

IOWA STATE  
UNIVERSITY

# Financial Report

*For the year ended June 30, 2022*





## **University Officials**

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**Jonathan Wickert**, *Senior Vice President and Provost*

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**Shawn Norman**, *Senior Vice President for Operations & Finance*

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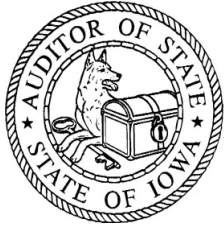
**JC Risewick**, *Johnston*

**Nancy Dunkel**, *Dyersville*

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**Dr. Jim Lindenmayer**, *Ottumwa*

**Mark Braun**, *Executive Director*



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Rob Sand  
Auditor of State

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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, 2022 and 2021, and the related Notes to Financial Statements, which collectively comprise Iowa State University's basic financial statements.

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, 2022 and 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the years ended June 30, 2022 and 2021 in accordance with U.S. generally accepted accounting principles.

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 0.2%, respectively, of the assets and 0.3% and 0.6%, 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, 2022 and 2021 and the changes in financial position and its cash flows for the years ended June 30, 2022 and 2021 in conformity with U.S. generally accepted accounting principles. Our opinion is not modified in respect to this matter.



As discussed in Note 11 to the financial statements, Iowa State University adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

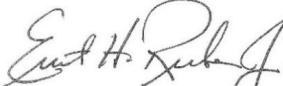
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 5 through 13 and 56 through 58 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 auditing standards generally accepted in the United States of America, 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

April 10, 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, 2022, along with comparative data for the fiscal years ended June 30, 2021 and 2020. 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 over 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 entered fiscal year 2022 in strong fiscal health due to the strategic budget planning, cost-saving measures, and new revenue-generating initiatives implemented in fiscal year 2021. As our budget planning team prepared for fiscal challenges, Iowa State also saw financial relief from the Higher Education Emergency Relief Fund for the ongoing financial hardships brought on by the COVID-19 pandemic.

At the beginning of fiscal year 2022, Iowa State had a relatively stable outlook driven primarily by additional tuition revenue and the first full year of the retirement incentive option (RIO). Our employees continued to put forth exceptional efforts on behalf of Iowa State to overcome the economic downturn and ensure a positive close to fiscal year 2022.

### 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, 2022	June 30, 2021 (as restated)	June 30, 2020
Current assets	\$ 281,433,456	\$ 308,636,993	\$ 391,110,376
Capital assets	1,602,790,136	1,587,812,931	1,567,340,123
Other non-current assets	765,009,571	716,611,790	619,441,083
Total assets	2,649,233,163	2,613,061,714	2,577,891,582
Deferred outflows of resources	36,622,227	39,297,901	35,674,155
Current liabilities	199,016,535	172,172,055	165,246,799
Non-current liabilities	565,216,657	641,536,767	661,402,010
Total liabilities	764,233,192	813,708,822	826,648,809
Deferred inflows of resources	78,175,804	43,320,172	36,017,628
Total net position	\$ 1,843,446,394	\$ 1,795,330,621	\$ 1,750,899,300

Total assets as of June 30, 2022 are \$2.65 billion, which is \$36.2 million higher than the prior year. Net capital assets comprise \$1.60 billion of the total assets, which is slightly higher than the balance at June 30, 2021. Total liabilities are \$764.2 million at June 30, 2022, a decrease of \$49.5 million compared to the prior fiscal year. A large part of the decrease in liabilities is due to the pension liability decreasing \$59.5 million, per the actuarial valuation.

The following presents the components of net position:

	June 30, 2022	June 30, 2021 (as restated)	June 30, 2020
Net investment in capital assets	\$ 1,102,606,138	\$ 1,064,066,787	\$ 1,064,897,319
Restricted, non-expendable	28,959,984	28,959,984	28,393,864
Restricted, expendable	116,456,184	110,727,589	111,097,890
Unrestricted	595,424,088	591,576,261	546,510,227
Total net position	\$ 1,843,446,394	\$ 1,795,330,621	\$ 1,750,899,300

Net position increased \$48.1 million, or 2.68%, which, in general, indicates that the financial condition has improved. The largest portion of net position (59.81%) 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 (7.89%) 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

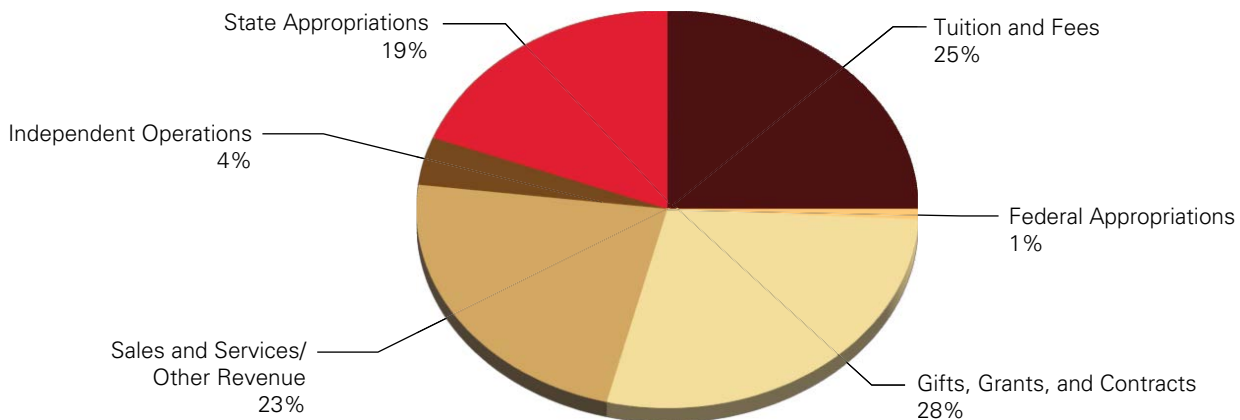
Changes in total net position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues and expenses. Public universities such as Iowa State, generally report an operating 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 help determine the overall health.

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

	June 30, 2022	June 30, 2021 (as restated)	June 30, 2020
Operating revenue	\$ 1,031,873,813	\$ 895,353,173	\$ 937,987,477
Operating expense	1,314,645,319	1,249,216,987	1,263,429,032
Operating loss	(282,771,506)	(353,863,814)	(325,441,555)
Non-operating revenue	277,271,426	357,409,039	331,006,293
Income (loss) before other net revenue	(5,500,080)	3,545,225	5,564,738
Other net revenue	53,615,853	40,886,096	38,633,587
Increase in net position	48,115,773	44,431,321	44,198,325
Net position, beginning of year	1,795,330,621	1,750,899,300	1,706,700,975
Net position, end of year	\$ 1,843,446,394	\$ 1,795,330,621	\$ 1,750,899,300

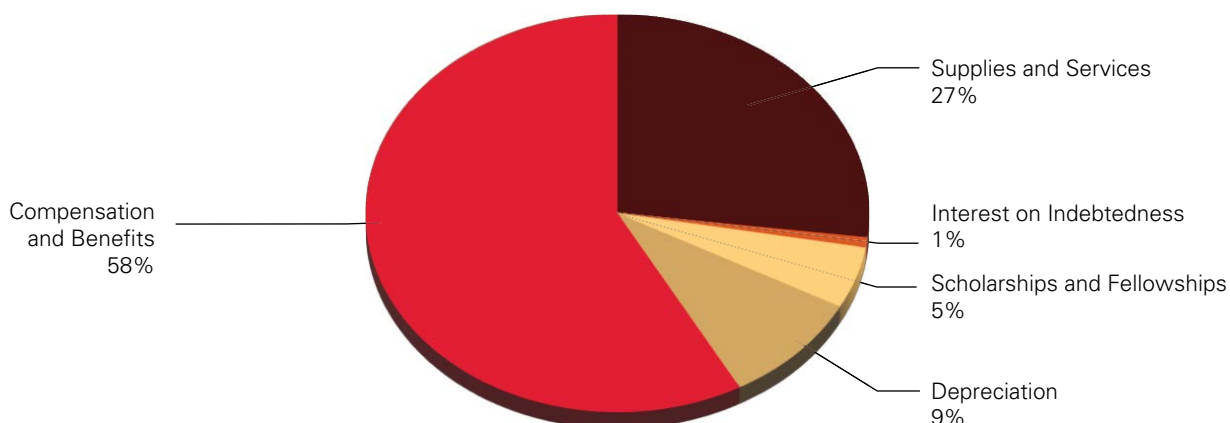
### Revenues

Operating revenues increased \$136.5 million over the prior year because auxiliary enterprises are back to operating 100% and federal grants increased due to the COVID-19 pandemic. The major components of revenue are shown in the following chart:



## Expenses

Operating expenses increased slightly from fiscal year 2021. Total expenses increased 5.24% 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 19.38% in fiscal year 2022. This is the result of \$19.3M paid to reduce bonds payable and a change in allocation from cash equivalents to investments during the fiscal year.

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

	2022	June 30, 2021 (as restated)	2020
Cash provided by (used for):			
Operating activities	\$ (201,487,880)	\$ (221,395,907)	\$ (242,394,082)
Non-capital financing activities	323,204,712	317,006,388	326,232,126
Capital and related financing activities	(54,547,268)	(156,748,933)	(85,815,672)
Investing activities	(98,563,833)	(19,692,690)	120,840,676
Net increase (decrease) in cash	(31,394,269)	(80,831,142)	118,863,048
Cash and cash equivalents, beginning of year	162,027,462	242,858,604	123,995,556
Cash and cash equivalents, end of year	\$ 130,633,193	\$ 162,027,462	\$ 242,858,604

## CAPITAL ASSETS

At June 30, 2022, Iowa State has \$3.44 billion in capital assets, with accumulated depreciation and amortization of \$1.84 billion. Depreciation and amortization expense for the fiscal year is \$114.1 million. The following shows capital assets, net of depreciation and amortization, as of June 30:

	2022	June 30, 2021 (as restated)	2020
Non-depreciable / non-amortizable:			
Land and land improvements	\$ 26,827,396	\$ 26,822,496	\$ 26,180,031
Construction in progress	109,299,052	51,535,649	175,684,173
Intangible assets in development	16,409,927	5,982,043	5,982,043
Depreciable / amortizable (net):			
Buildings	1,077,103,662	1,110,429,804	981,031,713
Land improvements	34,437,902	36,515,611	26,949,397
Infrastructure	131,293,300	137,687,640	137,797,174
Equipment & library materials	166,399,397	171,773,879	178,159,252
Intangible assets	24,796,217	30,235,718	35,556,340
Right-to-use lease assets	16,223,283	16,830,091	-
	<u>\$ 1,602,790,136</u>	<u>\$ 1,587,812,931</u>	<u>\$ 1,567,340,123</u>

## 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 \$23.88 million in capital appropriations for fiscal year 2022 represents funding appropriated for the Veterinary Diagnostic Laboratory.

Capital gifts and grant revenue consists primarily of private gifts for major building projects. Major projects using the \$29.74 million received in fiscal year 2022 are the Sports Performance Center, Poultry Farm teaching and research facilities, the Jack Trice Stadium east gateway bridge, and the Curtiss Farm feed mill and grain science complex.

## DEBT ADMINISTRATION

Outstanding debt at June 30 decreased \$20.07 million from 2021 to 2022 because bond principal payments were greater than the amount of bonds issued. The following table shows the debt by type:

	2022	June 30, 2021 (as restated)	2020
Academic building bonds	\$ 100,862,105	\$ 108,489,022	\$ 115,160,266
Enterprise fund bonds	388,267,198	399,955,561	444,514,359
Leases payable	16,725,891	17,068,160	6,562,123
Financed installment purchases	5,386,672	5,802,223	622,628
	<u>\$ 511,241,866</u>	<u>\$ 531,314,966</u>	<u>\$ 566,859,376</u>





## ***ECONOMIC OUTLOOK***

The nation's GDP fell 1.6% on an annualized basis in the first quarter of 2022 and was followed by a 0.6% drop in the second quarter. In March, the Revenue Estimating Conference (REC) projected the state of Iowa's net general fund revenues to increase by 4.2% by the end of fiscal year 2022. The REC also forecasts a decline for fiscal year 2023, projecting state revenue to decrease by 0.2%. For fiscal year 2023, Iowa State has been allocated \$174.1 million in general education operating appropriations, and other directed operating appropriations of \$57.4 million. Capital appropriations for fiscal year 2023 are \$30.6 million, including \$28.6 million of previously enacted appropriations for the Veterinary Diagnostic Laboratory.

In fiscal year 2021, Iowa State implemented cost-saving measures to ensure a healthy fiscal year 2022. One of the major cost-saving measures is the implementation of a retirement incentive option program. Additionally, Iowa State reduced its contribution match for TIAA/Valic retirement plans by two percent for ten months.

Iowa State continues to be a national leader in operational efficiency. This is shown in our ongoing ability to operate well with an exceptionally lean staff. Iowa State continues to see operational efficiencies through Workday and the new finance and human resource services structure. Since 2015, information technology has decreased staff resulting in annual salary savings. This is due to a reduction in necessary tech support for human resources and financial management and the ability to put development projects on hold for outdated technology. In addition to the salary savings, the implementation of Workday has allowed significant reduction of the use of paper with electronic processes and record keeping. Both the human resource and finance delivery areas saw notable jumps in Workday transactions in fiscal year 2022 (finance up 32% and human resources up 13%). The higher volume of transactions was accompanied by strong improvements in customer satisfaction. Customer satisfaction for fiscal year 2022 was at 94% for finance delivery and 92% for human resources.



Private funds remain a key component of the financial support structure. Surpassing the goal of \$1.5 billion by over \$40 million, the historic nine-year fundraising campaign, *Forever True, For Iowa State*, came to a close at the end of fiscal year 2021. This campaign was created to support Iowa State's priorities of ensuring access to an exceptional student experience by keeping education affordable, advancing Iowa State as a world leader in addressing global challenges, and accelerating Iowa State's contributions to the social good by extending its expertise, knowledge, and values to improve quality of life. Campaign funds have been put to use supporting these aspirations throughout fiscal year 2022:

- \$500 million directed for student support, including 56,000 donor-funded scholarships to help maintain affordability for an Iowa State education.
- 148 new funds were established during the campaign to support faculty positions, which include fellowships, professorships, department chairs, and deanships.
- \$548 million directed for program support, such as the "One Health" initiative in the College of Veterinary Medicine, which explores the interconnection of animal, human, and environmental health.
- \$275 million for new or revitalized facilities, including the Parks Library Digital Scholarship Laboratory, Veterinary Diagnostic Laboratory, and a new complex for the College of Human Sciences to provide state-of-the-art, accessible space for the college's expanding programs.

Iowa State also received its largest gift ever for an academic building in fiscal year 2022. A \$42 million dollar commitment was made to construct the Therkildsen Industrial Engineering Building, the new home for the Department of Industrial and Manufacturing Systems Engineering.

Iowa State had a record year in securing funding for research, innovation, and scholarly activities. In fiscal year 2022, Iowa State attracted \$601.7 million in external funding, up 7.6% from fiscal year 2021. The fiscal year 2022 total includes \$284.2 million in sponsored research funding, including \$198.2 million from federal sources, setting a record for non-federal funding of \$86 million. In addition, researchers continue to excel at transferring their research to the marketplace. Iowa State is consistently ranked in the top 100 universities worldwide for U.S. utility patents (currently #86).

Iowa State's leading role as an economic engine for Iowa and beyond has once again earned national recognition. The Association of Public and Land-Grant Universities 2021 Innovation and Economic Prosperity Place Award recognized Iowa State's comprehensive and innovative approach to commercializing research insights and supporting businesses across the state. 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 assisted nearly 4,000



entrepreneurs and business owners in all 99 Iowa counties. These clients collectively saw an increase in sales of \$343.8 million, created 1,809 jobs, and started 208 new businesses. The Center for Industrial Research and Service (CIRAS) also works with business in all 99 counties in Iowa. Their statewide impact from 2017-2021 was over \$2.8 billion dollars. CIRAS has assisted nearly 4,200 clients increase or retain sales, make new investments, and avoid costs.

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 2,300 tenant employees that have an average salary of \$68,000 and 300 student interns. ISURP also has a state-wide impact; start-ups that have relocated from the park employ more than 2,500 Iowans.

Iowa State ranks number 11 in The Princeton Review's 2022 survey of undergraduate entrepreneurship programs. The Princeton Review rankings are based on data collected from 300 public and private universities. This is a reflection of Iowa State's growing national reputation as a destination campus for undergraduate innovation and entrepreneurship captured in the new brand campaign *Innovate at Iowa State*. The central hub for these activities is the new 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 second year with the annual Ignite Innovation Showcase in April 2022. This year's event involved students facing off against their peers in challenges that range from creating a new musical instrument out of recycled materials to addressing world hunger through a Feed the World challenge. The incredible participation in this event highlights how innovation and entrepreneurship is being infused into the curriculum of every college. As a way 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.





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 2022 with a fall 2021 enrollment of 30,708, including students from all 99 Iowa counties, all 50 states, and 112 countries. New first-year student enrollment was up 6% 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 10.4% of students graduating in 3.5 years or less. Demand is exceptionally high for Iowa State graduates, with more than 94% 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.



## STATEMENT OF NET POSITION .....As of June 30, 2022 and 2021

Assets	2022	2021 (as restated)
Current assets:		
Cash and cash equivalents	\$ 50,591,020	\$ 82,674,884
Investments	105,631,806	97,875,718
Accounts receivable, net	39,237,955	33,513,379
Due from government agencies	52,675,395	53,481,505
Interest receivable	200,926	160,684
Notes receivable, net	482	482
Inventories	16,569,279	15,659,852
Prepaid expenses	16,526,593	25,270,489
Total current assets	<u>281,433,456</u>	<u>308,636,993</u>
Non-current assets:		
Cash and cash equivalents	80,042,173	79,352,578
Investments	646,362,671	587,904,001
Accounts receivable, net	10,360,334	20,286,148
Interest receivable	300,605	618,250
Notes receivable, net	17,277,192	20,050,813
Prepaid expenses	10,666,596	8,400,000
Capital assets, net	1,602,790,136	1,587,812,931
Total non-current assets	<u>2,367,799,707</u>	<u>2,304,424,721</u>
Total assets	<u>2,649,233,163</u>	<u>2,613,061,714</u>
Deferred outflows of resources:		
OPEB-related deferred outflows	10,153,724	7,934,369
Pension-related deferred outflows	18,734,683	23,085,765
Unamortized loss from refunding of debt	7,733,820	8,277,767
Total deferred outflows of resources	<u>36,622,227</u>	<u>39,297,901</u>
Total assets and deferred outflows of resources	<u>2,685,855,390</u>	<u>2,652,359,615</u>

	2022	2021 (as restated)
Liabilities		
Current liabilities:		
Accounts payable	20,257,748	29,174,298
Salaries, wages, and related liabilities	19,196,116	27,814,307
Unpaid claims and contingent liabilities	9,236,000	8,715,000
Unearned revenue	87,097,388	45,933,978
Interest payable	7,092,402	7,253,662
Deposits	89,142	190,770
Long-term debt, current portion	32,753,699	30,923,665
Other long-term liabilities, current portion	23,294,040	22,166,375
Total current liabilities	199,016,535	172,172,055
Non-current liabilities:		
Accounts payable	10,952,378	4,435,115
Long-term debt, non-current portion	478,488,167	500,391,301
Other long-term liabilities, non-current portion	75,776,112	136,710,351
Total non-current liabilities	565,216,657	641,536,767
Total liabilities	764,233,192	813,708,822
Deferred inflows of resources:		
OPEB-related deferred inflows	27,699,311	39,480,833
Pension-related deferred inflows	47,776,967	1,441,947
Lease-related deferred inflows	2,190,846	1,688,446
Unamortized gain from refunding of debt	508,680	708,946
Total deferred inflows of resources	78,175,804	43,320,172
Total liabilities and deferred inflows of resources	842,408,996	857,028,994
Net position		
Net investment in capital assets	1,102,606,138	1,064,066,787
Restricted		
Non-expendable:		
Permanent endowment	28,959,984	28,959,984
Expendable:		
Student loans	10,529,736	12,148,527
Scholarships, research, and educational purposes	4,982,303	6,289,174
Reserve for debt service	83,059,033	77,592,707
Capital projects	17,885,112	14,697,181
Unrestricted	595,424,088	591,576,261
Total net position	\$ 1,843,446,394	\$ 1,795,330,621

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



# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ..... For the Years Ended June 30, 2022 and 2021

Operating revenues:	2022	2021 (as restated)
Tuition and fees, net of scholarship allowances of \$153,836,724 and \$146,505,715 for fiscal years ended June 30, 2022 and 2021, respectively	\$ 351,118,368	\$ 343,482,850
Federal appropriations	14,984,567	12,157,848
Federal grants and contracts	241,019,255	172,217,949
State and local government grants and contracts	14,313,007	14,674,934
Non-governmental grants and contracts	32,239,838	28,454,067
Sales and services of educational activities	96,252,999	78,220,458
Auxiliary enterprises, net of scholarship allowances of \$6,187,899 and \$7,778,070 for fiscal years ended June 30, 2022 and 2021, respectively	215,245,012	171,433,735
Independent operations	53,697,888	52,575,792
Other operating revenues	13,002,879	22,135,540
Total operating revenues	1,031,873,813	895,353,173
Operating expenses:		
Instruction	260,761,204	261,695,779
Research	164,348,349	154,232,877
Public service	71,358,016	65,556,549
Academic support	225,552,444	195,398,187
Student services	36,742,662	32,401,987
Institutional support	82,794,168	83,962,527
Operation and maintenance of plant	77,136,693	86,808,872
Scholarships and fellowships	70,525,197	49,552,904
Auxiliary enterprises	157,839,768	152,434,054
Independent operations	53,495,222	52,068,141
Depreciation and amortization	114,091,596	114,472,519
Other operating expenses	-	632,591
Total operating expenses	1,314,645,319	1,249,216,987
Operating loss	(282,771,506)	(353,863,814)
Non-operating revenue (expense):		
State appropriations	239,317,567	236,784,175
Federal grants and contracts	24,193,569	25,532,247
Non-federal gifts, grants, and contracts	59,586,185	54,684,699
Investment income (loss)	(32,626,478)	59,700,118
Interest on indebtedness	(14,668,175)	(15,771,193)
Loss on disposal of capital assets	(1,233,741)	(7,105,629)
Other non-operating revenue	2,702,499	3,584,622
Total non-operating revenue	277,271,426	357,409,039
Income (loss) before other revenue	(5,500,080)	3,545,225
Capital appropriations	23,875,000	15,525,401
Capital gifts, grants, and contracts	29,740,853	25,360,695
Total other revenue	53,615,853	40,886,096
Change in net position	48,115,773	44,431,321
Net position, beginning of year	1,795,330,621	1,750,899,300
Net position, end of year	\$ 1,843,446,394	\$ 1,795,330,621

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

## STATEMENT OF CASH FLOWS ..... For the Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
Cash flows from operating activities:		
Tuition and fees	\$347,388,148	\$347,051,111
Federal appropriations	14,765,684	12,052,468
Grants and contracts	289,194,264	217,149,491
Sales of educational activities	96,182,127	72,529,200
Sales and services of auxiliary enterprises	215,221,853	177,057,881
Payments for auxiliary enterprises	(156,863,550)	(151,479,003)
Receipts of independent operations	54,287,508	52,576,292
Collections of loans from students	5,274,903	4,561,678
Payments for salaries and benefits	(712,039,163)	(683,364,084)
Payments for goods and services	(293,864,701)	(238,328,195)
Scholarship payments	(70,502,036)	(47,993,370)
Loans issued to students	(3,535,796)	(4,417,156)
Other operating receipts	13,002,879	21,207,780
Net cash used for operating activities	(201,487,880)	(221,395,907)
Cash flows from non-capital financing activities:		
State appropriations	239,317,567	236,784,175
Non-capital gifts, grants, and contracts	83,779,754	80,216,946
Direct lending receipts	127,922,165	136,162,949
Direct lending payments	(127,814,774)	(136,157,682)
Net cash provided by non-capital financing activities	323,204,712	317,006,388
Cash flows from capital and related financing activities:		
Capital appropriations received	33,646,687	12,857,356
Capital gifts and grants received	69,789,534	21,382,001
Proceeds from capital and refunding debt	29,518,203	26,508,985
Proceeds from sale of capital assets	479,247	1,321,812
Acquisition and construction of capital assets	(124,794,118)	(126,758,868)
Principal paid on capital debt	(49,642,692)	(78,501,983)
Interest paid on capital debt	(16,139,237)	(17,137,591)
Other capital and related financing sources	2,595,108	3,579,355
Net cash used for capital and related financing activities	(54,547,268)	(156,748,933)
Cash flows from investing activities:		
Interest and dividends received on investments	8,547,421	7,664,933
Proceeds from sales of investments	371,233,821	206,659,107
Purchases of investments	(478,345,075)	(234,016,730)
Net cash used for investing activities	(98,563,833)	(19,692,690)
Net change in cash and cash equivalents	(31,394,269)	(80,831,142)
Cash and cash equivalents, beginning of year	162,027,462	242,858,604
Cash and cash equivalents, end of year	\$130,633,193	\$162,027,462

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## STATEMENT OF CASH FLOWS (continued) ..... For the Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (282,771,506)	\$ (353,863,814)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation & amortization	114,091,596	114,472,519
Changes in assets, liabilities, deferred outflows, and deferred inflows:		
Accounts receivable and due from government agencies	(14,345,247)	(8,132,242)
Inventories	(909,427)	(1,049,876)
Prepaid expenses	6,477,300	(2,864,402)
Notes receivable	2,773,621	2,557,601
Deferred outflows of resources	2,131,727	(4,110,930)
Accounts payable	(6,269,500)	8,749,282
Salaries, wages, and related liabilities	(8,606,504)	8,653,072
Unearned revenue	10,690,736	11,881,331
Compensated absences	(2,426,505)	1,807,356
Other post-employment benefits obligation	3,933,142	(17,806,067)
Pension liability	(59,520,093)	15,010,095
Deferred compensation liability	241,396	(293,379)
Refundable advances of student loans	(2,034,514)	(3,413,079)
Deferred inflows of resources	35,055,898	7,006,626
Net cash used for operating activities	<u>\$ (201,487,880)</u>	<u>\$ (221,395,907)</u>
Non-cash investing, capital, and financing activities		
Capital gifts in-kind	\$4,900	\$642,464
Assets acquired by incurring lease obligations	1,156,030	17,765,613
Assets acquired by financed installment purchases	548,843	97,002
Net unrealized gain (loss) on investments	(40,896,496)	52,406,681
Total non-cash investing, capital, and financing activities	<u>\$ (39,186,723)</u>	<u>\$ 70,911,760</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents classified as current assets	\$50,591,020	\$ 82,674,884
Cash and cash equivalents classified as non-current assets	80,042,173	79,352,578
Total cash and cash equivalents	<u>\$ 130,633,193</u>	<u>\$ 162,027,462</u>

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS .....

As of June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 13,030,478	\$ 14,172,585
Accounts receivable, net	3,856,706	4,493,381
Other assets	529,142	485,339
Total current assets	<u>17,416,326</u>	<u>19,151,305</u>
Non-current assets:		
Cash and cash equivalents	15,361	10,370
Investments	49,925,218	52,152,995
Other assets	1,295	1,259
Total non-current assets	<u>49,941,874</u>	<u>52,164,624</u>
Total assets	<u>\$ 67,358,200</u>	<u>\$ 71,315,929</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 393,147	\$ 438,405
Salaries, wages, and related liabilities	274,556	238,318
Other liabilities	882,758	833,140
Total current liabilities	<u>1,550,461</u>	<u>1,509,863</u>
Non-current liabilities:		
Accounts payable	280,772	183,620
Other liabilities	357,373	390,069
Total non-current liabilities	<u>638,145</u>	<u>573,689</u>
Total liabilities	<u>2,188,606</u>	<u>2,083,552</u>
Net position		
Restricted for individuals, organizations, and other governments	65,169,594	69,232,377
Total liabilities and net position	<u>\$ 67,358,200</u>	<u>\$ 71,315,929</u>

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



STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS .....

For the Years Ended June 30, 2022 and 2021

	2022	2021
Additions:		
Investment income (loss)	\$ (1,591,851)	\$ 13,130,009
Other additions	74,983,271	73,216,670
Total additions	73,391,420	86,346,679
Deductions:		
Student aid	40,814,231	41,441,825
Salary and benefits	7,748,882	7,896,245
Supplies and services	28,222,403	20,729,909
Other deductions	668,687	898,208
Total deductions	77,454,203	70,966,187
Change in net position	(4,062,783)	15,380,492
Net position, beginning of year	69,232,377	53,851,885
Net position, end of year	\$ 65,169,594	\$ 69,232,377

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



## COMBINED STATEMENTS OF FINANCIAL POSITION .....As of June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 4,084,455	\$ 6,699,929
Receivables:		
Pledges, net	89,975,048	110,161,258
Estates	5,414,792	13,812,648
Funds held in trust by others	69,743,703	28,616,835
Due from related organizations	31,439,930	1,102,820
Investments:		
Pooled investments	1,546,005,930	1,557,930,306
Other marketable securities	40,536,563	48,830,971
Real estate and other investments	16,680,843	12,106,048
Property and equipment, net	3,369,423	3,358,878
Other assets	6,571,923	7,886,905
Total assets	<u>\$ 1,813,822,610</u>	<u>\$ 1,790,506,598</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,301,320	\$ 1,455,531
Due to related organizations	18,460,549	30,519,509
Notes payable	-	1,503,326
Other long-term liabilities	2,455,397	2,505,370
Split-interest agreement obligations	22,111,816	21,706,974
Total liabilities	<u>44,329,082</u>	<u>57,690,710</u>
<b>Net assets</b>		
Without donor restrictions	85,549,656	89,604,404
With donor restrictions	1,683,943,872	1,643,211,484
Total net assets	<u>1,769,493,528</u>	<u>1,732,815,888</u>
Total liabilities and net assets	<u>\$ 1,813,822,610</u>	<u>\$ 1,790,506,598</u>

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

# COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

*For the years ended June 30, 2022 and 2021*

	Without Donor Restrictions	With Donor Restrictions	2022	2021
<b>Revenues, Gains, and Other Support</b>				
Contributions	\$ 6,452,652	\$ 201,671,160	\$ 208,123,812	\$ 147,668,142
Investment return:				
Pooled investments	10,735,230	(45,564,832)	(34,829,602)	374,616,765
Other investments	1,231,240	(3,818,060)	(2,586,820)	9,368,406
Fundraising service revenue	2,500,000	-	2,500,000	2,450,000
Return on funds held in trust by others	-	1,763,412	1,763,412	2,253,617
Other	5,629	2,382,687	2,388,316	1,324,581
Net assets released from restrictions	114,800,338	(114,800,338)	-	-
Total revenues, gains, and other support	135,725,089	41,634,029	177,359,118	537,681,511
<b>Expenses</b>				
Program	116,519,881	-	116,519,881	88,115,390
Operating:				
Fundraising	17,328,042	-	17,328,042	14,703,600
Administrative	5,931,914	-	5,931,914	4,944,887
Change in value of split-interest agreements	-	901,641	901,641	4,179,492
Total expenses	139,779,837	901,641	140,681,478	111,943,369
Change in net assets	(4,054,748)	40,732,388	36,677,640	425,738,142
Net assets, beginning of year	89,604,404	1,643,211,484	1,732,815,888	1,307,077,746
Net assets, end of year	\$ 85,549,656	\$ 1,683,943,872	\$ 1,769,493,528	\$ 1,732,815,888

*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 10,261 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)** was 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, 2022 is as follows:

Condensed Statement of Net Position	ISURF	ISUVSC	Miller
Current assets	\$ 3,802,655	\$ 1,919,307	\$ -
Non-current assets	40,919,261	2,318,467	17,374,747
Total assets	44,721,916	4,237,774	17,374,747
Deferred outflows of resources	-	544,904	-
Current liabilities	2,046,017	664,914	54,953
Non-current liabilities	-	455,827	827,805
Total liabilities	2,046,017	1,120,741	882,758
Net position	\$ 42,675,899	\$ 3,661,937	\$ 16,491,989
Condensed Statement of Revenues, Expenses, and Changes in Net Position	ISURF	ISUVSC	Miller
Operating revenues	\$ 3,820,432	\$ 8,500,114	\$ -
Operating expenses	5,070,440	7,349,869	-
Net operating income	(1,250,008)	1,150,245	-
Non-operating revenue (expense)	505,209	945	(582,692)
Increase (decrease) in net position	(744,799)	1,151,190	(582,692)
Net position, beginning of year	43,420,698	2,508,682	17,074,681
Restatement of net position due to implementation of GASB 87	-	2,065	-
Net position, beginning of year (as restated)	43,420,698	2,510,747	17,074,681
Net position, end of year	\$ 42,675,899	\$ 3,661,937	\$ 16,491,989

## 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, 2022 and 2021, the Foundation distributed and expended \$116,519,881 and \$88,115,390, respectively, on behalf of Iowa State for both restricted and unrestricted purposes as follows:

	2022	2021
Scholarships, loan funds, and awards	\$ 38,459,680	\$ 38,250,815
Faculty and staff support	11,311,684	8,850,973
College and administrative support	17,406,737	18,226,701
Capital improvements	48,557,871	22,610,036
Gifts in kind	783,909	176,865
Total program support	\$ 116,519,881	\$ 88,115,390

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](http://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 \$8.4 million as of June 30, 2022.

## **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.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets, including right-to-use 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, 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. 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.

## **N. 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.

## **O. 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.

## **P. 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 losses and gains.** 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.

## **Q. 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.

## **R. 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.

## **S. 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.

## **T. 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.

## **U. Bond Discounts and Premiums**

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

## **V. 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:

	2022	2021
Book balance	\$ 130,633,193	\$ 162,027,462
Bank balance:		
Covered by FDIC insurance or state sinking fund	\$ 69,046,338	\$ 86,544,398
Uninsured and uncollateralized	73,318,294	85,116,371
Total bank balance	\$ 142,364,632	\$ 171,660,769

### **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 \$4,982,303 and \$6,289,174 at June 30, 2022 and 2021, respectively, is available to meet the spending rate distribution and is recorded in restricted expendable net position.

Cash and investments for the discretely presented component unit are not subject to GASB disclosure requirements. These amounts are \$1.60 billion and \$1.62 billion as of June 30, 2022 and 2021, 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 \$752.0 million investments at June 30, 2022, \$2,083,129 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 2022 and 2021.

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	4,839,805	5,695,915	1,364,984	2,537,874	4,094,434	3,244,133	9,698,028	1,370,487	510,579	33,356,239	
												434,436,328
Equity and other:												
Common stock		-	-	-	-	-	-	-	-	-	-	4,386,909
Mutual funds		-	-	-	-	-	-	-	-	-	-	117,841,288
Private equity		-	-	-	-	-	-	-	-	-	-	49,687,407
Foundation pooled funds		-	-	-	-	-	-	-	-	-	-	2,083,129
Real estate		-	-	-	-	-	-	-	-	-	-	51,979,618
Money market		-	-	-	-	-	-	-	-	-	-	91,579,798
Total investments		\$235,020,784	\$34,018,359	\$10,753,384	\$40,375,858	\$49,986,007	\$16,567,077	\$39,789,979	\$4,852,352	\$3,072,528	\$751,994,477	

As of June 30, 2021, 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	0.75	\$97,875,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,875,718
Short-term mutual funds	5.20	90,520,808	23,579,118	8,591,015	33,848,783	43,730,525	11,115,951	26,750,920	4,524,910	3,512,013	246,174,043	
Long-term mutual funds	3.95	4,889,337	6,392,791	666,554	3,020,717	6,336,045	2,979,034	10,665,226	2,161,028	702,346	37,813,078	
												381,862,839
Equity and other:												
Common stock		-	-	-	-	-	-	-	-	-	-	6,006,825
Mutual funds		-	-	-	-	-	-	-	-	-	-	136,428,475
Private equity		-	-	-	-	-	-	-	-	-	-	41,942,113
Foundation pooled funds		-	-	-	-	-	-	-	-	-	-	2,186,555
Real estate		-	-	-	-	-	-	-	-	-	-	38,453,364
Money market		-	-	-	-	-	-	-	-	-	-	78,899,548
Total investments		\$193,285,863	\$29,971,909	\$9,257,569	\$36,869,500	\$50,066,570	\$14,094,985	\$37,416,146	\$6,685,938	\$4,214,359	\$685,779,719	

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, 2022 and 2021 are shown below:

	June 30, 2022				Total
	Level 1	Level 2	Level 3	NAV	
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	-	-	-	33,356,239	33,356,239
Equity and other:					
Common stock	4,386,909	-	-	-	4,386,909
Mutual funds	75,433,245	-	-	42,408,043	117,841,288
Private equity - limited partnerships	-	-	-	49,687,407	49,687,407
Foundation pooled funds	325,653	131,463	27,170	1,598,843	2,083,129
Real estate	-	-	-	51,979,618	51,979,618
Money market <sup>1</sup>	-	-	-	-	91,579,798
Total investments	\$ 316,919,729	\$ 29,973,563	\$ 27,170	\$ 313,494,217	\$ 751,994,477

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income:				
Short-term mutual funds <sup>2</sup>	\$ 134,464,067	\$ -	monthly	5 days
Long-term mutual funds <sup>2</sup>	33,356,239	-	daily/quarterly	5-60 days
Equity and other:				
Mutual funds <sup>3</sup>	42,408,043	-	daily/monthly	2-30 days
Private equity - limited partnerships <sup>4</sup>	49,687,407	44,605,244	n/a	n/a
Foundation pooled funds	1,598,843	-	n/a	n/a
Real asset funds <sup>5</sup>	51,979,618	1,023,180	n/a	n/a
Total investments	\$ 313,494,217	\$ 45,628,424		



June 30, 2021

	Level 1	Level 2	Level 3	NAV	Total
Fixed income:					
U.S. government treasuries	\$ 97,875,718	\$ -	\$ -	\$ -	\$ 97,875,718
Short-term mutual funds	132,832,933	-	-	113,341,110	246,174,043
Long-term mutual funds	-	-	-	37,813,078	37,813,078
Equity and other:					
Common stock	6,006,825	-	-	-	6,006,825
Mutual funds	90,945,295	-	-	45,483,180	136,428,475
Private equity - limited partnerships	-	-	-	41,942,113	41,942,113
Foundation pooled funds	423,502	122,707	21,529	1,618,817	2,186,555
Real estate	-	-	-	38,453,364	38,453,364
Money market <sup>1</sup>	-	-	-	-	78,899,548
Total investments	\$ 328,084,273	\$ 122,707	\$ 21,529	\$ 278,651,662	\$ 685,779,719

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income:				
Short-term mutual funds <sup>2</sup>	\$ 113,341,110	\$ -	monthly	5 days
Long-term mutual funds <sup>2</sup>	37,813,078	-	daily/quarterly	5-60 days
Equity and other:				
Mutual funds <sup>3</sup>	45,483,180	-	daily/monthly	2-30 days
Private equity - limited partnerships <sup>4</sup>	41,942,113	12,361,020	n/a	n/a
Foundation pooled funds	1,618,817	-	n/a	n/a
Real asset funds <sup>5</sup>	38,453,364	1,142,636	n/a	n/a
Total investments	\$ 278,651,662	\$ 13,503,656		

- 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:

	2022	2021
Pooled investments:		
Equity	\$ 560,719,668	\$ 651,482,596
Fixed income	339,746,260	245,324,319
Hedge funds	188,573,196	202,571,128
Private equity	332,431,581	267,977,637
Real estate	35,142,375	26,411,711
Natural resources / commodities	53,772,925	52,525,112
Cash and cash equivalents	36,619,925	112,637,803
Accrued manager fees	(1,000,000)	(1,000,000)
Total pooled investments	1,546,005,930	1,557,930,306
Other marketable securities:		
Fixed income	10,135,413	15,197,403
Equity	24,783,501	31,640,755
Cash and cash equivalents	5,617,649	1,992,813
Total marketable securities	40,536,563	48,830,971
Real estate and other investments:		
Real estate	16,428,829	11,457,961
Notes receivable from affiliated entities	252,014	648,087
Total real estate and other investments	16,680,843	12,106,048
Total investments	\$ 1,603,223,336	\$ 1,618,867,325

### 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:

	2022	2021 (as restated)
Accounts receivable	\$ 52,368,466	\$ 56,148,838
Allowance for doubtful accounts	(2,770,177)	(2,349,311)
Accounts receivable, net	\$ 49,598,289	\$ 53,799,527

#### B. Due from Government Agencies

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

	2022	2021
Due from federal agencies	\$ 40,302,309	\$ 34,687,850
Due from state agencies	12,342,287	18,748,803
Due from local agencies	30,799	44,852
Total due from governmental agencies	\$ 52,675,395	\$ 53,481,505

### 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:

	2022	2021
Student loan receivables	\$ 12,194,237	\$ 15,954,121
Split-dollar loan receivable	5,500,000	4,500,000
Allowance for doubtful accounts	(416,563)	(402,826)
Notes receivable, net	<u>\$ 17,277,674</u>	<u>\$ 20,051,295</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, 2022 and 2021, recognized revenues related to lease agreements total \$420,163 and \$289,319, respectively. Future minimum lease payments to be received under lessor agreements are as follows:

For the year ending June 30,	Principal	Interest
2023	\$ 324,022	\$ 82,338
2024	310,256	70,105
2025	322,809	57,552
2026	335,871	44,489
2027	219,075	32,464
2028-3032	762,689	66,815
	<u>\$ 2,274,722</u>	<u>\$ 353,763</u>

### E. Pledges Receivable (Foundation)

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

	2022	2021
Gross pledges receivable	\$ 97,827,763	\$ 118,090,580
Allowance for uncollectible pledges	(1,077,044)	(1,470,817)
Discount to present value	(6,775,671)	(6,458,505)
Pledges receivable, net	<u>\$ 89,975,048</u>	<u>\$ 110,161,258</u>

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

2023	\$ 28,392,716
2024	17,039,659
2025	12,748,751
2026	20,632,265
2027	5,215,240
Thereafter	13,799,132
	<u>\$ 97,827,763</u>

In addition, the Foundation has received notification of deferred gifts totaling approximately \$750 million and \$764 million as of June 30, 2022 and 2021, respectively, primarily in the form of revocable wills.

## NOTE 4 – INVENTORY

The inventory balances consist of two categories as follows:

	2022	2021
Supplies, merchandise, and grain	\$ 13,527,125	\$ 13,360,599
Livestock	3,042,154	2,299,253
Total inventory	<u>\$ 16,569,279</u>	<u>\$ 15,659,852</u>

## NOTE 5 - CAPITAL ASSETS

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

	July 1, 2021 (as restated)	Additions	Transfers	Deductions	June 30, 2022
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	<u>84,340,188</u>	<u>105,284,493</u>	<u>(36,908,743)</u>	<u>(179,563)</u>	<u>152,536,375</u>
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	45,228,720	-	-	-	45,228,720
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
Total depreciable/amortizable capital assets	<u>3,241,979,271</u>	<u>25,892,416</u>	<u>36,908,743</u>	<u>(17,413,280)</u>	<u>3,287,367,150</u>
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	5,439,501	-	-	20,432,503
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
Total accumulated depreciation/amortization	<u>1,738,506,528</u>	<u>114,091,596</u>	<u>-</u>	<u>(15,484,735)</u>	<u>1,837,113,389</u>
Net depreciable/amortizable capital assets	<u>1,503,472,743</u>	<u>(88,199,180)</u>	<u>36,908,743</u>	<u>(1,928,545)</u>	<u>1,450,253,761</u>
Total net capital assets	<u>\$ 1,587,812,931</u>	<u>\$ 17,085,313</u>	<u>\$ -</u>	<u>\$ (2,108,108)</u>	<u>\$ 1,602,790,136</u>

Capital assets activity for the year ended June 30, 2021, is summarized as follows:

	July 1, 2020 (as restated)	Additions	Transfers	Deductions	June 30, 2021 (as restated)
<b>Non-depreciable/non-amortizable:</b>					
Land	\$ 20,153,824	\$ 642,465	\$ -	\$ -	\$ 20,796,289
Land improvements	6,026,207	-	-	-	6,026,207
Construction in progress	175,684,173	95,846,694	(219,873,756)	(121,462)	51,535,649
Intangible assets in development	5,982,043	-	-	-	5,982,043
Total non-depreciable/non-amortizable capital assets	207,846,247	96,489,159	(219,873,756)	(121,462)	84,340,188
<b>Depreciable/Amortizable:</b>					
Buildings	1,944,740,166	-	197,417,549	(5,497,374)	2,136,660,341
Land improvements	52,169,792	-	12,854,789	-	65,024,581
Infrastructure	340,415,715	-	9,601,418	-	350,017,133
Equipment	348,148,905	20,995,497	-	(9,508,205)	359,636,197
Library	274,726,175	7,529,312	-	(15,231,434)	267,024,053
Intangible assets	45,228,720	-	-	-	45,228,720
Right-to-use asset - equipment	457,470	-	-	-	457,470
Right-to-use asset - buildings	14,169,319	-	-	-	14,169,319
Right-to-use asset - land	3,761,457	-	-	-	3,761,457
Total depreciable/amortizable capital assets	3,023,817,719	28,524,809	219,873,756	(30,237,013)	3,241,979,271
<b>Accumulated depreciation/amortization:</b>					
Buildings	963,708,453	65,831,344	-	(3,309,260)	1,026,230,537
Land improvements	25,220,395	3,288,575	-	-	28,508,970
Infrastructure	202,618,541	9,710,952	-	-	212,329,493
Equipment	217,351,027	19,794,360	-	(8,159,206)	228,986,181
Library	227,491,249	8,871,509	-	(10,462,568)	225,900,190
Intangible assets	9,575,378	5,417,624	-	-	14,993,002
Right-to-use asset - equipment	-	62,890	-	-	62,890
Right-to-use asset - buildings	-	1,327,468	-	-	1,327,468
Right-to-use asset - land	-	167,797	-	-	167,797
Total accumulated depreciation/amortization	1,645,965,043	114,472,519	-	(21,931,034)	1,738,506,528
Net depreciable/amortizable capital assets	1,377,852,676	(85,947,710)	219,873,756	(8,305,979)	1,503,472,743
Total net capital assets	\$ 1,585,698,923	\$ 10,541,449	\$ -	\$ (8,427,441)	\$ 1,587,812,931





## NOTE 6 - LONG-TERM LIABILITIES

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

	July 1, 2021 (as restated)	Additions	Deductions	June 30, 2022	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
Financed installment purchases	5,802,223	548,843	(964,394)	5,386,672	1,055,699
Total long-term debt	531,314,966	31,450,399	(51,523,499)	511,241,866	32,753,699
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	\$ 690,191,692	\$ 56,782,677	\$ (136,662,351)	\$ 610,312,018	\$ 56,047,739

	July 1, 2020 (as restated)	Additions	Deductions	June 30, 2021 (as restated)	Current Portion
Long-term debt:					
Bonds payable	\$ 559,674,625	\$ 26,734,425	\$ (77,964,467)	\$ 508,444,583	\$ 28,750,000
Leases payable	18,388,241	-	(1,320,081)	17,068,160	1,306,682
Financed installment purchases	6,659,125	-	(856,902)	5,802,223	866,983
Total long-term debt	584,721,991	26,734,425	(80,141,450)	531,314,966	30,923,665
Other long-term liabilities:					
Compensated absences	43,468,456	17,763,217	(15,955,861)	45,275,812	16,532,725
Refundable advances on student loans	14,453,203	-	(3,413,079)	11,040,124	-
Deferred compensation	415,529	229,113	(522,492)	122,150	-
Net pension liability	44,955,604	15,010,095	-	59,965,699	-
Other post-employment benefits liability	60,279,008	10,765,156	(28,571,223)	42,472,941	5,633,650
Total other long-term liabilities	163,571,800	43,767,581	(48,462,655)	158,876,726	22,166,375
Total long-term liabilities	\$ 748,293,791	\$ 70,502,006	\$ (128,604,105)	\$ 690,191,692	\$ 53,090,040



## A. Bonds Payable

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

	Interest Rates (%)	Fiscal Year Maturity Date Range	2022 Amount Outstanding	2021 Amount Outstanding
Academic building	2.000 - 5.000	2023 - 2036	\$ 95,515,000	\$ 102,655,000
Plus: unamortized premium			5,347,105	5,834,022
Athletic facilities	2.000 - 5.000	2023 - 2041	114,410,000	121,225,000
Less: unamortized discount			(79,059)	(251,499)
Plus: unamortized premium			6,779,732	4,949,938
Dormitory	1.500 - 5.000	2023 - 2036	113,995,000	122,355,000
Less: unamortized discount			(403,706)	(444,838)
Plus: unamortized premium			3,704,219	4,369,704
ISU Facilities Corporation	3.000 - 3.125	2023 - 2043	33,515,000	34,650,000
Plus: unamortized premium			505,343	530,610
Memorial Union	2.000 - 5.000	2023 - 2043	21,650,000	12,830,000
Less: unamortized discount			(110,020)	(123,773)
Plus: unamortized premium			860,470	-
Parking system	3.000	2023	380,000	750,000
Plus: unamortized premium			-	12,392
Recreational system facilities	2.000 - 3.000	2023 - 2038	39,775,000	41,615,000
Plus: unamortized premium			1,025,264	1,093,615
Utility system	2.000 - 5.000	2023 - 2037	50,830,000	54,790,000
Plus: unamortized premium			1,429,955	1,604,412
Total bonds payable			<u>\$ 489,129,303</u>	<u>\$ 508,444,583</u>

Debt service requirements to maturity, as of June 30, 2022, are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2023	\$ 30,245,000	\$ 14,674,962	\$ 44,919,962
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
2028-2032	149,730,000	33,708,696	183,438,696
2033-2037	113,715,000	12,669,187	126,384,187
2038-2042	39,400,000	2,570,309	41,970,309
2042-2047	2,775,000	40,494	2,815,494
Less: unamortized discount	(592,785)	-	(592,785)
Plus: unamortized premium	19,652,088	-	19,652,088
Total bonds payable	<u>\$ 489,129,303</u>	<u>\$ 111,018,194</u>	<u>\$ 600,147,497</u>

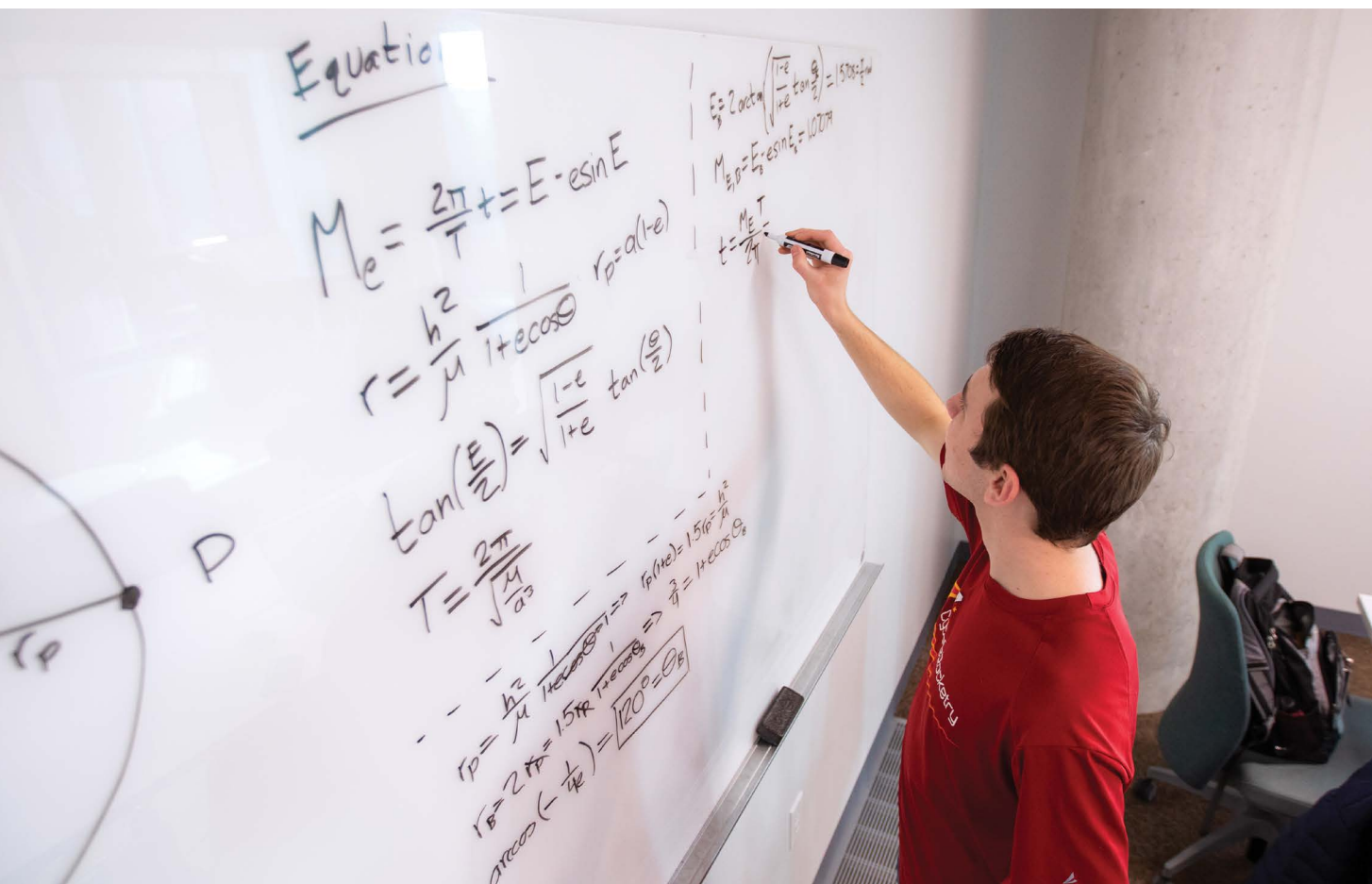
In December 2021, Iowa State issued \$16,425,000 of Athletic Facilities Revenue Refunding Bonds, Series I.S.U. 2021 to refund \$18,430,000 of Athletics Facilities Revenue Bonds, Series I.S.U. 2012. The current refunding of these bonds permitted Iowa State to realize an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$2,361,128 and will reduce future aggregate debt service payments over the next 15 years by \$2,388,556.

Also in December 2021, Iowa State issued \$9,955,000 of Memorial Union Revenue Bonds, Series I.S.U. 2021. The bond proceeds will be used to finance the cost of improving, remodeling, repairing, and constructing additions to the Memorial Union building and parking structure located on campus.

## B. Leases Payable

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

For the year ending June 30,	Principal	Interest
2023	\$ 1,453,000	\$ 642,910
2024	1,273,691	592,292
2025	1,272,173	543,655
2026	1,322,346	493,481
2027	1,350,660	441,320
2028-3032	4,881,421	1,535,101
3033-3037	2,791,903	749,936
3038-2042	1,361,496	380,343
2043-2047	370,551	175,920
2048-2052	328,289	109,512
2053-2057	320,361	29,880
	<u>\$ 16,725,891</u>	<u>\$ 5,694,350</u>



### C. 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
2023	\$ 1,055,699	\$ 191,911	\$ 1,247,610
2024	1,088,205	152,357	1,240,562
2025	1,129,059	111,501	1,240,560
2026	1,072,239	69,881	1,142,120
2027	1,041,470	30,249	1,071,719
Total	\$ 5,386,672	\$ 555,899	\$ 5,942,571

## NOTE 7 – 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. From September 1, 2020 to June 30, 2021, Iowa State reduced the employer portion of contributions by two percent as a cost-saving measure to address the fiscal year 2021 budget shortfall.

Iowa State's required and actual contributions total \$43,458,994 and \$35,541,139 for the fiscal years ended June 30, 2022 and 2021, respectively. The employee required and actual contributions total \$20,983,715 and \$21,062,257. Payables to the defined contribution pension plan total \$3,341,555 and \$2,772,555 for legally required employer contributions and \$1,670,660 and \$1,682,321 for legally required employee contributions, which had been withheld from employee wages but not yet remitted to TIAA as of June 30, 2022 and 2021, 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](http://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.

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 2022 and 2021, 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 6.41%, and Iowa State contributed 9.31% and 9.61% of covered payroll for fiscal years 2022 and 2021, respectively.

Iowa State's contributions to IPERS for the fiscal years ended June 30, 2022 and 2021 are \$8,174,166 and \$7,043,540, respectively.

**Net Pension Liability, Pension Expense, 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, 2022 and 2021, is \$445,606 and \$59,965,699, respectively. The NPL is measured as of June 30, 2021 and 2020, 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, 2021, Iowa State's proportion is -0.1290763%, which is a decrease of -0.982713% from its proportion measured as of June 30, 2020.

For the fiscal years ended June 30, 2022 and 2021, the University recognized pension expense (reduction) of \$(3,918,339) and \$13,330,943, respectively.

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

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,031,527	\$ 972,406	\$ 78,665	\$ 1,420,735
Changes in assumptions	839,795	922	3,111,936	1,870
Net differences between projected and actual earnings on pension plan investments	-	46,789,540	3,430,574	-
Changes in proportion and differences between Iowa State contributions and proportionate share of contributions	8,689,195	14,099	9,421,050	19,342
Iowa State contributions subsequent to the measurement date	8,174,166	-	7,043,540	-
Total	\$ 18,734,683	\$ 47,776,967	\$ 23,085,765	\$ 1,441,947

\$8,174,166 and \$7,043,540 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, 2023 and 2022, 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:

	2022	2021
2022	\$ -	\$ 4,109,155
2023	(8,235,493)	3,760,700
2024	(8,987,131)	3,012,650
2025	(8,684,641)	3,271,730
2026	(11,616,781)	446,043
2027	307,596	-
Total	\$ (37,216,450)	\$ 14,600,278

There are no non-employer contributing entities to IPERS.

**Actuarial Assumptions.** The total pension liability in the June 30, 2021 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, 2021 actuarial valuation are based on the results of an economic assumption study dated March 24, 2017 and a demographic study dated June 28, 2018.

Mortality rates are based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

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

Asset Class	2022		2021	
	Asset Allocation (%)	Long-Term Expected Real Rate of Return (%)	Asset Allocation (%)	Long-Term Expected Real Rate of Return (%)
Domestic equity	22.0	4.43	22.0	4.43
International equity	17.5	6.01	17.5	5.15
Global smart beta equity	6.0	5.10	6.0	4.87
Core plus fixed income	26.0	0.29	28.0	(0.29)
Public credit	4.0	2.08	4.0	2.29
Cash	1.0	(0.25)	1.0	(0.78)
Private equity	13.0	9.51	11.0	6.54
Private real assets	7.5	4.63	7.5	4.48
Private credit	3.0	2.87	3.0	3.11
	<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 2022 and 2021. 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%)
Iowa State's proportionate share of the overall plan net pension liability (asset) - 2022	\$ 44,789,927	\$ 445,606	\$ (36,716,929)
Iowa State's proportionate share of the overall plan net pension liability (asset) - 2021	100,568,444	59,965,699	25,921,672

**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](http://www.ipers.org).

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

	2022	2021
Legally required employer contributions	\$ 727,514	\$ 631,069
Legally required employee contributions	488,974	420,494
	<u>\$ 1,216,488</u>	<u>\$ 1,051,563</u>

## C. Phased Retirement Programs

1. **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.

Subject to annual review, the program will expire on June 30, 2022, unless renewed by the Board prior to expiration. As of June 30, 2022 and 2021, there are 21 and 17 employees participating in the program, respectively.

## D. 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 315 and 318 employees participating in the program as of June 30, 2022 and 2021, respectively.



## NOTE 8 – 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 \$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.

Total OPEB liability of \$42,472,941 reported for fiscal year 2021, is measured as of January 1, 2021, and is determined by an actuarial valuation as of January 1, 2020, with results actuarially projected on a no gain/no loss basis to get to the January 1, 2021 measurement date. The actuarial valuation is based on 6,494 active employees and 2,932 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 01/01/22)	7.50% initial rate, decreasing to an ultimate rate of 4.50%
Health care cost trend rate post-65 (effective 01/01/22)	6.50% initial rate, decreasing to an ultimate rate of 4.50%

**Discount Rate.** The discount rate used to measure the total OPEB liability is 2.25%, 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, 2022 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:

	2022	2021
Total OPEB liability, beginning of year	\$ 42,472,941	\$ 60,279,008
Changes for the year:		
Service cost	3,880,976	5,469,963
Interest	942,682	2,051,751
Change in assumptions	780,822	3,243,442
Differences between expected and actual experience	2,124,101	(22,902,131)
Benefit payments	(3,795,439)	(5,669,092)
Net change	3,933,142	(17,806,067)
Total OPEB liability, end of year	\$ 46,406,083	\$ 42,472,941

Changes in assumptions reflect a change in the discount rate from 2.12% in fiscal year 2021 to 2.25% in fiscal year 2022.

**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:

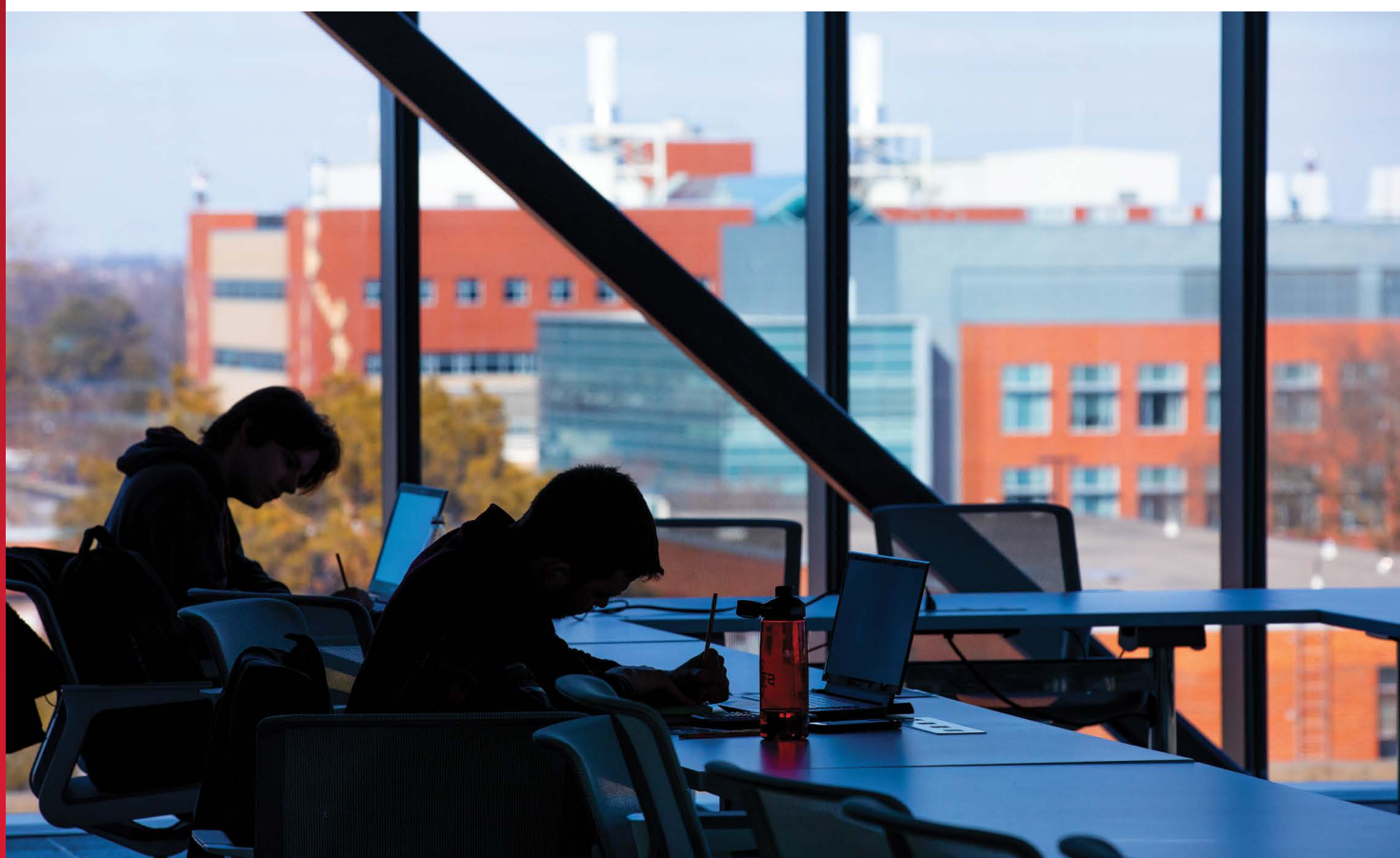
	2022		
	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Total OPEB liability	\$ 49,441,664	\$ 46,406,083	\$ 43,605,151

	2021		
	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB liability	\$ 45,630,458	\$ 42,472,941	\$ 39,608,937

**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:

	2022		
	1% Decrease (6.50% decreasing to an ultimate rate of 3.50%)	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

	2021		
	1% Decrease (6.50% decreasing to an ultimate rate of 3.50%)	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	\$ 39,015,121	\$ 42,472,941	\$ 46,520,621



**OPEB Expense, Deferred Outflows (Inflows) of Resources Related to OPEB.** OPEB reduction of expense is \$(3,711,874) and \$(1,740,049) for the fiscal years ended June 30, 2022 and 2021, respectively. At June 30, deferred outflows (inflows) of resources related to OPEB are as follows:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,472,045	\$ 26,432,730	\$ 1,318,452	\$ 37,580,962
Changes in assumptions	5,121,257	1,266,581	6,615,917	1,899,871
Contributions subsequent to measurement date	2,560,422	-	-	-
Total	\$ 10,153,724	\$ 27,699,311	\$ 7,934,369	\$ 39,480,833

\$2,560,422 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, 2023. 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,	
2023	\$ (8,535,532)
2024	(8,535,527)
2025	(3,034,950)
2026	-
Total	\$ (20,106,009)

## **NOTE 9 - COMMITMENTS AND RISK MANAGEMENT**

### **A. Commitments**

At June 30, 2022 and 2021, outstanding construction contract commitments are \$75,656,175 and \$90,060,083 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.

	2022	2021
Unpaid claims and liabilities, beginning of year	\$ 8,715,000	\$ 6,923,000
Claims incurred and contingent liabilities accrued during year	117,803,174	106,927,423
Payments on claims during year	(117,282,174)	(105,135,423)
Unpaid claims and liabilities, end of year	\$ 9,236,000	\$ 8,715,000

#### **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 \$2,850 (calendar year 2022) and \$2,750 (calendar year 2021) 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 \$570 and \$550 for calendar years 2022 and 2021, 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 2022 and 2021, 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 \$4,000,000.

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. When a loss exceeds \$500,000, it is necessary to seek an appropriation from the General Assembly. 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 10 – OPERATING EXPENSES BY FUNCTION

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

	2022			
	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	80,657,077	-	225,552,444
Student services	24,365,630	12,377,032	-	36,742,662
Institutional support	51,912,081	30,882,087	-	82,794,168
Operation & maintenance	37,499,444	39,637,249	-	77,136,693
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	-	-	114,091,596	114,091,596
	<u>\$ 764,739,237</u>	<u>\$ 365,289,289</u>	<u>\$ 184,616,793</u>	<u>\$ 1,314,645,319</u>

	2021 (as restated)			
	Compensation & Benefits	Supplies & Services	Other	Total
Instruction	\$ 250,468,805	\$ 11,226,974	\$ -	\$ 261,695,779
Research	107,237,117	46,995,760	-	154,232,877
Public service	51,960,755	13,595,794	-	65,556,549
Academic support	139,661,263	55,736,924	-	195,398,187
Student services	24,856,518	7,545,469	-	32,401,987
Institutional support	52,493,118	31,469,409	-	83,962,527
Operation & maintenance	35,006,511	51,802,361	-	86,808,872
Scholarships & fellowships	-	-	49,552,904	49,552,904
Auxiliary	89,931,228	62,502,826	-	152,434,054
Independent operations	29,754,509	22,018,463	295,169	52,068,141
Depreciation/amortization	-	-	114,472,519	114,472,519
Total other	-	-	632,591	632,591
	<u>\$ 781,369,824</u>	<u>\$ 302,893,980</u>	<u>\$ 164,953,183</u>	<u>\$ 1,249,216,987</u>



## **NOTE 11 – RESTATEMENT OF PRIOR PERIODS**

The implementation of GASB Statement No. 87, Leases, required the restatement of prior periods presented in the financial statements. Restated fiscal year 2021 information is as follows:

	June 30, 2021 (as previously reported)	Cumulative effect of GASB 87 Implementation	June 30, 2021 (as restated)
Current assets	\$ 308,432,828	\$ 204,165	\$ 308,636,993
Capital assets	1,571,012,286	16,800,645	1,587,812,931
Other non-current assets	715,102,390	1,509,400	716,611,790
Total assets	2,594,547,504	18,514,210	2,613,061,714
Deferred outflows of resources	39,297,901	-	39,297,901
Total assets and deferred outflows of resources	\$ 2,633,845,405	\$ 18,514,210	\$ 2,652,359,615
Current liabilities	\$170,917,562	\$ 1,254,493	\$ 172,172,055
Non-current liabilities	625,754,797	15,781,970	641,536,767
Total liabilities	796,672,359	17,036,463	813,708,822
Deferred inflows of resources	41,631,726	1,688,446	43,320,172
Total liabilities and deferred inflows of resources	838,304,085	18,724,909	857,028,994
Net investment in capital assets	1,064,302,604	(235,817)	1,064,066,787
Restricted, non-expendable	28,959,984	-	28,959,984
Restricted, expendable	110,727,589	-	110,727,589
Unrestricted	591,551,143	25,118	591,576,261
Total net position	1,795,541,320	(210,699)	1,795,330,621
Total liabilities, deferred inflows of resources, and net position	\$ 2,633,845,405	\$ 18,514,210	\$ 2,652,359,615

## **NOTE 12 – DISPOSAL OF GOVERNMENT OPERATIONS**

In February 2022, the Board of Regents and the Iowa Public Radio Board of Directors approved a plan to transfer ownership of the three Regent university licensee radio stations and certain related assets to Iowa Public Radio (IPR), an Iowa Chapter 504 public benefit corporation, for the purchase price of one dollar. The Federal Communications Commission approved the transfer of broadcast licenses to finalize the transfer, effective June 30, 2022. IPR has been managing broadcast operations for the university radio stations since 2007. The transfer will allow the universities to redirect resources to other major institutional initiatives and support the mission of public radio. For the fiscal year ended June 30, 2022, total operating expenses are \$862,162 and non-operating revenues are \$474,156. Operating revenues are \$348,098. There are no governmental fund revenues and expenditures.

## **NOTE 13 – PROSPECTIVE ACCOUNTING CHANGE**

GASB has issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting certain assets and liabilities for the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

## **NOTE 14 – 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
<b>Condensed Statement of Net Position</b>								
<b>Assets</b>								
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
<b>Liabilities</b>								
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
<b>Net position</b>								
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	-	(11,286,207)	(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	8,497,188	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)	(5,999,705)	(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 (restated)*	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

\* The beginning net position for Dormitory Bonds was restated to correct for certain activity no longer reported in the bond segment.

**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

	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
<b>Debt Service Coverage</b>								
Required debt service coverage percentage	n/a	125%	135%	n/a	120%	120%	125%	120%
Actual debt service coverage percentage	n/a	174%	192%	n/a	570%	533%	390%	145%
<b>Percentage of Revenue Pledged</b>								
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	13,617,457	27,378,792	n/a	9,436,4820	2,088,027	11,972,987	8,265,257
Annual debt service / net pledged revenue	3%	58%	52%	n/a	18%	19%	26%	69%
<b>Revenue Bonds Payable</b>								
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
<b>Debt Service Requirements</b>								
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
<b>Commitments</b>								
Contract commitments	\$ -	\$ -	\$ 2,232,970	\$ -	\$ 438,573	\$ 129,395	\$ 10,715	\$ 10,617,728

	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
<b>Condensed Statement of Net Position</b>								
<b>Assets</b>								
Current assets	\$ 8,670,973	\$ 19,934,129	\$ 13,489,678	\$ 1,659,808	\$ 1,357,175	\$ 405,380	\$ 2,520,095	\$ 5,688,121
Non-current assets	10,435,405	8,848,182	51,987,994	2,186,268	13,080,473	8,002,958	10,814,575	28,272,900
Capital assets	88,008,184	116,540,063	220,596,133	76,212,919	21,697,250	6,072,796	43,704,758	118,701,798
Total assets	107,114,562	145,322,374	286,073,805	80,058,995	36,134,898	14,481,134	57,039,428	152,662,819
Deferred outflows of resources	3,758,677	1,225,273	394,147	-	508,235	-	2,360,747	30,688
<b>Liabilities</b>								
Current liabilities	8,680,757	19,936,520	13,516,557	1,659,809	1,767,243	593,807	2,843,931	5,370,396
Non-current liabilities	101,349,022	121,113,438	117,919,867	34,045,610	11,571,227	392,392	40,868,615	52,434,412
Total liabilities	110,029,779	141,049,958	131,436,424	35,705,419	13,338,470	986,199	43,712,546	57,804,808
Deferred inflows of resources	108,462	-	186,818	-	-	22,000	-	391,667
<b>Net position</b>								
Net investment in capital assets	(16,830,623)	(8,158,103)	94,523,595	41,032,308	9,499,258	5,288,404	3,356,890	61,946,408
Restricted	17,578,889	13,655,792	23,889,977	3,321,268	5,388,854	718,433	5,755,350	9,582,025
Unrestricted	(13,268)	-	36,431,138	-	8,416,551	7,466,098	6,575,389	22,968,599
Total net position	\$ 734,998	\$ 5,497,689	\$ 154,844,710	\$ 44,353,576	\$ 23,304,663	\$ 13,472,935	\$ 15,687,629	\$ 94,497,032
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>								
Operating revenues	\$ 310,627,265	\$ 16,899,816	\$ 71,673,916	\$ -	\$ 7,271,539	\$ 3,708,083	\$ 498,513	\$ 38,551,160
Operating expenses	-	(336,104)	(64,405,668)	-	(4,375,535)	(2,340,121)	(5,705,329)	(27,511,892)
Depreciation expense	(3,767,726)	(5,053,582)	(10,508,702)	(3,205,376)	(1,671,118)	(715,882)	(2,725,308)	(5,725,442)
Net operating income (loss)	306,859,539	11,510,130	(3,240,454)	(3,205,376)	1,224,886	652,080	(7,932,124)	5,313,826
Non-operating revenues (expenses)	(2,980,834)	(3,796,372)	(3,740,641)	(1,029,445)	(405,853)	11,736	(1,320,996)	(1,582,230)
Other revenues (expenses) and transfers	(301,486,241)	(18,817,332)	4,976,189	3,447,542	975,043	(208,793)	8,819,290	3,210,695
Change in net position	2,392,464	(11,103,574)	(2,004,906)	(787,279)	1,794,076	455,023	(433,830)	6,942,291
Beginning net position	(1,657,466)	16,601,263	156,849,616	45,140,855	21,510,587	13,017,912	16,121,459	87,554,741
Ending net position	\$ 734,998	\$ 5,497,689	\$ 154,844,710	\$ 44,353,576	\$ 23,304,663	\$ 13,472,935	\$ 15,687,629	\$ 94,497,032
<b>Condensed Statement of Cash Flows</b>								
<b>Net cash and cash equivalents provided by (used for)</b>								
Operating activities	\$ 310,621,273	\$ 22,206,833	\$ 11,172,879	\$ -	\$ 2,898,927	\$ 1,332,467	\$ (5,222,777)	\$ 11,035,515
Non-capital financing activities	-	-	-	-	(161,024)	-	-	-
Capital and related financing activities	(311,339,057)	(59,818,135)	(41,467,290)	19,248	(1,857,783)	(924,095)	3,055,720	(7,225,320)
Investing activities	19,807,408	4,378,743	18,284,415	1,641,761	2,032,947	3,388,975	12,644,754	1,048,986
Net increase (decrease)	19,089,624	(33,232,559)	(12,009,996)	1,661,009	2,913,067	3,797,347	10,477,697	4,859,181
Beginning cash and cash equivalents	-	53,206,421	46,654,091	2,185,050	9,999,349	4,006,927	(438,110)	21,984,746
Ending 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



	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
<b>Debt Service Coverage</b>								
Required debt service coverage percentage	n/a	125%	135%	n/a	120%	120%	125%	120%
Actual debt service coverage percentage	n/a	191%	156%	n/a	578%	352%	447%	193%

<b>Percentage of Revenue Pledged</b>								
Annual debt service	\$ 10,152,686	\$ 8,653,169	\$ 12,765,351	\$ 2,184,619	\$ 1,473,793	\$ 392,500	\$ 3,078,700	\$ 5,725,406
Net pledged revenue	310,749,562	16,563,712	19,974,521	n/a	8,519,598	1,381,218	13,775,354	11,040,937
Annual debt service / net pledged revenue	3%	52%	64%	n/a	17%	28%	22%	52%

<b>Revenue Bonds Payable</b>								
Beginning balance	\$ 115,160,266	\$ 128,921,168	\$ 159,359,220	\$ 36,305,878	\$ 13,812,475	\$ 1,134,784	\$ 44,551,966	\$ 60,428,868
Additions	26,720,673	-	-	-	13,752	-	-	-
Deductions	(33,391,917)	(2,997,729)	(33,079,354)	(1,125,268)	(1,120,000)	(372,392)	(1,843,351)	(4,034,456)
Ending balance	\$ 108,489,022	\$ 125,923,439	\$ 126,279,866	\$ 35,180,610	\$ 12,706,227	\$ 762,392	\$ 42,708,615	\$ 56,394,412

<b>Debt Service Requirements</b>								
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
2022	\$ 10,119,790	\$ 8,569,029	\$ 12,496,030	\$ 2,167,594	\$ 1,462,442	\$ 386,950	\$ 3,055,975	\$ 5,702,081
2023	10,054,940	8,564,320	14,070,418	2,168,019	1,459,542	385,700	3,040,125	5,676,506
2024	10,060,415	8,568,861	15,004,538	2,167,394	1,464,661	-	3,057,750	5,672,831
2025	10,061,303	8,562,295	14,978,736	2,165,718	1,466,143	-	3,078,050	5,669,006
2026	10,213,765	8,557,895	14,453,736	2,162,994	1,474,640	-	3,086,100	4,802,006
2027-2031	44,683,597	42,824,082	50,685,705	10,813,144	7,413,713	-	15,559,374	22,171,038
2032-2036	28,570,525	40,356,378	26,782,289	10,794,844	-	-	15,911,976	16,788,178
2037-2041	-	31,910,388	-	10,772,281	-	-	6,480,350	1,299,200
2042-2046	-	-	-	4,306,484	-	-	-	-
Unamortized premium (discount)	5,834,022	4,698,438	3,924,866	530,610	(123,773)	12,392	1,093,615	1,604,413
Total	\$ 129,598,357	\$ 162,611,686	\$ 152,396,318	\$ 48,049,082	\$ 14,617,368	\$ 785,042	\$ 54,363,315	\$ 69,385,259

<b>Commitments</b>								
Contract commitments	\$ -	\$ -	\$ 4,302,226	\$ -	\$ 2,948,741	\$ 1,528,737	\$ 39,563	\$ 1,346,713

## REQUIRED SUPPLEMENTARY INFORMATION-PENSION LIABILITY

**Schedule of Iowa State's Proportionate Share of the Net Pension Liability  
IPERS Last Eight 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)
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 8B 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
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

**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 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.

# REQUIRED SUPPLEMENTARY INFORMATION AND NOTES-OPEB LIABILITY

## Schedule of Changes in Total OPEB Liability Last Five Fiscal Years

	2022	2021	2020	2019	2018
Service cost	\$ 3,880,976	\$ 5,469,963	\$ 6,714,060	\$ 7,334,817	\$ 6,463,924
Interest	942,682	2,051,751	3,381,614	3,083,501	2,868,094
Change in benefit terms	-	-	465	-	-
Change in assumptions	780,822	3,243,442	2,250,539	(3,799,740)	6,260,277
Differences between expected and actual experience	2,124,101	(22,902,131)	(24,817,609)	(7,718,584)	3,076,383
Benefit payments	(3,795,439)	(5,669,092)	(5,571,337)	(5,712,799)	(4,653,958)
Net change in OPEB liability	3,933,142	(17,806,067)	(18,042,268)	(6,812,805)	14,014,720
Total OPEB liability, beginning of year	42,472,941	60,279,008	78,321,276	85,134,081	71,119,361
Total OPEB liability, end of year	\$ 46,406,083	\$ 42,472,941	\$ 60,279,008	\$ 78,321,276	\$ 85,134,081
Covered-employee payroll	\$ 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	9.74%	9.18%	12.96%	17.11%	19.21%
Discount rate	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.



**IOWA STATE UNIVERSITY  
CONTROLLER'S DEPARTMENT**

**FINANCIAL ACCOUNTING  
AND REPORTING STAFF**

*Amy Tetmeyer, Controller*

*Tina Cowles, Associate Controller*

*Danielle Kuhl, Manager of Financial  
Reporting*

*Joe Golwitzer, Manager of Financial  
Systems*

*Jeannine Wilson, Manager of General  
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