1350 Beardshear Hall, 515 Morrill Road, Ames, IA 50011-1004.



IOWA STATE UNIVERSITY

STATEMENT OF NET POSITION

AS OF JUNE 30, 2023 AND 2022

Assets	2023	2022 (as restated)
Current assets:		
Cash and cash equivalents	\$ 29,993,447	\$ 50,591,020
Investments	88,864,115	105,631,806
Accounts receivable, net	46,420,315	39,237,955
Due from government agencies	50,443,156	52,675,395
Interest receivable	619,649	200,926
Notes receivable, net	-	482
Inventories	16,768,614	16,569,279
Prepaid expenses	13,463,422	13,901,401
Total current assets	246,572,718	278,808,264
Non-current assets:		
Cash and cash equivalents	80,365,020	80,042,173
Investments	607,534,376	646,362,671
Accounts receivable, net	7,888,560	10,360,334
Interest receivable	107,410	300,605
Notes receivable, net	17,210,273	17,277,192
Prepaid expenses	8,100,752	9,295,956
Capital assets, net	1,682,478,938	1,643,199,042
Total non-current assets	2,403,685,329	2,406,837,973
Total assets	2,650,258,047	2,685,646,237
Deferred outflows of resources:		
OPEB-related deferred outflows	16,233,206	10,153,724
Pension-related deferred outflows	21,964,137	18,734,683
Unamortized loss from refunding of debt	7,024,620	7,733,820
Total deferred outflows of resources	45,221,963	36,622,227
Total assets and deferred outflows of resources	2,695,480,010	2,722,268,464

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STATEMENT OF NET POSITION (CONTINUED)

AS OF JUNE 30, 2023 AND 2022

Liabilities	2023	2022 (as restated)
Current liabilities:		
Accounts payable	\$ 36,505,188	\$ 20,257,748
Salaries, wages, and related liabilities	13,636,275	19,196,116
Unpaid claims and contingent liabilities	9,208,000	9,236,000
Unearned revenue	71,032,139	87,097,388
Interest payable	6,564,637	7,092,402
Deposits	123,436	89,142
Long-term debt, current portion	43,109,540	42,140,588
Other long-term liabilities, current portion	26,231,258	23,294,040
Total current liabilities	206,410,473	208,403,424
Non-current liabilities:		
Accounts payable	8,122,627	10,952,378
Long-term debt, non-current portion	464,391,828	507,124,235
Other long-term liabilities, non-current portion	117,283,684	75,776,112
Total non-current liabilities	589,798,139	593,852,725
Total liabilities	796,208,612	802,256,149
Deferred inflows of resources:		
OPEB-related deferred inflows	21,242,698	27,699,311
Pension-related deferred inflows	4,988,492	47,776,967
Lease-related deferred inflows	2,222,305	2,190,846
Unamortized gain from refunding of debt	330,414	508,680
Total deferred inflows of resources	28,783,909	78,175,804
Total liabilities and deferred inflows of resources	824,992,521	880,431,953
Net position		
Net investment in capital assets	1,184,741,417	1,104,992,087
Restricted, non-expendable:		
Permanent endowment	29,401,468	28,959,984
Restricted, expendable:		
Student loans	9,263,547	10,529,736
Scholarships, research, and educational purposes	3,971,074	4,982,303
Reserve for debt service	84,467,018	83,059,033
Capital projects	17,622,997	17,885,112
Unrestricted	541,019,968	591,428,256
Total net position	\$ 1,870,487,489	\$ 1,841,836,511

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (as restated)
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$155,184,951 and \$153,836,724 for fiscal years ended June 30, 2023 and 2022, respectively	\$ 363,467,428	\$ 351,118,368
Federal appropriations	17,546,063	14,984,567
Federal grants and contracts	181,528,992	241,019,255
State and local government grants and contracts	15,116,053	14,313,007
Non-governmental grants and contracts	36,293,574	32,239,838
Sales and services of educational activities	101,957,368	96,252,999
Auxiliary enterprises, net of scholarship allowances of \$7,184,194 and \$6,187,899 for fiscal years ended June 30, 2023 and 2022, respectively	226,238,918	215,245,012
Independent operations	59,188,217	53,697,888
Other operating revenues	14,305,573	13,002,879
Total operating revenues	1,015,642,186	1,031,873,813
Operating expenses:		
Instruction	276,328,146	260,761,204
Research	187,419,749	164,348,349
Public service	74,914,464	71,358,016
Academic support	243,996,049	214,699,149
Student services	45,156,522	36,742,662
Institutional support	59,006,507	82,541,932
Operation and maintenance of plant	78,660,360	76,780,222
Scholarships and fellowships	51,955,368	70,525,197
Auxiliary enterprises	182,734,251	157,839,768
Independent operations	57,678,653	53,495,222
Depreciation and amortization	130,572,005	125,745,712
Total operating expenses	1,388,422,074	1,314,837,433
Operating loss	(372,779,888)	(282,963,620)
Non-operating revenue (expense):		
State appropriations	241,373,817	239,317,567
Federal grants and contracts	24,210,549	24,193,569
Non-federal gifts, grants, and contracts	65,954,563	59,586,185
Investment income (loss)	21,249,504	(32,626,478)
Interest on indebtedness	(15,448,515)	(16,086,172)
Gain (loss) on disposal of capital assets	406,654	(1,233,741)
Other non-operating revenue	7,941,419	2,702,727
Total non-operating revenue	345,687,991	275,853,657
Loss before other revenue	(27,091,897)	(7,109,963)
Capital appropriations	30,600,000	23,875,000
Capital gifts, grants, and contracts	25,142,875	29,740,853
Total other revenue	55,742,875	53,615,853
Change in net position	28,650,978	46,505,890
Net position, beginning of year, as restated	1,841,836,511	1,795,330,621
Net position, end of year	\$ 1,870,487,489	\$ 1,841,836,511

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

IOWA STATE UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (as restated)
Cash flows from operating activities:		
Tuition and fees	\$ 365,496,908	\$ 347,388,149
Federal appropriations	16,585,281	14,765,684
Grants and contracts	230,712,571	290,263,233
Sales of educational activities	87,736,889	96,182,127
Sales and services of auxiliary enterprises	229,615,528	215,221,853
Payments for auxiliary enterprises	(181,674,988)	(156,863,550)
Receipts of independent operations	57,649,435	54,207,572
Payments for independent operations	(57,013,516)	(54,484,256)
Collections of loans from students	3,651,967	5,274,903
Payments for salaries and benefits	(712,821,021)	(683,227,394)
Payments for goods and services	(262,767,069)	(253,723,414)
Scholarship payments	(47,695,241)	(70,502,036)
Loans issued to students	(2,184,566)	(3,535,796)
Other operating receipts	12,194,355	13,002,879
Net cash used for operating activities	(260,513,467)	(186,030,046)
Cash flows from non-capital financing activities:		
State appropriations	241,373,817	239,317,567
Non-capital gifts, grants, and contracts	90,165,112	83,779,754
Direct lending receipts	129,100,683	127,922,165
Direct lending payments	(129,214,508)	(127,814,774)
Net cash provided by non-capital financing activities	331,425,104	323,204,712
Cash flows from capital and related financing activities:		
Capital appropriations received	31,014,619	33,646,687
Capital gifts and grants received	17,096,110	69,789,534
Proceeds from capital and refunding debt	-	29,518,203
Proceeds from sale of capital assets	1,571,878	479,247
Acquisition and construction of capital assets	(168,160,224)	(127,026,705)
Principal paid on capital debt	(42,024,151)	(61,450,170)
Interest paid on capital debt	(15,359,799)	(17,557,234)
Other capital and related financing sources	8,055,244	2,595,336
Net cash used for capital and related financing activities	(167,806,323)	(70,005,102)
Cash flows from investing activities:		
Interest and dividends received on investments	16,666,447	8,547,421
Proceeds from sales of investments	248,999,191	371,233,821
Purchases of investments	(189,045,678)	(478,345,075)
Net cash provided by (used for) investing activities	76,619,960	(98,563,833)
Net change in cash and cash equivalents	(20,274,726)	(31,394,269)
Cash and cash equivalents, beginning of year	130,633,193	162,027,462
Cash and cash equivalents, end of year	\$ 110,358,467	\$ 130,633,193

continued on next page

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022 (as restated)
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (372,779,888)	\$ (282,963,620)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation & amortization	130,572,005	125,745,712
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable and due from government agencies	(6,244,697)	(14,345,247)
Inventories	(199,335)	(909,427)
Prepaid expenses	1,633,183	10,473,132
Notes receivable	67,401	2,773,621
Deferred outflows of resources	(9,308,936)	2,131,727
Accounts payable	12,634,123	(6,257,813)
Salaries, wages, and related liabilities	(5,559,841)	(8,618,191)
Unearned revenue	(4,666,752)	10,690,736
Compensated absences	2,167,096	(2,426,505)
Other post-employment benefits obligation	4,630,430	3,933,142
Pension liability	39,375,532	(59,520,093)
Deferred compensation liability	382,950	241,396
Refundable advances of student loans	(2,111,218)	(2,034,514)
Deferred inflows of resources	(51,105,520)	35,055,898
Net cash used for operating activities	<u>\$ (260,513,467)</u>	<u>\$ (186,030,046)</u>
Non-cash investing, capital, and financing activities		
Capital gifts in-kind	\$ -	\$ 4,900
Assets acquired by incurring lease obligations	3,215,867	1,156,030
Assets acquired by subscription-based IT arrangements	2,069,024	19,801,732
Assets acquired by financed installment purchases	-	451,841
Net unrealized gain (loss) on investments	4,357,529	(40,896,496)
Total non-cash investing, capital, and financing activities	<u>\$ 9,642,420</u>	<u>\$ (19,481,993)</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents classified as current assets	\$ 29,993,447	\$ 50,591,020
Cash and cash equivalents classified as non-current assets	80,365,020	80,042,173
Total cash and cash equivalents	<u>\$ 110,358,467</u>	<u>\$ 130,633,193</u>

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

STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2023 AND 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 10,114,279	\$ 13,030,478
Accounts receivable, net	3,984,343	3,856,706
Other assets	24,651	529,142
Total current assets	14,123,273	17,416,326
Non-current assets:		
Cash and cash equivalents	20,218	15,361
Investments	50,711,778	49,925,218
Other assets	1,620	1,295
Total non-current assets	50,733,616	49,941,874
Total assets	\$ 64,856,889	\$ 67,358,200
Liabilities		
Current liabilities:		
Accounts payable	\$ 1,182,955	\$ 393,147
Salaries, wages, and related liabilities	486,561	274,556
Other liabilities	1,935,428	882,758
Total current liabilities	3,604,944	1,550,461
Non-current liabilities:		
Accounts payable	-	280,772
Other liabilities	295,787	357,373
Total non-current liabilities	295,787	638,145
Total liabilities	3,900,731	2,188,606
Net position		
Restricted for individuals, organizations, and other governments	60,956,158	65,169,594
Total liabilities and net position	\$ 64,856,889	\$ 67,358,200

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Additions:		
Investment income (loss)	\$ 618,204	\$ (1,591,851)
Other additions	70,544,503	74,983,271
Total additions	71,162,707	73,391,420
Deductions:		
Student aid	48,494,440	40,814,231
Salary and benefits	8,212,968	7,748,882
Supplies and services	17,885,705	28,222,403
Other deductions	783,030	668,687
Total deductions	75,376,143	77,454,203
Change in net position	(4,213,436)	(4,062,783)
Net position, beginning of year	65,169,594	69,232,377
Net position, end of year	\$ 60,956,158	\$ 65,169,594

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



COMBINED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 18,813,769	\$ 4,084,455
Receivables:		
Pledges, net	91,316,206	89,975,048
Estates	7,063,255	5,414,792
Funds held in trust by others	69,448,103	69,743,703
Due from related organizations	21,944,327	31,439,930
Investments:		
Pooled investments	1,599,387,954	1,546,005,930
Other marketable securities	38,571,477	40,536,563
Real estate and other investments	18,827,773	16,680,843
Property and equipment, net	3,188,006	3,369,423
Other assets	6,461,935	6,571,923
Total assets	<u>\$ 1,875,022,805</u>	<u>\$ 1,813,822,610</u>
Liabilities		
Accounts payable and accrued expenses	\$ 1,481,431	\$ 1,301,320
Due to related organizations	16,367,366	18,460,549
Other long-term liabilities	909,829	2,455,397
Split-interest agreement obligations	20,038,259	22,111,816
Total liabilities	<u>38,796,885</u>	<u>44,329,082</u>
Net assets		
Without donor restrictions	92,831,446	85,549,656
With donor restrictions	1,743,394,474	1,683,943,872
Total net assets	<u>1,836,225,920</u>	<u>1,769,493,528</u>
Total liabilities and net assets	<u>\$ 1,875,022,805</u>	<u>\$ 1,813,822,610</u>

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

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenues, gains, and other support				
Contributions	\$ 5,533,768	\$ 102,817,122	\$ 108,350,890	\$ 208,123,812
Investment return:				
Pooled investments	22,718,425	67,280,188	89,998,613	(34,829,602)
Other investments	3,142,032	4,779,256	7,921,288	(2,586,820)
Fundraising service revenue	2,500,000	-	2,500,000	2,500,000
Return on funds held in trust by others	-	300,009	300,009	1,763,412
Other	4,287	2,066,397	2,070,684	2,388,316
Net assets released from restrictions	118,276,212	(118,276,212)	-	-
Total revenues, gains, and other support	152,174,724	58,966,760	211,141,484	177,359,118
Expenses				
Program	119,331,142	-	119,331,142	116,519,881
Operating:				
Fundraising	19,040,450	-	19,040,450	17,328,042
Administrative	6,521,342	-	6,521,342	5,931,914
Change in value of split-interest agreements	-	(483,842)	(483,842)	901,641
Total expenses	144,892,934	(483,842)	144,409,092	140,681,478
Change in net assets	7,281,790	59,450,602	66,732,392	36,677,640
Net assets, beginning of year	85,549,656	1,683,943,872	1,769,493,528	1,732,815,888
Net assets, end of year	\$ 92,831,446	\$ 1,743,394,474	\$ 1,836,225,920	\$ 1,769,493,528

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

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Iowa State University of Science and Technology (Iowa State), located in Ames, Iowa, is a land-grant institution owned and operated by the State of Iowa, under the governance of the Board of Regents, State of Iowa (Board of Regents). The Board of Regents is appointed by the Governor and confirmed by the State Senate. Because the Board of Regents holds the corporate powers, Iowa State is not deemed to be legally separate. Accordingly, for financial reporting purposes, Iowa State is included in the financial report of the State of Iowa, the primary government, as required by accounting principles generally accepted in the United States of America (GAAP). Iowa State is classified as a state instrumentality under Internal Revenue Code (IRC) Section 115 and is exempt from federal income taxes. Certain activities may be subject to taxation as unrelated business income under IRC Sections 511 to 514.

Iowa State offers courses of study leading to degrees at the undergraduate, graduate, and post-graduate levels. Degrees are available from seven colleges: Agriculture and Life Sciences, Business, Design, Engineering, Human Sciences, Liberal Arts and Sciences, and Veterinary Medicine. Other major operating units of Iowa State are: Agriculture and Home Economics Experiment Station, Extension and Outreach, and the Ames Laboratory, a U.S. Department of Energy sponsored independent operation. The campus consists of approximately 1,819 acres. In addition, farms and other properties, which are stocked and equipped for teaching and research purposes, total approximately 10,278 acres.

B. Basis of Presentation

These financial statements have been prepared in accordance with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB). The presentation required by GASB provides a comprehensive, entity-wide perspective of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

Iowa State reports as a special-purpose government engaged primarily in business-type activities, as defined by GASB. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, expenses are recorded when an obligation has been incurred, and all significant intra-agency transactions have been eliminated.

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

C. Reporting Entity

As required by GAAP, and as prescribed by GASB, these financial statements present the financial position and financial activities of the primary government and certain other entities for which the nature and significance of their relationship with Iowa State are such that exclusion would cause the financial statements to be misleading or incomplete. The GASB classification of these entities for financial reporting purposes does not affect their respective legal or organizational relationships to Iowa State.

1. Blended Component Units

The following entities are legally separate from Iowa State, but are so intertwined that they are, in substance, part of Iowa State. Accordingly, they are blended into the financial statements.

Iowa State University Research Foundation, Inc. (ISURF) is organized as a corporation to assist in securing protection for intellectual property, such as patents and copyrights, resulting from research, writing, and other projects of members of the Iowa State community. The financial statements of this entity have been audited by other independent auditors, and their report

may be obtained from the Iowa State Division of Operations and Finance. The revenues of this organization are included in other operating revenues, and expenses are included in the institutional support classification in the Statement of Revenues, Expenses, and Changes in Net Position.

Iowa State University Veterinary Services Corporation (ISUVSC) was organized as a corporation to support and promote the welfare and mission of Iowa State and of its faculty, staff, residents, graduates, students, and former students, particularly as related to the Iowa State College of Veterinary Medicine. The financial statements of this corporation have been audited by other independent auditors, and their report may be obtained from the Iowa State Division of Operations and Finance. The revenues of this corporation are included in other operating revenues, and expenses are included primarily in the academic support classification in the Statement of Revenues, Expenses, and Changes in Net Position.

Miller Endowment, Incorporated (Miller) was established in 1995, pursuant to the will and codicil of F. Wendell Miller. The will and codicil appointed the presidents of Iowa State and the State University of Iowa (SUI) as co-executors of the Miller Estate and co-trustees of the Miller Endowment Trust, a charitable trust, and further directed that the two universities be equal beneficiaries of the income from said trust. The will and codicil also directed the trustees to have the right and discretion to create a charitable corporation, Miller Endowment, Incorporated, to own, administer, and control the affairs and property of the trust. This corporation has been organized under Chapter 504A of the Code of Iowa and Section 501(c)(3) of the IRC. During fiscal year 1998, the assets of the trust were officially transferred to Miller Endowment, Incorporated. Since the net revenues and assets of the corporation are solely for the equal benefit of the two universities, one half of the value of the corporation's transactions has been blended into Iowa State's operations. SUI's portion of the endowment is reported as part of the fiduciary funds. For investment management purposes, all Iowa State assets of the trust are pooled with the endowment funds.

Condensed financial information for the blended component units, before the elimination of certain related party transactions, as of and for the year ended June 30, 2023 is as follows:

Condensed Statement of Net Position

	ISURF	ISUVSC	Miller
Current assets	\$ 4,766,640	\$ 2,776,917	\$ -
Non-current assets	40,544,812	5,968,146	17,090,939
Total assets	45,311,452	8,745,063	17,090,939
Deferred outflows of resources	-	391,465	-
Current liabilities	2,211,894	1,413,897	54,053
Non-current liabilities	-	3,617,521	857,190
Total liabilities	2,211,894	5,031,418	911,243
Net position	\$ 43,099,558	\$ 4,105,110	\$ 16,179,696

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	ISURF	ISUVSC	Miller
Operating revenues	\$ 4,629,068	\$ 7,057,719	\$ -
Operating expenses	5,535,511	6,595,242	-
Net operating income (loss)	(906,443)	462,477	-
Non-operating revenue (expense)	1,330,102	(19,304)	(312,293)
Change in net position	423,659	443,173	(312,293)
Net position, beginning of year	42,675,899	3,661,937	16,491,989
Net position, end of year	\$ 43,099,558	\$ 4,105,110	\$ 16,179,696

2. Discretely Presented Component Unit

The Foundation comprises a legally separate, tax-exempt component unit of Iowa State. The combined financial statements of the Foundation's organizations are presented in these financial statements because the organizations have a common Board of Directors, common management, and the common objective to promote the welfare of Iowa State and its faculty, graduates, students, and former students. The mission of the Foundation is to secure and manage private gifts that support Iowa State's aspiration to become the nation's best land-grant university. The Foundation strives to maximize the interest, involvement and, ultimately, enduring commitment of donors, and to manage donated assets for the benefit of Iowa State in accordance with donors' wishes.

Although Iowa State does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the Foundation holds and invests are restricted to the activities of Iowa State by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, Iowa State and its faculty, graduates, students, and former students, the Foundation is considered a component unit and is discretely presented in the financial statements. During the years ended June 30, 2023 and 2022, the Foundation distributed and expended \$119,331,142 and \$116,519,881, respectively, on behalf of Iowa State for both restricted and unrestricted purposes as follows:

	2023	2022
Scholarships, loan funds, and awards	\$ 47,677,258	\$ 38,459,680
Faculty and staff support	12,441,307	11,311,684
College and administrative support	17,761,343	17,406,737
Capital improvements	41,203,233	48,557,871
Gifts in kind	248,001	783,909
Total program support	\$ 119,331,142	\$ 116,519,881

The Foundation is a non-profit organization that reports under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification 958, Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from those of GASB. No modifications have been made to the Foundation's financial information in Iowa State's financial reporting entity for these differences.

Although Iowa State is the exclusive beneficiary of the Foundation, the Foundation is independent of Iowa State in all respects. The Foundation is not a subsidiary or affiliate of Iowa State, and is not directly or indirectly controlled by Iowa State. Moreover, the assets of the Foundation are the exclusive property of the Foundation and do not belong to Iowa State. Iowa State is not accountable for, and does not have ownership of, any of the financial and capital resources of the Foundation. Iowa State does not have the power or authority to mortgage, pledge, or encumber the assets of the Foundation. The Board of Directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to Iowa State. Third parties dealing with Iowa State should not rely upon the financial statements of the Foundation for any purpose without consideration of all of the foregoing conditions and limitations.

Complete financial statements for the Foundation can be obtained from the Foundation at 2505 University Boulevard, Ames, IA 50010-2230 or from the Foundation's website at www.foundation.iastate.edu.

D. Cash and Cash Equivalents

For purposes of the Statement of Net Position and the Statement of Cash Flows, cash and cash equivalents are reported in accordance with Board of Regents policy, Chapter 2.2 section 4.C.ix.a. The policy states investments purchased by the Regent institutions through Board-authorized brokerage firms that meet the definition of cash equivalents, investments with original purchase dates to maturity of three months or less, shall be reported on the audited financial statements of the Regent institutions as cash equivalents.

E. Investments

Investments are reported in accordance with Board of Regents policy, Chapter 2.2, section 4. The policy states that, to appropriately reflect the Board's overall investment strategy and as outlined in GASB Statement No. 9, Reporting Cash Flows of Proprietary and

Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, paragraph 11, the Board sets forth that all funds held by external investment managers, as defined in section 2.2.4.C.iv of the Board's investment policy, shall be reported on the audited financial statements of the Regent institutions as investments.

In accordance with the Board of Regents investment policy, Iowa State considers all funds held by external investment managers, regardless of maturity, to be investments. Investments are reported at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, and GASB Statement No. 72, Fair Value Measurement and Application. Changes in unrealized gain or 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.

Investments of the Foundation are carried at fair value based on values provided by an external investment manager and quoted market values. Other investments include certain equity and alternative investments whose fair values are measured using the practical expedient. The practical expedient allows for the use of net asset value (NAV) as estimated by management utilizing information provided by the respective funds' general manager and investment managers in the absence of readily determinable fair market values.

F. Inventories

Inventories consist of supplies, merchandise, grain, and livestock for resale, teaching, and research purposes. Inventories of supplies and merchandise are valued at the lower of cost (primarily weighted average) or market. Inventories of livestock and grain are reported at year-end market value.

G. Prepaid Expenses

Prepaid expenses include prepaid rent expense for office space at the Iowa State University Research Park (ISURP). Iowa State was appropriated \$12 million from the State of Iowa to reimburse ISURP for the construction of a Hub Square Facility in exchange for office space at the facility for the 20-year period beginning July 1, 2016. Accordingly, Iowa State recognized prepaid rent expense while the ISURP recognized an equal amount of unearned revenue in the amount of \$7.8 million as of June 30, 2023.

H. Capital Assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are recorded at acquisition value, which is the price that would have been paid to acquire a capital asset with equivalent service potential. For equipment, the capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Intangible assets with a cost of \$500,000 or more are capitalized. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the asset are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Right-to-use lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. A capitalization threshold of \$50,000 is used when recognizing lease assets.

Right-to-use subscription-based information technology arrangements (SBITA) are recognized at the commencement date based on the initial measurement of liability, plus any subscription payments made at or before the commencement of the subscription term and certain direct costs. A capitalization threshold of \$500,000 is used when recognizing these assets.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, including right-to-use lease and SBITA assets, generally 20 to 50 years for buildings, 10 to 30 years for infrastructure and land improvements, 2 to 20 years for equipment, 10 years for library collections, and 4 to 15 years for intangible assets.

I. Unearned Revenue

Unearned revenue includes items such as advance ticket sales, summer tuition not earned during the current year, and amounts received from grants and contracts that have not yet been earned.

J. Compensated Absences

Employee compensated absences are accrued when earned under the provisions of Chapters 70A and 262 of the Code of Iowa. Accrued vacation is paid at 100% of the employee's hourly rate upon retirement, death, or termination and, with certain exceptions, accrued sick leave is paid at 100% of the employee's hourly rate to a maximum of \$2,000 upon retirement. The liability for accrued compensated absences reported in the Statement of Net Position is based on current rates of pay.

K. Non-Current Liabilities

Non-current liabilities include principal amounts of revenue bonds payable, leases payable, subscription-based information technology arrangements, and financed installment purchases with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, refundable advances on student loans, pension liability, other post-employment benefits (OPEB) liability, and other liabilities that will not be paid within the next fiscal year.

L. Leases

Iowa State determines if an arrangement is or contains a lease at inception, including both leases where it is obligated as a lessee and leases for which it is a lessor.

Leases in which Iowa State is a lessee are included in the right-to-use lease assets and liabilities on the Statement of Net Position. These assets and liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date discounted using the stated interest rate or Iowa State's estimated incremental borrowing rate. Options to extend or terminate a lease are included in the amount recognized to the extent that Iowa State is reasonably certain to exercise those options. Amortization expense for right-to-use assets is recognized on a straight-line basis over the lease term. Variable lease payments based on a predetermined rate or index, such as the consumer price index, are initially measured using the index or rate in effect at lease commencement.

Lessor arrangements are included in receivables and deferred inflows of resources on the Statement of Net Position. Rental revenue arising from leases in which Iowa State is a lessor is included in other non-operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position. Lease receivable is amortized using Iowa State's stated rate of interest or estimated incremental interest rate. Deferred inflows of resources are recognized on a straight-line basis of the lease term.

Short-term leases with an initial lease term of 12 months or less are not included on the Statement of Net Position. Iowa State recognizes lessee and lessor short-term lease payments as outflows or inflows of resources, respectively, based on the payment provisions of the lease contract.

M. Subscription-Based Information Technology Arrangements (SBITA)

Iowa State enters into contracts that convey control of the right to use information technology software. Iowa State recognizes a subscription liability and intangible right-to-use asset in the financial statements for liabilities with an initial value of \$500,000 or more.

At the commencement of the subscription term, Iowa State initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The right-to-use subscription asset is initially measured as the sum of the initial subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus capitalization implementation costs, and less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscription arrangements include how Iowa State determines the discount rate it uses to discount the expected subscription payments to present value, subscription term, and subscription payments.

- Iowa State uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the estimated incremental borrowing rate is used as the discount rate.
- The subscription term includes the non-cancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

Changes in circumstances that would require a remeasurement of its subscription is monitored, and the subscription liability and right-to-use subscription asset will be remeasured if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

N. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to and deductions from IPERS's fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information is determined based on Iowa State's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

P. Refundable Advances on Student Loans

Refundable advances on student loans consist of federal capital contributions from the Perkins Federal Loan program. The federal capital contributions are refundable to the United States government if the loan program is terminated.

Q. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources consist of the following:

- 1. OPEB.** Deferred outflows of resources and deferred inflows of resources represent items that are not recognized in OPEB expense, and consist of differences between expected and actual experience of the OPEB plan and changes in assumptions.
- 2. Pension.** Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions by Iowa State after the measurement date but before the end of the reporting period. Deferred inflows of resources consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments and unrecognized items not yet credited to pension expense.
- 3. Lease receivables.** Deferred inflows of resources consist of lease revenue to be received over the life of the lease.
- 4. Unamortized bond refunding gains and losses.** Bond refunding losses and gains, which will be recognized over the life of the bonds, are the difference between the reacquisition price of the new debt and the net carrying amount of the debt being refunded. Deferred outflows of resources consist of unamortized losses resulting from the refunding of bonds. Deferred inflows of resources consist of unamortized gains resulting from the refunding of bonds.

R. Net Position

Net position is classified as follows:

- 1. Net investment in capital assets.** Capital assets, net of accumulated depreciation, amortization, and outstanding debt attributable to the acquisition, construction, or improvement of those assets.
- 2. Restricted, non-expendable.** Net position subject to externally imposed restrictions in which the donors or other outside sources have stipulated the principal is to be maintained inviolate and retained in perpetuity and invested for the purpose of producing income which will either be expended or added to principal.
- 3. Restricted, expendable.** Net position subject to externally imposed restrictions on use of resources, either legally or contractually.

4. **Unrestricted.** Net position not subject to externally imposed restrictions and that may be used to meet current obligations for any purpose or designated for specific purposes by action of management or the Board of Regents.

S. Operating Revenues and Expenses

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

T. Revenue Pledged for Debt Service

Tuition and fees are pledged as security for academic building, Memorial Union, and recreational system facilities revenue bonds. Auxiliary enterprise revenues are pledged as security for athletic facilities, dormitory, Memorial Union, parking system, recreational system facilities, and utility system revenue bonds.

U. Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the athletic department, University Book Store, Iowa State Center, Memorial Union, parking system, recreation services, regulated materials handling facility, Reiman Gardens, residence department, Iowa State dining, student health center, telecommunications system, and utility system.

V. Bond Discounts and Premiums

Bond discounts and premiums are deferred and amortized over the life of the bonds.

W. Use of Estimates

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

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Cash and Cash Equivalents

A summary of the book and bank balances for cash and cash equivalents at June 30, is as follows:

	2023	2022
Book balance:		
Non-fiduciary	\$ 110,358,467	\$130,633,193
Fiduciary	10,134,497	13,045,839
Total	<u>\$ 120,492,964</u>	<u>\$ 143,679,032</u>
Bank balance:		
Covered by FDIC insurance or state sinking fund	\$ 91,178,539	\$ 81,809,957
Uninsured and uncollateralized	38,843,505	73,318,294
Total bank balance	<u>\$ 130,022,044</u>	<u>\$ 155,128,251</u>

B. Investments

In accordance with the Code of Iowa and the Board of Regent’s policy, Iowa State’s operating portfolio may be invested in obligations of the U.S. government or its agencies, certain highly-rated commercial paper, highly-rated corporate bonds,

certain limited-maturity, zero-coupon securities, fully-insured or collateralized certificates of deposits and savings, eligible bankers acceptances of 180 days or less, certain repurchase agreements, high quality money market funds, and highly-rated guaranteed investment contracts. The endowment portfolio may invest in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock.

For donor-restricted endowments, Chapter 540A of the Code of Iowa permits the appropriation of an amount of realized and unrealized endowment appreciation as Iowa State determines to be prudent pursuant to a consideration of long-and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Iowa State's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules. Iowa State's spending policy is 5.5%, which includes a 1.25% administrative fee of a three-year moving average market value. Net appreciation of endowment funds, which totaled \$3,971,074 and \$4,982,303 at June 30, 2023 and 2022, respectively, is available to meet the spending rate distribution and is recorded in restricted expendable net position.

Investments for the discretely presented component unit are not subject to GASB disclosure requirements. These amounts are \$1.66 billion and \$1.60 billion as of June 30, 2023 and 2022, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration method, which is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the investor. Iowa State reduces exposure to this risk by following the operating and endowment portfolio benchmarks as established by the Board of Regents.

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, the investor will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Of the \$696.4 million investments at June 30, 2023, \$2,083,880 of pooled funds are held by the Foundation, not in Iowa State's name.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the investor's investment in a single issuer. Iowa State reduces exposure to this risk by complying with the Board of Regent's investment policy, which requires that, except for U.S. Government securities, no more than five percent of the investment portfolio shall be invested in securities of a single issuer.

There are no issuers that represented five percent or more of total operating portfolio assets for fiscal years 2023 and 2022.

As of June 30, 2023, the effective duration, credit quality ratings, and fair value of investments are as follows:

	Effective duration (years)	Credit Quality Rating									Total fair value	
		Treasury / Agency	AAA	AA	A	BBB	BB	B	CCC & below	Not rated		
Fixed income:												
U.S. government treasuries	0.15	\$ 69,236,114	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,236,114
U.S. government agencies	0.57	19,628,000	-	-	-	-	-	-	-	-	-	19,628,000
Short-term mutual funds	5.05	124,442,107	22,924,384	11,536,698	38,441,798	43,835,801	18,471,001	20,605,491	2,520,134	1,801,147	-	284,578,561
Long-term mutual funds	4.76	8,056,228	6,156,510	1,365,338	3,799,020	5,766,573	8,253,080	9,624,581	1,420,860	620,842	-	45,063,032
												418,505,707
Equity and other:												
Common stock		-	-	-	-	-	-	-	-	-	-	5,679,714
Mutual funds		-	-	-	-	-	-	-	-	-	-	132,401,524
Private equity		-	-	-	-	-	-	-	-	-	-	66,632,089
Foundation pooled funds		-	-	-	-	-	-	-	-	-	-	2,083,880
Real estate		-	-	-	-	-	-	-	-	-	-	51,847,943
Money market		-	-	-	-	-	-	-	-	-	-	69,959,412
Total investments		\$221,362,449	\$29,080,894	\$12,902,036	\$42,240,818	\$49,602,374	\$26,724,081	\$30,230,072	\$3,940,994	\$2,421,989	-	747,110,269
Less fiduciary funds												(50,711,778)
Total University investments												\$696,398,491



IOWA STATE UNIVERSITY

As of June 30, 2022, the effective duration, credit quality ratings, and fair value of investments are as follows:

	Effective duration (years)	Credit Quality Rating									Total fair value	
		Treasury / Agency	AAA	AA	A	BBB	BB	B	CCC & below	Not rated		
Fixed income:												
U.S. government treasuries	0.79	\$ 75,789,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,789,704
U.S. government agencies	1.05	29,842,100	-	-	-	-	-	-	-	-	-	29,842,100
Short-term mutual funds	5.12	124,549,175	28,322,444	9,388,400	37,837,984	45,891,573	13,322,944	30,091,951	3,481,865	2,561,949	295,448,285	
Long-term mutual funds	4.68	6,349,805	7,473,018	1,790,854	3,329,681	5,371,882	4,256,290	12,723,775	1,798,073	669,878	43,763,256	
											444,843,345	
Equity and other:												
Common stock		-	-	-	-	-	-	-	-	-	-	5,755,607
Mutual funds		-	-	-	-	-	-	-	-	-	-	133,252,155
Private equity		-	-	-	-	-	-	-	-	-	-	65,189,682
Foundation pooled funds		-	-	-	-	-	-	-	-	-	-	2,083,129
Real estate		-	-	-	-	-	-	-	-	-	-	59,189,780
Money market		-	-	-	-	-	-	-	-	-	-	91,605,997
Total investments		\$236,530,784	\$35,795,462	\$11,179,254	\$41,167,665	\$51,263,455	\$17,579,234	\$42,815,726	\$5,279,938	\$3,231,827	801,919,695	
Less fiduciary funds												(49,925,218)
Total University investments												\$751,994,477

Fair Value Measurement is a framework for measuring fair value in accordance with GAAP and presents expanded disclosures about fair value measurements. Specifically, all financial instruments reported at fair value are classified based on the inputs used to determine the values as follows:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions non-observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of option-pricing models, discounted cash flow models, and similar techniques.

Investments that do not have a readily determinable fair value are reported using Net Asset Value (NAV) per share. The NAV per share is provided by the fund manager and reviewed by Iowa State staff.

The classifications or levels by investment category as of June 30, 2023 and 2022 are shown below:

	June 30, 2023				
	Level 1	Level 2	Level 3	NAV	Total
Fixed income:					
U.S. government treasuries	\$ 69,236,114	\$ -	\$ -	\$ -	\$ 69,236,114
U.S. government agencies	-	19,628,000	-	-	19,628,000
Short-term mutual funds	156,113,922	-	-	128,464,639	284,578,561
Long-term mutual funds	-	-	-	45,063,032	45,063,032
Equity and other:					
Common stock	5,679,714	-	-	-	5,679,714
Mutual funds	83,736,648	-	-	48,664,876	132,401,524
Private equity - limited partnerships	-	-	-	66,632,089	66,632,089
Foundation pooled funds	237,292	167,627	28,805	1,650,156	2,083,880
Real estate	-	-	-	51,847,943	51,847,943
Money market ¹	-	-	-	-	69,959,412
Total investments	<u>\$ 315,003,690</u>	<u>\$ 19,795,627</u>	<u>\$ 28,805</u>	<u>\$ 342,322,735</u>	<u>\$ 747,110,269</u>

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income:				
Short-term mutual funds ²	\$ 128,464,639	\$ -	monthly	5 days
Long-term mutual funds ²	45,063,032	-	daily/quarterly	5-60 days
Equity and other:				
Mutual funds ³	48,664,876	-	daily/monthly	2-30 days
Private equity - limited partnerships ⁴	66,632,089	52,325,576	n/a	n/a
Foundation pooled funds	1,650,156	-	n/a	n/a
Real asset funds ⁵	51,847,943	1,125,107	n/a	n/a
Total investments	<u>\$ 342,322,735</u>	<u>\$ 53,450,683</u>		

	June 30, 2022				
	Level 1	Level 2	Level 3	NAV	Total
Fixed income:					
U.S. government treasuries	\$ 75,789,704	\$ -	\$ -	\$ -	\$ 75,789,704
U.S. government agencies	-	29,842,100	-	-	29,842,100
Short-term mutual funds	160,984,218	-	-	134,464,067	295,448,285
Long-term mutual funds	-	-	-	43,763,256	43,763,256
Equity and other:					
Common stock	5,755,607	-	-	-	5,755,607
Mutual funds	85,298,138	-	-	47,954,017	133,252,155
Private equity - limited partnerships	-	-	-	65,189,682	65,189,682
Foundation pooled funds	325,653	131,463	27,170	1,598,843	2,083,129
Real estate	-	-	-	59,189,780	59,189,780
Money market ¹	-	-	-	-	91,605,997
Total investments	<u>\$328,153,320</u>	<u>\$ 29,973,563</u>	<u>\$ 27,170</u>	<u>\$ 352,159,645</u>	<u>\$ 801,919,695</u>

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income:				
Short-term mutual funds ²	\$ 134,464,067	\$ -	monthly	5 days
Long-term mutual funds ²	43,763,256	-	daily/quarterly	5-60 days
Equity and other:				
Mutual funds ³	47,954,017	-	daily/monthly	2-30 days
Private equity - limited partnerships ⁴	65,189,682	58,521,904	n/a	n/a
Foundation pooled funds	1,598,843	-	n/a	n/a
Real asset funds ⁵	59,189,780	1,165,107	n/a	n/a
Total investments	\$ 352,159,645	\$ 59,687,011		

1 Money market funds—In accordance with Board of Regents policy, a minimum of 40% of the endowment pool must be held in liquid investments.

2 Fixed income mutual funds includes investments in mutual funds holding assets that provide stability, generate income, and diversify market risk.

3 Equity mutual funds includes investments in global equities including both developed and emerging markets.

4 Private equity includes private equity funds that invest in strategies such as venture capital, leveraged buyouts, and mezzanine debt.

Capital is committed during the investment period of each fund, typically four years, after which point capital commitments stop. Iowa State's interest in the non-redeemable funds is considered illiquid in that distributions from liquidation of the underlying assets of the fund are at the discretion of the general partner according to the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years and include a mechanism to extend the length of the partnership for two to three years with approval from the limited partners.

5 Real assets includes investments in private real estate and natural resource equities funds. Capital is committed during the investment period of each fund, typically four years, after which point capital commitments stop. Iowa State's interest in the non-redeemable funds is considered illiquid in the distributions from the liquidation of the underlying assets of the fund are at the discretion of the general partner per the terms of the limited partnership agreement. Funds are typically liquidated over a period of five to ten years and include a mechanism to extend the length of the partnership with approval from the limited partners.

C. Investments (Foundation)

The Foundation's investments are as follows:

	2023	2022
Pooled investments:		
Equity	\$ 615,953,152	\$ 560,719,668
Fixed income	328,520,672	339,746,260
Hedge funds	186,842,740	188,573,196
Private equity	326,399,118	332,431,581
Real estate	44,240,197	35,142,375
Natural resources / commodities	61,412,261	53,772,925
Cash and cash equivalents	37,019,814	36,619,925
Accrued manager fees	(1,000,000)	(1,000,000)
Total pooled investments	1,599,387,954	1,546,005,930
Other marketable securities:		
Fixed income	10,276,499	10,135,413
Equity	27,167,118	24,783,501
Cash and cash equivalents	1,127,860	5,617,649
Total marketable securities	38,571,477	40,536,563
Real estate and other investments:		
Real estate	18,718,212	16,428,829
Notes receivable from affiliated entities	109,561	252,014
Total real estate and other investments	18,827,773	16,680,843
Total investments	\$ 1,656,787,204	\$ 1,603,223,336

NOTE 3 - RECEIVABLES

A. Accounts Receivable

Accounts receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Position. Accounts receivable consist of the following as of June 30:

	2023	2022
Accounts receivable	\$ 55,356,057	\$ 52,368,466
Allowance for doubtful accounts	(1,047,182)	(2,770,177)
Accounts receivable, net	<u>\$ 54,308,875</u>	<u>\$ 49,598,289</u>

B. Due from Government Agencies

Due from government agencies consist of the following as of June 30:

	2023	2022
Due from federal agencies	\$ 42,401,096	\$ 40,302,309
Due from state agencies	8,021,677	12,342,287
Due from local agencies	20,383	30,799
Total due from governmental agencies	<u>\$ 50,443,156</u>	<u>\$ 52,675,395</u>

C. Notes Receivable

Notes receivable is shown net of allowances for doubtful accounts in the accompanying Statement of Net Position. Notes receivable consist of the following as of June 30:

	2023	2022
Student loan receivables	\$ 10,726,836	\$ 12,194,237
Split-dollar loan receivable	6,900,000	5,500,000
Allowance for doubtful accounts	(416,563)	(416,563)
Notes receivable, net	<u>\$ 17,210,273</u>	<u>\$ 17,277,674</u>

D. Lessor Arrangements

Iowa State leases land and buildings to external parties. Lease receivables and deferred inflows of resources are recorded based on the present value of expected receipts over the term of the leases. The expected receipts are discounted using the interest rate charged on the lease or using Iowa State's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the fiscal years ended June 30, 2023 and 2022, recognized revenues related to lease agreements total \$493,359 and \$420,163, respectively. Future minimum lease payments to be received under lessor agreements are as follows:

For the year ending June 30	Principal	Interest
2024	\$ 339,279	\$ 90,401
2025	355,032	76,128
2026	371,525	61,158
2027	257,958	47,474
2028	203,738	38,901
2029-2033	821,647	65,149
	<u>\$ 2,349,179</u>	<u>\$ 379,211</u>

E. Pledges Receivable (Foundation)

The components of net pledges receivable as of June 30 are as follows:

	2023	2022
Gross pledges receivable	\$ 100,194,322	\$ 97,827,763
Allowance for uncollectible pledges	(1,571,761)	(1,077,044)
Discount to present value	(7,306,355)	(6,775,671)
Pledges receivable, net	\$ 91,316,206	\$ 89,975,048

The Foundation estimates payments on pledges receivable as of June 30 will be received as follows:

	2023
2024	\$ 32,957,807
2025	17,783,067
2026	22,515,254
2027	13,310,776
2028	6,743,330
Thereafter	6,884,088
	\$ 100,194,322

In addition, the Foundation has received notification of deferred gifts totaling approximately \$761 million and \$750 million as of June 30, 2023 and 2022, respectively, primarily in the form of revocable wills.



NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2023, is summarized as follows:

	July 1, 2022 (as restated)	Additions	Transfers	Deductions	June 30, 2023
Non-depreciable/non-amortizable:					
Land	\$ 20,801,189	\$ 336,933	\$ -	\$ (60,500)	\$ 21,077,622
Land improvements	6,026,207	-	-	-	6,026,207
Construction in progress	109,299,052	117,466,179	(127,655,241)	-	99,109,990
Intangible assets in development	16,409,927	27,816,553	-	-	44,226,480
Total non-depreciable/non-amortizable capital assets	152,536,375	145,619,665	(127,655,241)	(60,500)	170,440,299
Depreciable/Amortizable:					
Buildings	2,168,388,142	-	96,660,532	(884,425)	2,264,164,249
Land improvements	66,237,768	-	9,804,767	-	76,042,535
Infrastructure	353,065,925	-	15,303,238	-	368,369,163
Equipment	365,960,574	22,465,884	5,886,704	(8,256,233)	386,056,929
Library	268,941,746	1,132,646	-	(315,437)	269,758,955
Intangible assets	45,131,718	-	-	-	45,131,718
Right-to-use asset - equipment	469,118	274,585	-	(194,364)	549,339
Right-to-use asset - buildings	15,313,700	2,941,282	-	(342,566)	17,912,416
Right-to-use asset - land	3,761,457	-	-	(3,217,851)	543,606
Right-to-use asset - IT subscriptions	52,160,024	2,069,024	-	-	54,229,048
Total depreciable/amortizable capital assets	3,339,430,172	28,883,421	127,655,241	(13,210,876)	3,482,757,958
Accumulated depreciation/amortization:					
Buildings	1,091,284,480	69,351,014	-	(621,684)	1,160,013,810
Land improvements	31,799,866	3,645,531	-	-	35,445,397
Infrastructure	221,772,625	10,215,770	-	-	231,988,395
Equipment	234,846,796	21,011,284	-	(7,146,977)	248,711,103
Library	233,656,127	7,009,037	-	(314,606)	240,350,558
Intangible assets	20,410,627	5,417,627	-	-	25,828,254
Right-to-use asset - equipment	278,652	172,655	-	(194,364)	256,943
Right-to-use asset - buildings	2,706,746	1,240,044	-	(342,560)	3,604,230
Right-to-use asset - land	335,594	10,188	-	-	345,782
Right-to-use asset - IT subscriptions	11,675,992	12,498,855	-	-	24,174,847
Total accumulated depreciation/amortization	1,848,767,505	130,572,005	-	(8,620,191)	1,970,719,319
Net depreciable/amortizable capital assets	1,490,662,667	(101,688,584)	127,655,241	(4,590,685)	1,512,038,639
Total net capital assets	\$ 1,643,199,042	\$ 43,931,081	\$ -	\$ (4,651,185)	\$ 1,682,478,938

Capital assets activity for the year ended June 30, 2022, is summarized as follows:

	July 1, 2021 (as restated)	Additions	Transfers	Deductions	July 1, 2022 (as restated)
Non-depreciable/non-amortizable:					
Land	\$ 20,796,289	\$ 4,900	\$ -	\$ -	\$ 20,801,189
Land improvements	6,026,207	-	-	-	6,026,207
Construction in progress	51,535,649	94,851,709	(36,908,743)	(179,563)	109,299,052
Intangible assets in development	5,982,043	10,427,884	-	-	16,409,927
Total non-depreciable/non-amortizable capital assets	84,340,188	105,284,493	(36,908,743)	(179,563)	152,536,375
Depreciable/Amortizable:					
Buildings	2,136,660,341	621,873	32,646,764	(1,540,836)	2,168,388,142
Land improvements	65,024,581	-	1,213,187	-	66,237,768
Infrastructure	350,017,133	-	3,048,792	-	353,065,925
Equipment	359,636,197	21,943,219	-	(15,618,842)	365,960,574
Library	267,024,053	2,171,295	-	(253,602)	268,941,746
Intangible assets	45,131,718	-	-	-	45,131,718
Right-to-use asset - equipment	457,470	11,648	-	-	469,118
Right-to-use asset - buildings	14,169,319	1,144,381	-	-	15,313,700
Right-to-use asset - land	3,761,457	-	-	-	3,761,457
Right-to-use asset - IT subscriptions	32,358,292	19,801,732	-	-	52,160,024
Total depreciable/amortizable capital assets	3,274,240,561	45,694,148	36,908,743	(17,413,280)	3,339,430,172
Accumulated depreciation/amortization:					
Buildings	1,026,230,537	66,285,999	-	(1,232,056)	1,091,284,480
Land improvements	28,508,970	3,290,896	-	-	31,799,866
Infrastructure	212,329,493	9,443,132	-	-	221,772,625
Equipment	228,986,181	19,859,692	-	(13,999,077)	234,846,796
Library	225,900,190	8,009,539	-	(253,602)	233,656,127
Intangible assets	14,993,002	5,417,625	-	-	20,410,627
Right-to-use asset - equipment	62,890	215,762	-	-	278,652
Right-to-use asset - buildings	1,327,468	1,379,278	-	-	2,706,746
Right-to-use asset - land	167,797	167,797	-	-	335,594
Right-to-use asset - IT subscriptions	-	11,675,992	-	-	11,675,992
Total accumulated depreciation/amortization	1,738,506,528	125,745,712	-	(15,484,735)	1,848,767,505
Net depreciable/amortizable capital assets	1,535,734,033	(80,051,564)	36,908,743	(1,928,545)	1,490,662,667
Total net capital assets	\$ 1,620,074,221	\$ 25,232,929	\$ -	\$ (2,108,108)	\$ 1,643,199,042



NOTE 5 – LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30 is summarized as follows:

	July 1, 2022 (as restated)	Additions	Deductions	June 30, 2023	Current Portion
Long-term debt:					
Bonds payable	\$ 489,129,303	\$ 62,071	\$ (32,113,415)	\$ 457,077,959	\$ 32,175,000
Leases payable	16,725,891	1,572,461	(2,786,245)	15,512,107	1,133,498
Subscription-based IT arrangements	38,098,310	2,069,024	(9,533,456)	30,633,878	8,734,864
Financed installment purchases	5,311,319	-	(1,033,895)	4,277,424	1,066,178
Total long-term debt	549,264,823	3,703,556	(45,467,011)	507,501,368	43,109,540
Other long-term liabilities:					
Compensated absences	42,849,307	24,585,117	(22,418,021)	45,016,403	21,280,639
Refundable advances on student loans	9,005,610	-	(2,111,218)	6,894,392	-
Deferred compensation	363,546	382,950	-	746,496	-
Net pension liability	445,606	39,375,532	-	39,821,138	-
Other post-employment benefits liability	46,406,083	16,851,153	(12,220,723)	51,036,513	4,950,619
Total other long-term liabilities	99,070,152	81,194,752	(36,749,962)	143,514,942	26,231,258
Total long-term liabilities	\$ 648,334,975	\$ 84,898,308	\$ (82,216,973)	\$ 651,016,310	\$ 69,340,798

	July 1, 2021 (as restated)	Additions	Deductions	June 30, 2022 (as restated)	Current Portion
Long-term debt:					
Bonds payable	\$ 508,444,583	\$ 29,745,527	\$ (49,060,807)	\$ 489,129,303	\$ 30,245,000
Leases payable	17,068,160	1,156,029	(1,498,298)	16,725,891	1,453,000
Subscription-based IT arrangements	30,125,705	19,801,732	(11,829,127)	38,098,310	9,386,889
Financed installment purchases	5,802,223	451,841	(942,745)	5,311,319	1,055,699
Total long-term debt	561,440,671	51,155,129	(63,330,977)	549,264,823	42,140,588
Other long-term liabilities:					
Compensated absences	45,275,812	17,603,697	(20,030,202)	42,849,307	18,173,196
Refundable advances on student loans	11,040,124	-	(2,034,514)	9,005,610	-
Deferred compensation	122,150	-	241,396	363,546	-
Net pension liability	59,965,699	-	(59,520,093)	445,606	-
Other post-employment benefits liability	42,472,941	7,728,581	(3,795,439)	46,406,083	5,120,844
Total other long-term liabilities	158,876,726	25,332,278	(85,138,852)	99,070,152	23,294,040
Total long-term liabilities	\$ 720,317,397	\$ 76,487,407	\$ (148,469,829)	\$ 648,334,975	\$ 65,434,628

A. Bonds Payable

Outstanding long-term revenue bond indebtedness at June 30 consist of the following:

	Interest Rates (%)	Fiscal Year Maturity Date Range	2023 Amount Outstanding	2022 Amount Outstanding
Academic building	2.000 - 5.000	2023 - 2036	\$ 88,235,000	\$ 95,515,000
Plus: unamortized premium			4,860,188	5,347,105
Athletic facilities	2.000 - 5.000	2023 - 2041	110,325,000	114,410,000
Less: unamortized discount			(71,872)	(79,059)
Plus: unamortized premium			6,374,817	6,779,732
Dormitory	1.500 - 5.000	2023 - 2036	103,760,000	113,995,000
Less: unamortized discount			(362,574)	(403,706)
Plus: unamortized premium			3,038,733	3,704,219
ISU Facilities Corporation	3.000 - 3.125	2023 - 2043	32,345,000	33,515,000
Plus: unamortized premium			480,076	505,343
Memorial Union	2.000 - 5.000	2023 - 2043	20,495,000	21,650,000
Less: unamortized discount			(96,267)	(110,020)
Plus: unamortized premium			817,447	860,470
Parking system	3.000	2023	-	380,000
Recreational system facilities	2.000 - 3.000	2023 - 2038	37,900,000	39,775,000
Plus: unamortized premium			956,913	1,025,264
Utility system	2.000 - 5.000	2023 - 2037	46,765,000	50,830,000
Plus: unamortized premium			1,255,498	1,429,955
Total bonds payable			\$ 457,077,959	\$ 489,129,303

Debt service requirements to maturity, as of June 30, 2023, are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2024	\$ 32,175,000	\$ 13,565,253	\$ 45,740,253
2025	33,570,000	12,445,895	46,015,895
2026	34,085,000	11,271,929	45,356,929
2027	34,375,000	10,071,469	44,446,469
2028	34,460,000	8,856,320	43,316,320
2029-2033	142,155,000	28,828,816	170,983,816
2034-2038	99,235,000	9,666,609	108,901,609
2039-2043	29,770,000	1,636,941	31,406,941
Less: unamortized discount	(530,714)	-	(530,714)
Plus: unamortized premium	17,783,673	-	17,783,673
Total bonds payable	\$ 457,077,959	\$ 96,343,232	\$ 553,421,191

B. Leases Payable

The schedule of principal and interest payments for leases is as follows:

For the year ending June 30		Principal		Interest
2024	\$	1,133,498	\$	868,494
2025		1,133,740		809,512
2026		1,189,916		747,664
2027		1,162,286		684,906
2028		906,856		629,039
2029-2033		2,186,854		2,601,631
2034-2038		1,167,639		2,195,041
2039-2043		1,239,592		1,840,408
2044-2048		1,587,262		1,412,738
2049-2053		2,155,943		844,057
2054-2058		1,648,521		151,479
	\$	15,512,107	\$	12,784,969

C. Subscription-Based Information Technology Arrangements

The schedule of principal and interest payments for subscription-based information technology arrangements is as follows::

For the year ending June 30		Principal		Interest
2024	\$	8,734,865	\$	969,653
2025		6,487,987		712,870
2026		3,155,669		558,306
2027		2,778,703		430,774
2028		2,814,625		308,455
2029-2033		6,662,029		371,255
	\$	30,633,878	\$	3,351,313

D. Financed Installment Purchases

The schedule of principal and interest payments for financed installment purchases is as follows:

Fiscal year ending June 30		Principal		Interest		Total
2024	\$	1,066,178	\$	151,936	\$	1,218,114
2025		1,106,809		111,304		1,218,113
2026		1,062,967		69,800		1,132,767
2027		1,041,470		30,249		1,071,719
Total	\$	4,277,424	\$	363,289	\$	4,640,713

NOTE 6 – RETIREMENT PROGRAMS

A. Teachers Insurance and Annuity Association (TIAA)

Iowa State contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, a defined contribution plan administered by TIAA. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents establishes and amends the plan's provisions and contribution requirements. As required by the Board of Regent's policy, all eligible employees must participate in a retirement plan from the date they are employed.

Contributions made by the employer fully vest after the completion of three years of employment; employee contributions vest immediately. As specified by the contract with TIAA, each employee contributes three and one-third percent of the first \$4,800 of earnings, and five percent on the balance of earnings through the fifth year of employment. Iowa State contributes six and two-thirds of the first \$4,800 of earnings, and ten percent on earnings above \$4,800, through the fifth year of employment. Upon completion of five years of service, the participant contributes five percent and Iowa State contributes ten percent on all earnings.

Iowa State's required and actual contributions total \$44,534,788 and \$43,458,994 for the fiscal years ended June 30, 2023 and 2022, respectively. The employee required and actual contributions total \$21,618,783 and \$20,983,715. Payables to the defined contribution pension plan total \$3,582,782 and \$3,341,555 for legally required employer contributions and \$1,749,297 and \$1,670,660 for legally required employee contributions, which had been withheld from employee wages but not yet remitted to TIAA as of June 30, 2023 and 2022, respectively.

B. Iowa Public Employees' Retirement System (IPERS)

Plan Description. IPERS membership is mandatory for employees, except for those covered by another retirement system. Employees are provided with pensions through a cost-sharing, multiple-employer, defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report, which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Protection Occupation members may retire at normal retirement age, which is generally age 55. Members may also retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a Protection Occupation member's monthly IPERS benefit include a multiplier based on years of service and the member's highest three-year average salary.

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

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

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

In fiscal years 2023 and 2022, pursuant to the required rate, Regular members contributed 6.29% and Iowa State contributed 9.44% of covered payroll. Protection Occupation members contributed 6.21% and Iowa State contributed 9.31% of covered payroll for fiscal years 2023 and 2022, respectively.

Iowa State's contributions to IPERS for the fiscal years ended June 30, 2023 and 2022 are \$10,141,608 and \$8,174,166, respectively.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. Iowa State's share of IPERS net pension liability (NPL) at June 30, 2023 and 2022, is \$39,821,138 and \$445,606, respectively. The NPL is measured as of June 30, 2022 and 2021, respectively, and the total pension liability used to calculate the net pension liability is determined by an actuarial valuation as of those dates. Iowa State's proportion of the net pension liability is based on Iowa State's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, Iowa State's proportion is 1.053986%, which is an increase of 1.183062% from its proportion measured as of June 30, 2021.

For the fiscal years ended June 30, 2023 and 2022, the University recognized pension expense (reduction) of \$3,504,455 and \$(3,918,339), respectively.

Deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources as of June 30:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,882,028	\$ 550,167	\$ 1,031,527	\$ 972,406
Changes in assumptions	34,070	64,871	839,795	922
Net differences between projected and actual earnings on pension plan investments	-	4,363,121	-	46,789,540
Changes in proportion and differences between Iowa State contributions and proportionate share of contributions	9,906,431	10,333	8,689,195	14,099
Iowa State contributions subsequent to the measurement date	10,141,608	-	8,174,166	-
Total	\$ 21,964,137	\$ 4,988,492	\$ 18,734,683	\$ 47,776,967



\$10,141,608 and \$8,174,166 reported as deferred outflows of resources related to pensions resulting from Iowa State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal years ending June 30, 2024 and 2023, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	2023	2022
2023	\$ -	(8,235,493)
2024	(467,952)	(8,987,131)
2025	(69,961)	(8,684,641)
2026	(3,239,244)	(11,616,781)
2027	10,131,227	307,596
2028	479,967	-
Total	\$ 6,834,037	\$ (37,216,450)

There are no non-employer contributing entities to IPERS.

Actuarial Assumptions. The total pension liability in the June 30, 2022 actuarial valuation is determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation	2.60% per annum
Rates of salary increase	3.25% to 16.25% average, depending on years of service
Long-term investment rate of return	7.00% compounded annually, net of expenses
Wage growth	3.25% per annum, based on 2.60% inflation assumption and 0.65% real wage inflation

The actuarial assumptions used in the June 30, 2022 valuation are based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are shown in the following table:

Asset Class	2023		2022	
	Asset Allocation (%)	Long-Term Expected Real Rate of Return (%)	Asset Allocation (%)	Long-Term Expected Real Rate of Return (%)
Domestic equity	22.0	3.57	22.0	4.43
International equity	17.5	4.79	17.5	6.01
Global smart beta equity	6.0	4.16	6.0	5.10
Core plus fixed income	20.0	1.66	26.0	0.29
Public credit	4.0	3.77	4.0	2.08
Cash	1.0	0.77	1.0	(0.25)
Private equity	13.0	7.57	13.0	9.51
Private real assets	8.5	3.55	7.5	4.63
Private credit	8.0	3.63	3.0	2.87
	<u>100.0</u>		<u>100.0</u>	

Discount Rate. The discount rate used to measure the total pension liability is 7.00% for fiscal years 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the contractually required rates, which are set by the Contribution Rate Funding Policy and derived from the actuarial valuation. Based on those assumptions, IPERS's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members. Therefore, the actuarial assumed investment return is applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Iowa State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents Iowa State's proportionate share of the NPL calculated using the discount rate, as well as what the proportionate share of the NPL would be if it were calculated using a discount rate one percent lower or higher than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
ISU's proportionate share of the overall plan NPL - 2023	\$ 74,905,584	\$ 39,821,138	\$ 8,904,199
ISU's proportionate share of the overall plan NPL - 2022	44,789,927	445,606	(36,716,929)

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

Payables to IPERS. The following amounts are due to IPERS for legally required employer and employee contributions as of June 30:

	2023	2022
Legally required employer contributions	\$ 886,468	\$ 727,514
Legally required employee contributions	590,674	488,974
	<u>\$ 1,477,142</u>	<u>\$ 1,216,488</u>

C. Phased Retirement Programs

Phased Retirement (Effective July 1, 2017).

This phased retirement program was approved by the Board of Regents effective July 1, 2017 and replaces the phased program approved in 1982.

Eligibility. Faculty, P&S, and merit system employees employed by the Board of Regents for a period of 15 consecutive years and who had attained age 57 are eligible to request and negotiate with their department a schedule of phasing into retirement, not to exceed two years. Requests for admission into the program are not guaranteed and must receive approval from the appropriate administrative office of the institution by which they are employed.

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

The following benefits are applicable during participation in this program:

- a. Compensation.** In the first year of a two-year phasing period, the salary received will reflect the reduced responsibilities plus, at the discretion of the institution, an additional ten percent of the budgeted salary, had the person worked full time. In the only or last year following the initiation of phased retirement, the employee's salary will be proportional to the budgeted salary had the person worked full time.
- b. Benefits.** During the phased retirement period, employer and employee contributions will continue for life insurance, health and dental insurance, disability insurance, and defined contribution retirement at the same levels that would have prevailed had the employee continued a full time appointment. As mandated by law, FICA, defined benefit retirement, Federal Employees Retirement System, Civil Service Retirement System, and Civil Service Retirement System Offset contributions will be based on the employee's actual salary paid. Accrual of vacation and sick leave will be based on the percentage of appointment. An employee participating in this program will be allowed access to their defined contribution retirement account to assist in supplementing the loss of income that occurs when participating in this program.

As of June 30, 2023 and 2022, there are 30 and 21 employees participating in the program, respectively.

D. Retirement Incentive Program

1. Retirement Incentive Program (2021)

This retirement incentive program was approved by the Board of Regents effective August 3, 2020 and ended June 30, 2021.

Eligibility. Eligible employees are faculty, P&S, and merit system employees employed by the Board of Regents that meet the rule of 70, combining age and continuous length of service, and are at least 60 years of age at the time of retirement. Employees agreed to fully retire no later than June 30, 2021.

Incentive Choices. Participants chose from the following options:

- Receive two years of employer retirement contributions as well as the employer and employee portions of health and dental coverage up to the self and spouse/partner level. Health and dental coverage require five years of continuous participation in Iowa State's medical and dental plans prior to retirement.
- Receive three years of retirement contributions.
- Receive three years of health and dental coverage, as explained above.

Employees approved for this program may not be rehired at Iowa State during the incentive period they chose. Any exception to this clause requires an employee to repay the value of incentives received.

There were 105 and 315 employees participating in the program as of June 30, 2023 and 2022, respectively.

2. Specialized Retirement Incentive Program (2023)

This retirement incentive program was approved by the Board of Regents in the April 2022 meeting. Employees could apply for the option from October 3, 2022 to December 2, 2022.

Eligibility. Eligible employees must meet the entirety of the following criteria:

- Have a tenured primary academic appointment in LAS or in the College of Agriculture and Life Sciences (CALs) provided the CALs faculty member's appointment resides in a dually administered department with LAS,
- Have a medical benefits eligible appointment with Iowa State,
- Have a continuous service and age that is equal to 70 and be at least 60 years of age at the time of retirement,
- Have not already communicated and received approval to retire or resign prior to the announcement of the program, and
- Must not already be participating in another Iowa State retirement program.

Employees agreed to fully retire no later than June 30, 2023.

Incentive Choices. Participants chose from the following options:

- Receive two years of employer retirement contributions as well as the employer and employee portions of health and dental coverage up to the self and spouse/partner level. Health and dental coverage require five years of continuous participation in Iowa State's medical and dental plans prior to retirement.
- Receive three years of retirement contributions.

There were 17 employees participating in the program as of June 30, 2023.

NOTE 7 – TOTAL OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY

Plan Description. Iowa State operates a single-employer benefit plan which provides medical, dental, and life insurance benefits for faculty and staff and their spouses. Retired participants must be age 55 or older at retirement. 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.

OPEB Benefits. Employees that are eligible to participate in the group health plan are eligible to continue health care benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Total OPEB Liability. Total OPEB liability of \$51,036,513 reported for fiscal year 2023, is measured as of January 1, 2023, and is determined by an actuarial valuation as of January 1, 2022, with results actuarially projected on a no gain/no loss basis to get to the January 1, 2023 measurement date. The actuarial valuation is based on 6,465 active employees and 4,044 retirees.

Total OPEB liability of \$46,406,083 reported for fiscal year 2022, is measured as of January 1, 2022, with no adjustments to get to the January 1, 2022 date. The actuarial valuation is based on 6,465 active employees and 4,044 retirees.

Actuarial Assumptions. The total OPEB liability in the actuarial valuation is determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective 01/01/22)	2.60% per annum
Rates of payroll growth (effective 01/01/22)	3.25% general wage inflation plus salary merit increases for school employees
Health care cost trend rate pre-65 (effective 01/01/23)	7.00% initial rate, decreasing to an ultimate rate of 4.50%
Health care cost trend rate post-65 (effective 01/01/23)	6.25% initial rate, decreasing to an ultimate rate of 4.50%

Discount Rate. The discount rate used to measure the total OPEB liability is 4.31%, which is selected from a range of indices, where the range is given as the spread between the lowest and highest rate shown. The indices included are the Bond Buyer 20-Bond GO Index, Fidelity GO AA-20 years, and the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates are from the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for active employees and healthy retirees. Surviving spouse rates are from the SOA Pub-2010 Contingent Survivor Headcount Weighted

Mortality Table fully generational using Scale MP-2021. Disabled retiree rates are from the SOA Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021.

The actuarial assumptions used in the January 1, 2023 valuation are based on the results of an actuarial experience study completed as of July 2014.

Changes in the Total OPEB Liability. The changes in the total OPEB liability as of June 30 are as follows:

	2023	2022
Total OPEB liability, beginning of year	\$ 46,406,083	\$ 42,472,941
Changes for the year:		
Service cost	3,726,363	3,880,976
Interest	1,070,691	942,682
Change in assumptions	(7,099,879)	780,822
Differences between expected and actual experience	12,054,099	2,124,101
Benefit payments	(5,120,844)	(3,795,439)
Net change	4,630,430	3,933,142
Total OPEB liability, end of year	\$ 51,036,513	\$ 46,406,083

Changes in assumptions reflect a change in the discount rate from 2.25% in fiscal year 2022 to 4.31% in fiscal year 2023.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	2023		
	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total OPEB liability	\$ 54,348,897	\$ 51,036,513	\$ 47,971,020

	2022		
	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB liability	\$ 49,441,664	\$ 46,406,083	\$ 43,605,151

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate:

	2023		
	1% Decrease (6.00% decreasing to an ultimate rate of 3.50%)	Healthcare Cost Trend Rate (7.00% decreasing to an ultimate rate of 4.50%)	1% Increase (8.00% decreasing to an ultimate rate of 5.50%)
Total OPEB liability	\$ 46,952,935	\$ 51,036,513	\$ 55,772,943

	2022		
	1% Decrease (6.50% decreasing to an ultimate rate of 3.50%)	Healthcare Cost Trend Rate (7.50% decreasing to an ultimate rate of 4.50%)	1% Increase (8.50% decreasing to an ultimate rate of 5.50%)
Total OPEB liability	\$ 42,975,768	\$ 46,406,083	\$ 50,396,297

OPEB Expense, Deferred Outflows (Inflows) of Resources Related to OPEB. OPEB reduction of expense is \$(2,499,923) and \$(3,711,874) for the fiscal years ended June 30, 2023 and 2022, respectively. At June 30, deferred outflows (inflows) of resources related to OPEB are as follows:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,542,111	\$ 15,284,498	\$ 2,472,045	\$ 26,432,730
Changes in assumptions	2,845,775	5,958,200	5,121,257	1,266,581
Contributions subsequent to measurement date	2,845,320	-	2,560,422	-
Total	\$ 16,233,206	\$ 21,242,698	\$ 10,153,724	\$ 27,699,311

\$2,845,320 reported as deferred outflows of resources resulting from Iowa State contributions subsequent to the measurement date will be recognized as a reduction of net OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ending June 30

2024	\$ (7,296,972)
2025	(1,796,395)
2026	1,238,555
2027	-
Total	\$ (7,854,812)

NOTE 8 – COMMITMENTS AND RISK MANAGEMENT

A. Commitments

At June 30, 2023 and 2022, outstanding construction contract commitments are \$95,426,395 and \$75,656,175 respectively.

B. Risk Management

Iowa State has elected to self insure, or internally assume, certain potential losses where management believes it is more economical to manage these risks internally. The exposure and management of various risks are delineated below.

1. Employee Health and Dental Benefits

Iowa State self insures its medical and dental plans for all employees. The medical plan includes reinsurance programs that are set at \$500,000 for the individual stop-loss and 125% for the aggregate stop-loss. A stop-loss provision is not necessary for the dental plans as these programs have annual benefit limitations.

The following schedule presents the changes in claims liabilities for self-funded medical and dental insurance. The claims liabilities are calculated in accordance with Actuarial Standard of Practice No. 5 and based on data provided by Iowa State and the health plan vendors.

	2023	2022
Unpaid claims and liabilities, beginning of year	\$ 9,236,000	\$ 8,715,000
Claims incurred and contingent liabilities accrued during year	126,716,287	117,803,174
Payments on claims during year	(126,744,287)	(117,282,174)
Unpaid claims and liabilities, end of year	\$ 9,208,000	\$ 9,236,000

2. Employee Workers' Compensation and Unemployment Insurance

The State of Iowa self insures, on behalf of Iowa State, for losses related to workers' compensation and unemployment claims on state supported employees. The Iowa Department of Administrative Services (DAS) administers both programs. At the beginning of the fiscal year, DAS calculates an annual workers' compensation premium to be paid in monthly increments for eligible employees. The confirmed unemployment claims for eligible employees are billed quarterly. Iowa State annually establishes federally-approved fringe benefit rates based on prior year's actual costs. The workers' compensation and unemployment costs are components of the established fringe benefit rates billed to departments. Any over/under costs are picked up by the fringe pool.

3. Employee Medical and Dependent Care Flexible Spending Programs

Eligible employees have an option to participate in two flexible spending programs and maximums and carryforwards are applied on a calendar year basis. The Medical Flexible Spending Program (Med FSA) allows employees to have a maximum pre-tax deduction of \$3,050 (calendar year 2023) and \$2,850 (calendar year 2022) to cover qualified uninsured medical, dental, and vision claims. Federal regulations mandate that any Med FSA claims must be incurred by December 31 to be eligible for reimbursement, except for the carryover provision. Iowa State has adopted both a carryover provision and a 120-day run-out period, which allows an employee to request reimbursement for prior year incurred claims for a period up to 120 days (April 30) of the succeeding year. The carryover provision is \$610 and \$570 for calendar years 2023 and 2022, respectively. Amounts unclaimed beyond these program requirements are forfeited. The Dependent Care Assistance Program (DCAP) allows employees to have an annual maximum pre-tax deduction of \$5,000 for qualified dependent care expenses. For calendar years 2023 and 2022, Iowa State has allowed reimbursement for claims incurred in the calendar year to extend to March 15 for the DCAP. The DCAP also provides a 120-day filing extension period in the subsequent year for reimbursable claims incurred in the previous year. The Med FSA program carries an element of self-insurance risk, as required by Federal law. Iowa State deducts one twelfth of the annually elected amount from an employee's pay each month. If the employee terminates before the end of the calendar year, Iowa State is at risk for the difference between the employee's total allowable reimbursed claims and the total amount deducted in the employee's pay. Iowa State, by Federal law, cannot seek restitution for this difference. The same risk does not apply to the DCAP as an employee cannot claim more than the total amount deducted from the employee's pay. Unclaimed employee contributions are maintained in a separate account, which has carried a surplus balance since inception of the program due to contributions exceeding claims each year. This surplus balance is used to fund the administrative costs of the program.

4. General Liability

The State of Iowa maintains an employee fidelity bond whereby the first \$250,000 of losses is the responsibility of Iowa State. Losses between \$250,000 and \$2,000,000 are insured. Iowa State also maintains an employee blanket bond to cover losses up to \$5,000,000.

The State of Iowa self insures, on behalf of Iowa State, losses related to tort claims. The Board of Regents entered into a 28E agreement with the Department of Management, the State Appeal Board, and the Attorney General for resolution of tort claims of \$5,000 or less. Iowa State is authorized to approve individual claims up to \$5,000, but not to exceed \$100,000 in aggregate per year. Tort claims settled in excess of \$5,000 must be unanimously approved by all members of the State Appeal Board, the Attorney General, and the District Court of the State of Iowa for Polk County. Tort claims may be paid from the State's General Fund without limit.

5. Motor Vehicle Insurance

The Board of Regents' institutions cooperatively self insure for liability losses related to motor vehicles up to \$250,000. Each Regents' institution is required to pay a pre-determined monthly premium for each vehicle into the cooperative insurance program. Losses in excess of \$250,000 are self-insured by the State as provided in Chapter 669 of the Code of Iowa. Iowa State self insures its vehicles for physical damage. In addition to liability coverage, the insurance program also self insures for comprehensive and collision damage.

6. Property Insurance

The State of Iowa self insures, on behalf of Iowa State, property deemed general university property, which is exclusive of property belonging to self-supporting enterprises. A contingency fund exists under Section 29C.20 of the Code of Iowa to request compensation for loss or damage to state property (including general university property). The Code of Iowa states that claims in excess of \$5,000 may be submitted to the Executive Council for consideration. Iowa State purchases catastrophic commercial property insurance, including earthquake and flood coverage, for its General Fund buildings with a \$2,000,000 per incident

deductible. The commercial insurance program also includes coverage for enterprise facilities such as the residence system, Iowa State Center, power plant, etc., with deductibles ranging from \$1,000 to \$1,000,000 per occurrence.

7. Business Interruption and Extra Expense Insurance

Iowa State self insures for business interruption losses of its general mission revenues, such as tuition and fees, etc. Commercial insurance is purchased to cover business interruption losses for self-supporting enterprises such as the athletic department, Iowa State Center, residence department, and the University Book Store.

8. Insurance Settlements

There are no settlements exceeding insurance coverage in any of the past three fiscal years.

NOTE 9 – OPERATING EXPENSES BY FUNCTION

The following is a summary of operating expenses by functional classification for the fiscal years ended June 30:

	2023			
	Compensation & Benefits	Supplies & Services	Other	Total
Instruction	\$ 248,735,009	\$ 27,593,137	\$ -	\$ 276,328,146
Research	121,926,003	65,493,746	-	187,419,749
Public service	52,678,253	22,236,211	-	74,914,464
Academic support	165,161,755	78,834,294	-	243,996,049
Student services	28,546,990	16,609,532	-	45,156,522
Institutional support	39,443,385	19,563,122	-	59,006,507
Operation & maintenance	37,401,979	41,258,381	-	78,660,360
Scholarships & fellowships	-	-	51,955,368	51,955,368
Auxiliary	92,650,133	90,084,118	-	182,734,251
Independent operations	31,031,218	26,647,435	-	57,678,653
Depreciation/amortization	-	-	130,572,005	130,572,005
	<u>\$ 817,574,725</u>	<u>\$ 388,319,976</u>	<u>\$ 182,527,373</u>	<u>\$ 1,388,422,074</u>

	2022 (as restated)			
	Compensation & Benefits	Supplies & Services	Other	Total
Instruction	\$ 235,790,966	\$ 24,970,238	\$ -	\$ 260,761,204
Research	108,232,288	56,116,061	-	164,348,349
Public service	49,838,278	21,519,738	-	71,358,016
Academic support	144,895,367	69,803,782	-	214,699,149
Student services	24,365,630	12,377,032	-	36,742,662
Institutional support	51,912,081	30,629,851	-	82,541,932
Operation & maintenance	37,499,444	39,280,778	-	76,780,222
Scholarships & fellowships	-	-	70,525,197	70,525,197
Auxiliary	83,393,414	74,446,354	-	157,839,768
Independent operations	28,811,769	24,683,453	-	53,495,222
Depreciation/amortization	-	-	125,745,712	125,745,712
	<u>\$ 764,739,237</u>	<u>\$ 353,827,287</u>	<u>\$ 196,270,909</u>	<u>\$ 1,314,837,433</u>

NOTE 10 – RESTATEMENT OF PRIOR PERIODS

The implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, required the restatement of prior periods presented in the financial statements. Restated fiscal year 2022 information is as follows:

	June 30, 2022, (as previously reported)	Cumulative effect of GASB 96 Implementation	June 30, 2022 (as restated)
Current assets	\$ 281,433,456	\$ (2,625,192)	\$ 278,808,264
Capital assets	1,602,790,136	40,408,906	1,643,199,042
Other non-current assets	765,009,571	(1,370,640)	763,638,931
Total assets	<u>2,649,233,163</u>	<u>36,413,074</u>	<u>2,685,646,237</u>
Deferred outflows of resources	36,622,227	-	36,622,227
Total assets and deferred outflows of resources	<u>\$ 2,685,855,390</u>	<u>\$ 36,413,074</u>	<u>\$ 2,722,268,464</u>
Current liabilities	\$ 199,016,535	\$ 9,386,889	\$ 208,403,424
Non-current liabilities	565,216,657	28,636,068	593,852,725
Total liabilities	<u>764,233,192</u>	<u>38,022,957</u>	<u>802,256,149</u>
Deferred inflows of resources	78,175,804	-	78,175,804
Total liabilities and deferred inflows of resources	<u>842,408,996</u>	<u>38,022,957</u>	<u>880,431,953</u>
Net investment in capital assets	1,102,606,138	2,385,949	1,104,992,087
Restricted, non-expendable	28,959,984	-	28,959,984
Restricted, expendable	116,456,184	-	116,456,184
Unrestricted	595,424,088	(3,995,832)	591,428,256
Total net position	<u>1,843,446,394</u>	<u>(1,609,883)</u>	<u>1,841,836,511</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,685,855,390</u>	<u>\$ 36,413,074</u>	<u>\$ 2,722,268,464</u>

NOTE 11 – SEGMENT INFORMATION

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

A. Academic Building Revenue Bonds

The academic building revenue bonds were issued to construct and renovate academic buildings. Revenues pledged for these issues are gross student fees and institutional income.

B. Athletic Facilities Revenue Bonds

The athletic facilities revenue bonds were issued to construct and equip intercollegiate athletic facilities. Revenues pledged for these issues are net revenues of the athletic facilities system.

C. Dormitory Revenue Bonds

The dormitory revenue bonds were issued to build various residence halls, suites, and apartments. Revenues pledged for these issues are the net rents, profits, and income from the Department of Residence facilities.

D. Iowa State Facilities Corporation Bonds

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

E. Memorial Union Revenue Bonds

The Memorial Union revenue bonds were issued to improve, remodel, repair, and construct additions to the Memorial Union building and parking facility, and to refund the outstanding Memorial Union Series 2000 Notes. Revenues pledged for this issue are the net revenues of the Memorial Union and student building fees.



F. Parking System Revenue Bonds

The parking system revenue bonds were issued to construct a single-level parking deck on campus. In addition, the bonds were used to recondition and expand vehicle parking spaces with the construction of a connecting roadway at Jack Trice Stadium. Revenues pledged for this issue are the net revenues of the parking system.

G. Recreational System Facilities Revenue Bonds

The recreational system facilities revenue bonds were issued to construct, furnish and equip new recreational building space and to complete other improvements to recreational facilities. Revenues pledged for this issue are the net revenues of the recreational facilities system.

H. Utility System Revenue Bonds

The utility system revenue bonds were issued to construct, improve, and equip various components of the utility system. Revenues pledged for this issue are the net revenues of the utility system, utility system student fees, and interest on investments.

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

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

Insurance. Iowa State maintains property and business interruption insurance coverage on various bonded enterprise facilities per requirements of the bond covenants.



	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Utility System Revenue Bonds
Condensed Statement of Net Position								
Assets								
Current assets	\$ 8,834,116	\$ 20,229,740	\$ 16,415,471	\$ 1,756,715	\$ 5,730,020	\$ 227,865	\$ 2,662,096	\$ 407,904
Non-current assets	10,088,992	8,886,970	51,426,844	2,192,979	17,758,754	8,783,010	13,084,151	27,863,473
Capital assets	80,488,297	106,437,169	212,262,903	69,579,541	26,351,134	6,305,963	38,401,594	117,982,211
Total assets	99,411,405	135,553,879	280,105,218	73,529,235	49,839,908	15,316,838	54,147,841	146,253,588
Deferred outflows of resources	3,091,951	1,165,657	279,212	-	395,294	-	2,065,654	26,852
Liabilities								
Current liabilities	8,830,907	20,191,918	16,637,172	1,695,234	2,305,600	222,512	2,893,329	6,446,964
Non-current liabilities	85,600,189	112,372,945	94,876,159	31,620,076	19,706,178	-	36,906,913	43,820,498
Total liabilities	94,431,096	132,564,863	111,513,331	33,315,310	22,011,778	222,512	39,800,242	50,267,462
Deferred inflows of resources	72,308	-	62,273	-	-	-	-	195,833
Net position								
Net investment in capital assets	(9,587,248)	(9,025,119)	106,043,683	36,754,465	9,362,978	6,305,963	1,610,334	69,792,732
Restricted	17,682,210	13,179,792	26,805,920	3,397,979	9,134,447	-	5,814,500	10,081,315
Unrestricted	(95,010)	-	35,959,223	61,481	9,725,999	8,788,363	8,988,419	15,943,098
Total net position	\$ 7,999,952	\$ 4,154,673	\$ 168,808,826	\$ 40,213,925	\$ 28,223,424	\$ 15,094,326	\$ 16,413,253	\$ 95,817,145

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues	\$ 316,423,447	\$ 23,222,748	\$ 88,771,323	\$ -	\$ 4,822,949	\$ 4,647,951	\$ 688,569	\$ 42,675,311
Operating expenses	-	(4,981,080)	(64,675,431)	-	(2,424,424)	(2,918,762)	(6,829,401)	(35,665,835)
Depreciation expense	(3,759,943)	(5,049,312)	(10,907,540)	(3,449,217)	(2,075,294)	(575,077)	(2,728,731)	(5,813,829)
Net operating income (loss)	312,663,504	13,192,356	13,188,352	(3,449,217)	323,231	1,154,112	(8,869,563)	1,195,647
Non-operating revenues (expenses)	(2,354,395)	(2,614,288)	(1,733,064)	(887,532)	(279,921)	119,470	(968,146)	(750,221)
Other revenues (expenses) and transfers	(306,460,848)	(10,843,158)	487,165	2,186,978	4,479,604	(639,648)	10,079,927	3,882,757
Change in net position	3,848,261	(265,090)	11,942,453	(2,149,771)	4,522,914	633,934	242,218	4,328,183
Beginning net position	4,151,691	4,419,763	156,866,373	42,363,696	23,700,510	14,460,392	16,171,035	91,488,962
Ending net position	\$ 7,999,952	\$ 4,154,673	\$ 168,808,826	\$ 40,213,925	\$ 28,223,424	\$ 15,094,326	\$ 16,413,253	\$ 95,817,145

Condensed Statement of Cash Flows

Net cash and cash equivalents provided by (used for)

Operating activities	\$ 316,423,447	\$ 17,750,834	\$ 24,279,697	\$ -	\$ 2,337,418	\$ 1,840,111	\$ (6,166,552)	\$ 8,265,009
Non-capital financing activities	-	-	-	-	-	-	-	-
Capital and related financing activities	(316,541,188)	(18,568,270)	(18,810,767)	11,327	(244,939)	(1,012,093)	6,924,042	(9,019,580)
Investing activities	78,121	618,433	(17,616,178)	(2,179,915)	(325,543)	120,120	183,130	2,962,353
Net increase (decrease)	(39,620)	(199,003)	(12,147,248)	(2,168,588)	1,766,936	948,138	940,620	2,207,782
Beginning cash and cash equivalents	18,864,509	20,542,851	34,036,452	3,864,466	19,557,348	7,834,872	11,556,165	22,611,774
Ending cash and cash equivalents	\$ 18,824,889	\$ 20,343,848	\$ 21,889,204	\$ 1,695,878	\$ 21,324,284	\$ 8,783,010	\$ 12,496,785	\$ 24,819,556

IOWA STATE UNIVERSITY | **BOND SEGMENT REPORTING** AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Utility System Revenue Bonds
Debt Service Coverage								
Required debt service coverage percentage	n/a	125%	135%	n/a	120%	120%	125%	120%
Actual debt service coverage percentage	n/a	242%	203%	n/a	533%	n/a	428%	131%

Percentage of Revenue Pledged								
Annual debt service	\$ 10,166,815	\$ 7,763,939	\$ 15,217,042	\$ 2,185,469	\$ 2,118,868	\$ -	\$ 3,087,000	\$ 5,676,506
Net pledged revenue	316,594,636	18,757,895	30,898,281	n/a	11,303,370	1,854,109	13,197,842	7,463,535
Annual debt service / net pledged revenue	3%	41%	49%	n/a	19%	0%	23%	76%

Revenue Bonds Payable								
Beginning balance	\$ 100,862,105	\$ 121,110,673	\$ 117,295,513	\$ 34,020,343	\$ 22,400,450	\$ 380,000	\$ 40,800,264	\$ 52,259,955
Additions	-	7,187	41,131	-	13,753	-	-	-
Deductions	(7,766,917)	(4,489,915)	(10,900,485)	(1,195,267)	(1,198,023)	(380,000)	(1,943,351)	(4,239,457)
Ending balance	\$ 93,095,188	\$ 116,627,945	\$ 106,436,159	\$ 32,825,076	\$ 21,216,180	\$ -	\$ 38,856,913	\$ 48,020,498

Debt Service Requirements								
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
2024	\$ 10,060,415	\$ 7,679,914	\$ 15,004,537	\$ 2,167,394	\$ 2,097,412	\$ -	\$ 3,057,750	\$ 5,672,831
2025	10,061,303	7,970,689	14,978,736	2,165,718	2,092,393	-	3,078,050	5,669,006
2026	10,213,765	8,544,438	14,453,736	2,162,994	2,093,890	-	3,086,100	4,802,006
2027	10,207,159	8,541,778	13,546,444	2,164,144	2,092,212	-	3,092,050	4,802,682
2028	10,607,257	8,531,819	12,486,694	2,164,094	2,086,225	-	3,100,825	4,339,406
2029-2033	35,193,031	42,855,013	37,132,019	10,806,669	7,573,650	-	15,676,375	21,747,059
2034-2038	17,246,675	37,789,959	14,302,838	10,784,893	3,325,525	-	16,082,450	9,369,269
2039-2043	-	17,323,101	-	10,766,953	3,316,887	-	-	-
Unamortized premium (discount)	4,860,188	6,302,945	2,676,159	480,076	721,180	-	956,913	1,255,498
Total	\$ 108,449,793	\$ 145,539,656	\$ 124,581,163	\$ 43,662,935	\$ 25,399,374	\$ -	\$ 48,130,513	\$ 57,657,757

Commitments								
Contract commitments	\$ -	\$ -	\$ 4,836,092	\$ -	\$ 337,337	\$ -	\$ 116,429	\$ 390,987

IOWA STATE UNIVERSITY | **BOND SEGMENT REPORTING** AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Utility System Revenue Bonds
Condensed Statement of Net Position								
Assets								
Current assets	\$ 8,689,673	\$ 20,305,747	\$ 14,265,497	\$ 1,678,216	\$ 6,197,033	\$ 465,797	\$ 2,529,336	\$ 1,501,846
Non-current assets	10,179,986	8,791,240	46,957,489	2,187,349	14,831,042	7,739,292	12,224,029	28,053,434
Capital assets	84,248,241	111,486,481	217,790,307	73,026,258	25,447,544	6,894,944	41,015,865	116,570,209
Total assets	103,117,900	140,583,468	279,013,293	76,891,823	46,475,619	15,100,033	55,769,230	146,125,489
Deferred outflows of resources	3,425,314	1,278,091	336,680	-	451,765	-	2,213,201	28,770
Liabilities								
Current liabilities	8,719,033	20,416,124	15,298,542	1,677,784	1,981,425	639,641	2,886,132	6,176,592
Non-current liabilities	93,582,105	117,025,672	107,060,513	32,850,343	21,245,449	-	38,925,264	48,194,955
Total liabilities	102,301,138	137,441,796	122,359,055	34,528,127	23,226,874	639,641	41,811,396	54,371,547
Deferred inflows of resources	90,385	-	124,545	-	-	-	-	293,750
Net position								
Net investment in capital assets	(13,278,935)	(8,346,100)	100,706,929	39,005,915	7,331,587	6,514,944	2,428,801	64,045,274
Restricted	17,465,137	12,880,764	25,457,770	3,357,349	9,703,688	380,085	5,767,625	9,856,231
Unrestricted	(34,511)	(114,901)	30,701,674	432	6,665,235	7,565,363	7,974,609	17,587,457
Total net position	\$ 4,151,691	\$ 4,419,763	\$ 156,866,373	\$ 42,363,696	\$ 23,700,510	\$ 14,460,392	\$ 16,171,035	\$ 91,488,962

Condensed Statement of Revenues, Expenses, and Changes in Net Position								
Operating revenues	\$ 306,436,635	\$ 24,836,977	83,191,883	\$ -	\$ 5,000,012	\$ 4,375,300	\$ 599,957	\$ 40,744,563
Operating expenses	-	(3,507,372)	(62,264,487)	-	(1,805,068)	(2,304,333)	(5,724,228)	(32,522,659)
Depreciation expense	(3,759,943)	(5,053,582)	(10,584,708)	(3,449,117)	(1,671,118)	(715,991)	(2,725,954)	(5,776,626)
Net operating income (loss)	302,676,692	16,276,023	10,342,688	(3,449,117)	1,523,826	1,354,976	(7,850,225)	2,445,278
Non-operating revenues (expenses)	(2,670,495)	(3,575,409)	(3,968,491)	(993,761)	(557,780)	34,785	(1,257,277)	(1,588,077)
Other revenues (expenses) and transfers	(296,589,504)	(13,778,540)	(4,352,533)	2,452,998	(570,199)	(402,304)	9,590,908	(3,865,271)
Change in net position	3,416,693	(1,077,926)	2,021,664	(1,989,880)	395,847	987,457	483,406	(3,008,070)
Beginning net position	734,998	5,497,689	154,844,709	44,353,576	23,304,663	13,472,935	15,687,629	94,497,032
Ending net position	\$ 4,151,691	\$ 4,419,763	\$ 156,866,373	\$ 42,363,696	\$ 23,700,510	\$ 14,460,392	\$ 16,171,035	\$ 91,488,962

Condensed Statement of Cash Flows								
Net cash and cash equivalents provided by (used for)								
Operating activities	\$ 306,442,627	\$ 14,793,914	\$ 20,766,229	\$ -	\$ 3,201,353	\$ 2,001,451	\$ (5,099,559)	\$ 8,973,454
Non-capital financing activities	-	-	-	-	(888,370)	-	-	-
Capital and related financing activities	(306,735,235)	(14,342,975)	(24,583,088)	17,748	4,292,810	(2,327,928)	6,496,472	(13,212,389)
Investing activities	67,493	118,050	3,209,216	659	39,139	357,075	119,665	6,782
Net increase (decrease)	(225,115)	568,989	(607,643)	18,407	6,644,932	30,598	1,516,578	(4,232,153)
Beginning cash and cash equivalents	19,089,624	19,973,862	34,644,095	3,846,059	12,912,416	7,804,274	10,039,587	26,843,927
Ending cash and cash equivalents	\$ 18,864,509	\$ 20,542,851	\$ 34,036,452	\$ 3,864,466	\$ 19,557,348	\$ 7,834,872	\$ 11,556,165	\$ 22,611,774

IOWA STATE UNIVERSITY | **BOND SEGMENT REPORTING** AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Academic Building Revenue Bonds	Athletic Facilities Revenue Bonds	Dormitory Revenue Bonds	ISU Facilities Corporation Revenue Bonds	Memorial Union Revenue Bonds	Parking System Revenue Bonds	Recreational System Facilities Revenue Bonds	Utility System Revenue Bonds
Debt Service Coverage								
Required debt service coverage percentage	n/a	125%	135%	n/a	120%	120%	125%	120%
Actual debt service coverage percentage	n/a	273%	192%	n/a	570%	533%	390%	145%

Percentage of Revenue Pledged								
Annual debt service	\$ 10,158,065	\$ 7,834,581	\$ 14,248,793	\$ 2,185,569	\$ 1,655,363	\$ 391,400	\$ 3,068,250	\$ 5,702,081
Net pledged revenue	306,498,516	21,396,292	27,378,792	n/a	9,436,482	2,088,027	11,972,987	8,265,257
Annual debt service / net pledged revenue	3%	37%	52%	n/a	18%	19%	26%	69%

Revenue Bonds Payable								
Beginning balance	\$ 108,489,022	\$ 125,923,439	\$ 126,279,866	\$ 35,180,610	\$ 12,706,227	\$ 762,392	\$ 42,708,615	\$ 56,394,412
Additions	-	18,832,149	41,132	-	10,872,246	-	-	-
Deductions	(7,626,917)	(23,644,915)	(9,025,485)	(1,160,267)	(1,178,023)	(382,392)	(1,908,351)	(4,134,457)
Ending balance	\$ 100,862,105	\$ 121,110,673	\$ 117,295,513	\$ 34,020,343	\$ 22,400,450	\$ 380,000	\$ 40,800,264	\$ 52,259,955

Debt Service Requirements								
Semi-annual maturity	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	Jan & Jul 1st	May & Nov 1st
2023	\$ 10,054,940	\$ 7,722,514	\$ 14,070,418	\$ 2,168,019	\$ 1,801,740	\$ 385,700	\$ 3,040,125	\$ 5,676,506
2024	10,060,415	7,679,914	15,004,537	2,167,394	2,097,412	-	3,057,750	5,672,831
2025	10,061,303	7,970,689	14,978,736	2,165,718	2,092,393	-	3,078,050	5,669,006
2026	10,213,765	8,544,438	14,453,736	2,162,994	2,093,890	-	3,086,100	4,802,006
2027	10,207,159	8,541,778	13,546,444	2,164,144	2,092,212	-	3,092,051	4,802,681
2028-2032	40,117,464	42,788,050	43,383,219	10,810,594	9,001,250	-	15,614,175	21,723,944
2033-2037	22,929,500	39,081,472	20,538,331	10,788,544	3,317,075	-	15,997,475	13,731,790
2038-2042	-	24,630,369	-	10,770,346	3,321,594	-	3,248,000	-
2043-2047	-	-	-	2,153,125	662,369	-	-	-
Unamortized premium (discount)	5,347,105	6,700,673	3,300,513	505,343	750,450	-	1,025,264	1,429,955
Total	\$ 118,991,651	\$ 153,659,897	\$ 139,275,934	\$ 45,856,221	\$ 27,230,385	\$ 385,700	\$ 51,238,990	\$ 63,508,719

Commitments								
Contract commitments	\$ -	\$ -	\$ 2,232,970	\$ -	\$ 438,573	\$ 129,395	\$ 10,715	\$ 10,617,728

Schedule of Iowa State’s Proportionate Share of the Net Pension Liability IPERS Last Nine Fiscal Years* (in thousands)

Fiscal Year Ended June 30,	Proportion of Net Pension Liability (Asset) (%)	Proportionate Share of Net Pension Liability (Asset)	Covered - Employee Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	IPERS’s Net Position as a Percentage of Total Pension Liability (Asset)
2023	1.0539856	\$39,821	\$86,765	\$45.90	\$91.41
2022	(0.1290763)	446	74,382	0.60	100.81
2021	0.8536364	59,966	68,475	87.57	82.90
2020	0.7763471	44,956	60,222	74.65	85.45
2019	0.7036281	44,527	53,586	83.09	83.62
2018	0.6359800	42,364	48,181	87.93	82.21
2017	0.5636620	35,473	40,575	87.43	81.82
2016	0.4983429	24,621	34,132	72.13	85.19
2015	0.4065184	16,122	26,573	60.67	87.61

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year are determined as of June 30 of the preceding year. This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Note 6B in the accompanying Notes to Financial Statements for the IPERS plan description, pension benefits, disability and death benefits, contributions, net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions, actuarial assumptions, discount rate, and sensitivity of Iowa State’s proportionate share of the net pension liability to changes in the discount rate.

Schedule of Iowa State Contributions

IPERS Last Ten Fiscal Years (in thousands)

Fiscal Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Covered - Employee Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 10,142	\$ 10,142	\$ -	\$ 107,473	9.44
2022	8,174	8,174	-	86,765	9.42
2021	7,044	7,044	-	74,382	9.47
2020	6,487	6,487	-	68,475	9.47
2019	5,685	5,685	-	60,222	9.44
2018	4,785	4,785	-	53,586	8.93
2017	4,303	4,303	-	48,181	8.93
2016	3,623	3,623	-	40,575	8.93
2015	3,048	3,048	-	34,132	8.93
2014	2,373	2,373	-	26,573	8.93
2013	1,962	1,962	-	22,630	8.67

Schedule of Changes in Total OPEB Liability

Last Six Fiscal Years

	2023	2022	2021	2020	2019	2018
Service cost	\$ 3,726,363	\$ 3,880,976	\$ 5,469,963	\$ 6,714,060	\$ 7,334,817	\$ 6,463,924
Interest	1,070,691	942,682	2,051,751	3,381,614	3,083,501	2,868,094
Change in benefit terms	-	-	-	465	-	-
Change in assumptions	(7,099,879)	780,822	3,243,442	2,250,539	(3,799,740)	6,260,277
Differences between expected and actual experience	12,054,099	2,124,101	(22,902,131)	(24,817,609)	(7,718,584)	3,076,383
Benefit payments	(5,120,844)	(3,795,439)	(5,669,092)	(5,571,337)	(5,712,799)	(4,653,958)
Net change in OPEB liability	4,630,430	3,933,142	(17,806,067)	(18,042,268)	(6,812,805)	14,014,720
Total OPEB liability, beginning of year	46,406,083	42,472,941	60,279,008	78,321,276	85,134,081	71,119,361
Total OPEB liability, end of year	\$ 51,036,513	\$ 46,406,083	\$ 42,472,941	\$ 60,279,008	\$ 78,321,276	\$ 85,134,081
Covered-employee payroll	\$ 522,985,947	\$ 476,624,887	\$ 462,526,658	\$ 465,055,346	\$ 457,650,972	\$ 443,245,493
Total OPEB liability as a percentage of covered-employee payroll	9.76%	9.74%	9.18%	12.96%	17.11%	19.21%
Discount rate	4.31%	2.25%	2.12%	3.26%	4.11%	3.44%

Notes to the Schedule of Changes in Total OPEB Liability

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB No. 75.

Changes in Benefit Terms. There are no significant changes in benefit terms.

Changes in Assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rates used each period can be seen in the chart above.

GASB No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, Iowa State will present information for those years for which information is available.



Changes of benefit terms

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

Changes of actuarial assumptions and methods

The 2022 valuation implemented the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021
- Adjusted retirement rates for Regular members
- Lowered disability rates for Regular members
- Adjusted termination rates for all membership groups

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Mortality assumption was changed to the family of RP-2014 Mortality Tables for all groups, with age setbacks and set forwards, as well as other adjustments. Future mortality improvements are modeled using Scale MP-2017.
- Modified retirement rates
- Lowered disability rates
- Modified termination rates
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit
- Adjusted the merit component of the salary increase assumption

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year
- Decreased the discount rate from 7.50% to 7.00%
- Decreased the wage and payroll growth assumption from 4.00% to 3.25%
- Decreased the salary increase assumption by 0.75%

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

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



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