The University of Iowa Center for Advancement and Affiliate

Consolidated Financial Statements
June 30, 2018

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
The University of Iowa Center for Advancement and Affiliate

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the University of Iowa Center for Advancement and Affiliate which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Iowa Center for Advancement and Affiliate as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the University of Iowa Center for Advancement and Affiliate's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Iowa City, Iowa
October 18, 2018

The University of Iowa Center for Advancement and Affiliate
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of JUNE 30, 2018 (With comparative information as of June 30, 2017)

ASSETS	**2018**	**2017**
Cash and cash equivalents	$ 66,864,540	$ 21,566,616
Receivables		
Pledges, at net present value, less allowance for losses	156,140,666	147,357,849
Other receivables and prepaids	267,964	242,070
	156,408,630	147,599,919
Investments		
Carried at fair value:		
U.S. Government securities	3,735,910	3,772,886
Corporation stocks, primarily common stocks	8,734,513	7,951,043
Managed separate investment accounts, primarily equity securities	1,210,931,525	1,166,442,175
Assets in trusts and gift annuities	56,930,736	59,549,660
Beneficial interest in perpetual and remainder trusts	17,075,980	16,480,793
	1,297,408,664	1,254,196,557
Other		
Real estate	4,548,110	6,010,285
Cash value of life insurance	6,740,633	7,037,014
Other	864,187	936,412
	12,152,930	13,983,711
Property, leasehold interest and equipment, net	17,095,967	17,836,987
TOTAL ASSETS:	**$ 1,549,930,731**	**$ 1,455,183,790**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and other accrued expenses	$ 2,046,166	$ 2,141,863
Annuity and life income obligations	22,618,170	24,407,686
Capital lease obligation	825,000	1,605,000
Amounts held on behalf of others	92,506,012	97,838,919
	117,995,348	125,993,468
Net assets		
Unrestricted	33,651,002	29,599,390
Temporarily restricted	665,980,667	605,023,813
Permanently restricted	732,303,714	694,567,119
	1,431,935,383	1,329,190,322
TOTAL LIABILITIES AND NET ASSETS:	**$ 1,549,930,731**	**$ 1,455,183,790**

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

The University of Iowa Center for Advancement and Affiliate
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended JUNE 30, 2018 (With summarized comparative information as of June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
SUPPORT AND REVENUE					
Total contributions raised	$ 61,942	$ 97,506,443	$ 36,698,702	$ 134,267,087	$ 159,577,301
Change in value of life income gifts	-	3,436,649	1,180,946	4,617,595	4,128,265
Subtotal:	61,942	100,943,092	37,879,648	138,884,682	163,705,566
Less amounts attributed to others	-	(1,063,593)	(698,630)	(1,762,223)	(5,496,024)
Total contributions & change in value of life income gifts:	61,942	99,879,499	37,181,018	137,122,459	158,209,542
Investment income (expense)					
Interest and dividends	3,569,142	1,549,942	-	5,119,084	5,276,297
Asset based service fees	13,004,097	(12,797,481)	-	206,616	199,059
Change in fair value of investments	116,783	93,401,556	-	93,518,339	97,117,825
Subtotal:	16,690,022	82,154,017	-	98,844,039	102,593,181
Less amounts attributed to others	-	(6,892,190)	-	(6,892,190)	(7,597,010)
Total investment income:	16,690,022	75,261,827	-	91,951,849	94,996,171
Other revenue					
Other, primarily fundraising service revenue	10,689,366	3,766,937	-	14,456,303	17,422,242
Less amounts attributed to others	-	(192,716)	-	(192,716)	(262,196)
Total other revenue:	10,689,366	3,574,221	-	14,263,587	17,160,046
Net assets released from restrictions & changes in donor restrictions	123,565,111	(123,805,924)	240,813	-	-
TOTAL SUPPORT AND REVENUE:	**151,006,441**	**54,909,623**	**37,421,831**	**243,337,895**	**270,365,759**
TRANSFERS TO AND EXPENSES OF THE STATE UNIVERSITY OF IOWA					
Student support	28,640,364	-	-	28,640,364	27,250,258
Faculty support	19,393,757	-	-	19,393,757	16,987,539
Research	26,564,109	-	-	26,564,109	22,774,002
Facilities and equipment	23,203,954	-	-	23,203,954	44,935,722
Program support	16,321,539	-	-	16,321,539	19,873,152
Fundraising	7,633,237	-	-	7,633,237	7,576,564
Management and service fees	3,637,430	-	-	3,637,430	3,015,090
Subtotal:	125,394,390	-	-	125,394,390	142,412,327
Less amounts attributed to others	(7,818,039)	-	-	(7,818,039)	(9,727,257)
Total program and expense disbursements:	117,576,351	-	-	117,576,351	132,685,070
EXPENSES OF THE UNIVERSITY OF IOWA CENTER FOR ADVANCEMENT AND AFFILIATE					
Operating expenses	29,819,093	-	-	29,819,093	28,712,030
TOTAL EXPENSES:	**147,395,444**	**-**	**-**	**147,395,444**	**161,397,100**
Change in net assets, prior to contribution of UIAA:	3,610,997	54,909,623	37,421,831	95,942,451	108,968,659
Contribution of UIAA:	440,615	6,047,231	314,764	6,802,610	-
Change in net assets:	4,051,612	60,956,854	37,736,595	102,745,061	108,968,659
Net assets, beginning	29,599,390	605,023,813	694,567,119	1,329,190,322	1,220,221,663
Net assets, ending	**$ 33,651,002**	**$ 665,980,667**	**$ 732,303,714**	**$ 1,431,935,383**	**$ 1,329,190,322**

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

The University of Iowa Center for Advancement and Affiliate
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended JUNE 30, 2018 (With comparative information as of June 30, 2017)

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Change in net assets	$ 102,745,061	$ 108,968,659
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation and amortization	845,236	849,150
Loss on sale of real estate	2,824,107	103,530
Contributions of UIAA	(6,802,610)	-
Noncash donation of real estate	(1,860,000)	(1,490,333)
Change in fair value of investments	(86,601,403)	(88,986,201)
Proceeds from sale of donated investment securities	6,564,633	8,418,982
Permanently restricted contributions received	(37,204,595)	(37,374,013)
Changes in assets and liabilities		
Pledges	(9,160,735)	(32,716,314)
Other receivables and prepaid expenses	287,045	(32,020)
Accounts payable and other accrued expenses	(112,689)	(2,277,292)
Net cash provided by (used in) operating activities:	**(28,475,950)**	**(44,535,852)**
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of leasehold improvements, equipment and software	(356,849)	(315,641)
Proceeds from sale of real estate	951,660	1,386,803
(Purchases) of investment securities	(237,248,897)	(209,381,084)
Cash received from UIAA	178,056	-
Proceeds from sales of investment securities	279,257,979	216,878,401
Change in assets held in trust	2,023,737	(2,408,835)
Other	368,606	(437,672)
Net cash provided by (used in) investing activities:	**45,174,292**	**5,721,972**
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease	(780,000)	(740,000)
Change in annuity and life income obligation	(1,789,516)	(317,577)
(Decrease) in amounts raised on behalf of others	(6,035,497)	(3,950,998)
Permanently restricted contributions received	37,204,595	37,374,013
Net cash provided by (used in) financing activities:	**28,599,582**	**32,365,438**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**45,297,924**	**(6,448,442)**
CASH AND CASH EQUIVALENTS, BEGINNING	**21,566,616**	**28,015,058**
CASH AND CASH EQUIVALENTS, ENDING	**$ 66,864,540**	**$ 21,566,616**

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

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The purpose of the University of Iowa Center for Advancement and Affiliate (UICA), formally known as The State University of Iowa Foundation (UIF), is to solicit, receive and manage gifts for the benefit of research and education at The State University of Iowa (University of Iowa). The UICA is legally a not-for-profit corporation that is organizationally and operationally independent of the University of Iowa, but is generally subject to restrictions imposed by donors and holds investments primarily for temporarily and permanently restricted uses of the University of Iowa.

During the year ending June 30, 2018, UIF and the University of Iowa Alumni Association (UIAA) merged to create one new, unified organization. This transaction was treated as an acquisition in accordance with accounting principles generally accepted in the United States of America. The effective date of the transaction was end of day December 31, 2017 with UIF acquiring all assets and assuming all liabilities of the UIAA on this date, which has been reflected in the financial statements as of and for the year ending June 30, 2018 as follows:

Cash	$	178,056
Other receivables and prepaids		321,933
Investments (A)		6,127,648
Property and equipment, net		191,965
	$	6,819,602
Accounts payable and other accrued expenses	$	16,992
Contribution of UIAA		6,802,610
	$	6,819,602

(A) Prior to December 31, 2017, UIAA's investments were recorded by UICA with a corresponding liability, amounts held on behalf of others. Upon merger the amounts held on behalf of others is included in the contribution of UIAA in the consolidated statement of activities.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Included in the managed separate investment accounts are alternative investments, comprised of hedge funds and private capital funds, which the UICA has elected to record using the practical expedient. The practical expedient allows for the use of net asset value (NAV). It is reasonably possible these estimates may change in the near term.

A summary of the UICA's significant accounting policies follow:

Principles of consolidation: The consolidated financial statements include the UICA and its wholly controlled affiliated corporation, The University of Iowa Facilities Corporation. All significant inter-organization accounts and transactions have been eliminated in consolidation. The University of Iowa Facilities Corporation holds several real estate properties that may eventually be deeded to the University of Iowa.

Basis of presentation: The UICA classifies its net assets for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets. The UICA may designate portions of its unrestricted net assets as board-designated for various purposes.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions and net assets: Contributions are recognized at fair value in the period in which the pledges are made. Contributions received are distinguished between those that increase permanently restricted, temporarily restricted and unrestricted net assets. Temporarily restricted net assets result from donor restrictions that the contributions are to be used for restricted purposes, primarily for the University of Iowa. When the restriction has been met, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that the corpus be invested in perpetuity (endowment assets) and that earnings in excess of the corpus are temporarily restricted to provide funds for the University of Iowa.

Temporarily restricted contributions received in the same year in which the restriction is met are recorded as temporarily restricted contributions.

Reclassifications of net assets: During the year ended June 30, 2018, management received and evaluated requests from donors to modify the restrictions on their UICA's gift agreements. After review, management concluded that net assets for certain gift agreements totaling $669,043 should be reclassified from temporarily restricted to permanently restricted and $428,230 should be reclassified from permanently restricted to temporarily restricted for the year ended June 30, 2018.

Cash and cash equivalents and concentration of credit risk: Cash and cash equivalents include liquid accounts that are not designated for investment purposes. The UICA maintains its cash accounts with commercial banks, which at times will exceed the insurance limits of the Federal Deposit Insurance Corporation.

Recognition of pledges receivable: Pledges receivable are recorded at the net present value of estimated cash flows based on appropriate rates commensurate with the risks involved, 5 percent for pledges held at June 30, 2018, less an allowance for doubtful pledges. Conditional promises to give are not included as support until the conditions are substantially met. The provision for losses on doubtful pledges is an adjustment to contributions at quarter-end equal to 2.5 percent of gross pledges and totaled $219,611 for the year ended June 30, 2018. Pledges written off totaled $2,975,434 for the year ended June 30, 2018.

Contributed assets and services: Real estate and other objectively measurable assets that are available for financial support are recorded at their fair value at the date of contribution. Fair value of nonfinancial assets is determined primarily by appraisal.

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

Investments: Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The UICA elected to report the fair value of alternative investments, comprised of hedge funds and private capital funds, included in managed separate investment accounts using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the UICA management based on various factors including considering contributions and withdrawals to the fund and monitoring unaudited interim reporting provided by the fund related to investment returns to calculate NAV as of June 30. See Note 3 for discussion of investments. Realized and unrealized gains and losses on investments are included in the change in fair value of investments in the consolidated statements of activities and absent donor restrictions, are reported in unrestricted net assets.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Beneficial interest in perpetual and remainder trusts: Perpetual trusts are held by a third party under an arrangement where the UICA has an irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The trust assets, which are primarily publicly traded, are recorded at fair value at the gift date as beneficial interest in the trust and contribution income under permanently restricted support, if donated to the UICA or amounts held on behalf of the University of Iowa, depending on the terms. Annual distributions are reported as investment income or amounts raised on behalf of the University of Iowa. Adjustments to trust assets are based on the current fair value of the underlying investments and are recorded as permanently restricted gains or losses or amounts held on behalf of others. Charitable remainder trusts are held by a third party and are recorded at fair value at the inception of the trust.

Living trusts, testamentary trusts and gift annuities: The assets in living trusts, testamentary trusts and gift annuities are recorded at fair value at the inception of the trust or annuity and a liability is recorded to reflect the net present value of the expected future payments to the beneficiary.

The annuity and life income obligations are determined annually to reflect the change in life expectancy of the donor/beneficiary as well as expected payments to be made under the agreement. Investment income and distributions to beneficiaries increase or decrease the assets and the related obligation.

The remainder interest is recorded as a contribution to the UICA or an increase in amounts held on behalf of others, depending on the terms of the agreement.

The net present value of the annuity and life income obligations is computed using life expectancies from the Society of Actuaries' Annuity 2000 Mortality Table and the applicable discount rates established by the Internal Revenue Service.

Total distributions received from trusts were $5,303,725 for the year ended June 30, 2018.

Property, leasehold interest and equipment: Property, leasehold interest and equipment are stated at cost. Depreciation expense on leasehold interest is included with depreciation on owned assets. Depreciation is computed by the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years.

Amounts held on behalf of others: The UICA acts as a financial agent for other organizations benefiting the University of Iowa. Since the UICA is not considered to be financially interrelated to these organizations, the total amount of funds held on behalf of these organizations has been reflected as a liability on the consolidated statement of financial position. The UICA does not have variance power to re-direct the assets held for others and the funds are generally payable quarterly with a 15 day notification period. On the consolidated statement of activities, the UICA reports the gross amounts of support, revenue and expenses with the amount raised and expended on behalf of these organizations shown as a reduction in the gross amounts of support, revenue and expenses. Assets held on behalf of these organizations include remainder interests in trusts, pledges and investments, which are for the benefit of the University of Iowa.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional expenses: Program expenses have been noted on the consolidated statements of activities. Fundraising costs are charged to expense as incurred. Total fundraising costs included in the consolidated statement of activities for the year ended June 30, 2018 are summarized as follows:

Expenditures and deductions on behalf of the University of Iowa and its affiliates, fundraising	$ 7,633,237
Operating expenses	12,009,031
	$ 19,642,268

The other portion of operating expenses that has not been included in the above table consists of management and general expense for the year ended June 30, 2018. Expenses attributed to others primarily consists of program related support expenses.

Fair value of financial instruments: The present value of pledges receivable is estimated based upon discounted cash flows. The carrying amount of long-term pledges receivable approximate fair value since the pledges have been discounted to net present value and include an allowance for uncollectible accounts. The carrying amount of annuity and life income obligations approximate fair value as it represents the net present value of payments to be made under those agreements using current life expectancies. Investments are stated at fair value in the financial statements based primarily on quoted market values. Where quoted market prices are not available for investments, fair value is determined based on supporting information received from the investees, including audited financial statements.

The liability amounts held on behalf of others approximates fair value as the amount is derived from the fair value of the corresponding financial assets held on behalf of others.

The carrying amounts of cash and cash equivalents and accounts payable and other accrued expenses approximates fair value because of the short maturity of these instruments.

Income taxes: The Internal Revenue Service has recognized the UICA as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The UICA follows the accounting guidance for accounting for uncertainty in income taxes. The UICA is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The UICA is no longer subject to examination by federal or state authorities for years ending before June 30, 2015 nor has the UICA been notified of any impending examination and no examinations are currently in process.

Endowment funds: In accordance with the Iowa Uniform Prudent Management of Institutional Funds Act (UPMIFA), the UICA classifies donor-restricted endowment funds as permanently restricted net assets. The amount classified as permanently restricted is the amount of the fund (a) that must be permanently retained in accordance with explicit donor stipulations, or (b) in the absence of such stipulations, the UICA's governing board has determined must be retained permanently under relevant law. In addition, the UICA classifies all earnings on permanent endowments as temporarily restricted net assets until appropriated for expenditure. See Note 8 for additional information.

Spending policy on endowment funds: The spending policy is set by the Board of Directors based on recommendations from the Investment Committee and is reviewed annually. The UICA uses the banded inflation method of spending whereby the current spending will be adjusted by CPI at December 31 of each year. In addition, bands of 4 percent and 6 percent of quarterly market value are used to protect the endowment in volatile market times.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Current accounting developments: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The UICA is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The UICA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for the year ending June 30, 2021, with early adoption permitted. The Foundation is in the process of evaluating the impact of this new guidance.

Subsequent events: Management has evaluated subsequent events through October 18, 2018, the date the financial statements were available for issuance. Through that date there were no events requiring recognition or disclosure in the financial statements.

Prior year information: The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the UICA’s financial statements for the year ended June 30, 2017, from which the information was derived.

Note 2. Pledge Receivables

A summary of pledges receivable (unconditional promises to give) at June 30, 2018 is as follows:

Gross pledges receivable	$ 191,057,225
Less present value discount (5%) of $30,140,128 and allowance for doubtful pledges of $4,776,431	(34,916,559)
	$ 156,140,666

Gross pledges receivable at June 30, 2018 are expected to be collected as follows:

In one year or less	$ 47,011,861
Between one year and five years	101,171,892
More than five years	42,873,472
	$ 191,057,225

There are two donors that make up approximately 33 percent of the pledge receivable balance as of June 30, 2018.

Note 3. Investments

Accounting guidance for fair value establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the UICA has the ability to access as of the measurement date. Level 1 inputs would also include investments valued at prices in active markets that the UICA has access to where transactions occur with sufficient frequency and volume to provide reliable pricing information.

Level 2: Significant observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data. Level 3 investments also include beneficial interests in perpetual trusts as the UICA will never receive the trust assets and non-custodial charitable remainder trust assets.

Note 3. Investments (Continued)

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds, exchange-traded equities, mutual funds and assets held in trusts where the UICA is the trustee. Level 2 securities would include certain corporate bonds, less liquid or restricted equity securities and commingled funds and liquid hedge funds not carried at NAV. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, and other valuation methodologies. Level 3 securities represent beneficial interests in perpetual and remainder trusts where the UICA is not the trustee, which are valued based on the fair value of the underlying trust assets and, when appropriate, adjusted to reflect current market conditions including the inherent risk in the underlying assets and the risk of nonperformance by the trustee. In certain cases where there is limited activity or less transparency around inputs, securities are classified within Level 3 and may include equity and/or debt securities issued by private entities and certain corporate bonds.

The following table summarizes assets and liabilities measured at fair value on a recurring basis as of June 30, 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Fair Value measurements at June 30, 2018	Fair Value	Level 1	Level 2	Level 3
Assets				
U.S. Government securities	$ 3,735,910	$ 3,735,910	$ -	$ -
Corporation stocks, primarily common stocks	8,734,513	8,734,513	-	-
Managed separate investment accounts:				
Global equities	136,651,982	136,651,982	-	-
Global fixed income	245,462,787	245,462,787	-	-
	382,114,769	382,114,769	-	-
Investments measured at net asset value (NAV) (a)				
Global equity	309,216,707	-	-	-
Global fixed income	86,532,573	-	-	-
Real assets	215,445,974	-	-	-
Diversifying strategies	217,621,502	-	-	-
	828,816,756	-	-	-
	1,210,931,525	382,114,769	-	-
Assets in trusts and gift annuities	56,930,736	56,930,736	-	-
Beneficial interest in perpetual and remainder trusts	17,075,980	-	-	17,075,980
	$ 1,297,408,664	$ 451,515,928	$ -	$ 17,075,980
Money market funds, included in cash and cash equivalents	$ 60,995,777	$ 60,995,777	$ -	$ -

(a) In accordance with ASC 820-10, certain investments that were measured at NAV per share have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

Note 3. Investments (Continued)

The following table presents additional information about investments measured at fair value on a recurring basis for which the UICA has utilized Level 3 inputs to determine fair value.

	Trust Assets
Balance, June 30, 2017	$ 16,480,793
Changes due to market value, net of payments and fees	595,187
Balance, June 30, 2018	$ 17,075,980
Net unrealized gains attributable to investments held at year-end	$ 595,187

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

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Other Investments [a]				
Global equities	$ 94,020,623	$ -	Bi-Weekly/Monthly	10 days
Global fixed income	18,297,383	-	Daily	1 day
Real assets	39,771,997	-	Daily/Monthly	5-30 days
Hedge funds				
Global equities [b]	55,394,275	-	Quarterly/Semiannually/Annually	30-65 days
Global fixed income [c]	44,883,445	-	Quarterly/Annually	45-120 days
Real assets [d]	37,955,060	-	Monthly	30 days
Diversifying strategies [e]	183,073,106	-	Monthly/Quarterly/ Semi-Annually/Annually	15-90 days
Private capital funds [f]				
Private equities	159,801,809	97,739,613	Not eligible	N/A
Private credit	23,351,745	14,085,668	Not eligible	N/A
Private real assets	137,718,917	77,256,537	Not eligible	N/A
Private diversifying strategies	34,548,396	34,238,193	Not eligible	N/A
Total	$ 828,816,756	$ 223,320,011		

(a) This category includes investments in common stocks, fixed income securities, commodity futures, and real estate investment trusts. There were no restrictions as of June 30, 2018.

(b) This category includes investments in hedge funds that invest both long and short primarily in common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.

(c) This category includes investments in hedge funds that invest both long and short primarily in fixed income securities. Management of the hedge funds has the ability to shift investments from a net long position to a net short position. There were no restricted investments as of June 30, 2018.

(d) This category includes investments in hedge funds that invest both long and short primarily in commodity futures and master limited partnerships. Management of the hedge funds has the ability to shift investments from a net long position to a net short position.

(e) This category invests in hedge funds that pursue multiple strategies to diversify risk and reduce volatility. There were no restricted investments as of June 30, 2018.

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

Note 3. Investments (Continued)

Investments may be exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could affect investment balances and the amounts reported in the financial statements.

Note 4. Employee Benefit Plans

Employees of the UICA are participants in various employee benefit programs. The UICA's expense for the defined contribution retirement plans totaled $1,723,435 for the year ended June 30, 2018.

Note 5. Property, Leasehold Interest and Equipment

Property, leasehold interest, equipment and software at June 30, 2018 are as follows:

Leasehold interest in Levitt Center for University Advancement	$ 26,075,363
Rental property	971,835
Office equipment	1,915,114
Computer equipment	974,257
Software	2,046,253
Work in progress	123,053
	32,105,875
Accumulated depreciation and amortization, including amounts related to rental property of $675,778	15,009,908
	$ 17,095,967
Depreciation and amortization expense for the year	$ 845,236

Note 6. Capital Lease Obligation

The UICA has a leasehold interest in the Levitt Center for University Advancement acquired under a capital lease with the Board of Regents of the State of Iowa (Regents). On July 1, 2004, the Regents issued $9,595,000, State of Iowa Center for University Advancement Revenue Refunding Bonds, Series S.U.I. 2004, the proceeds of which were used to refund the previously issued 1995 Series bonds in advance of the scheduled maturity. The interest rates on the 2004 bonds range from 3.75 percent to 4.75 percent.

In June 2004, in anticipation of the advance refunding of the 1995 bonds, the UICA and the University of Iowa entered into an amended and restated lease agreement. The lease agreement requires payments from the UICA in amounts equal to the debt service payments on the 2004 bonds, plus expenses related to the facility.

The lease obligation matures during the year ended June 30, 2019 with a final payment of the remaining principal amount of $825,000.

Note 7. Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 were restricted for the following:

Program support	$ 199,435,797
Student support	110,481,179
Faculty support	123,497,127
Facilities and equipment	91,067,342
Research	121,136,566
Remainder interests in trusts (Note 1)	20,362,656
	$ 665,980,667

Temporarily restricted net assets included $110,241,338 of pledge receivables as of June 30, 2018.

Permanently restricted (endowed) net assets at June 30, 2018 were restricted for the following:

Undesignated	$ 7,762,158
Program support	132,355,287
Student support	222,099,974
Faculty support	252,640,885
Facilities and equipment	9,797,235
Research	86,374,454
Perpetual trusts	8,268,256
Remainder interest in trusts (Note 1)	13,005,465
	$ 732,303,714

Permanently restricted (endowed) net assets included $45,899,328 of pledge receivables as of June 30, 2018.

Note 8. Endowment Funds

The UICA’s endowment consists of approximately 2,500 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Directors of the UICA interprets UPMIFA to require consideration of the following factors, if relevant, in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the institution and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

Note 8. Endowment Funds (Continued)

In accordance with the UICA's interpretation of UPMIFA, absent explicit donor stipulations to the contrary, the UICA shall classify as permanently restricted net assets the original value of the gifts donated to the permanent endowment, but such classification does not limit the expenditures from the endowment fund only to income, interest, dividends, rents, issues or profits. The portion of the fund's value spendable annually for the donor-designated purpose is to be determined, from time to time, by the UICA's Board of Directors, acting in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, considering the above relevant factors.

Changes in endowment, not total, net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2017	$ -	$ 208,637,051	$ 629,683,414	$ 838,320,465
Investment return:				
Interest income, including spending rate	-	7,402,933	-	7,402,933
Change in fair value of investments	-	70,753,257	-	70,753,257
Total investment return	-	78,156,190	-	78,156,190
Contributions	-	4,010	36,645,234	36,649,244
Less amounts attributed to others	-	(5,211,565)	(410,951)	(5,622,516)
Appropriation of endowment assets for expenditure	36,131,487	(36,131,487)	-	-
Expenditures	(36,131,487)	-	-	(36,131,487)
Endowment net assets, June 30, 2018	$ -	$ 245,454,199	$ 665,917,697	$ 911,371,896

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the UICA to retain as a fund of perpetual duration. Deficiencies in individual donor-restricted endowment funds of $3,200,920 are reported in temporarily restricted net assets at June 30, 2018. These deficiencies resulted from unfavorable market fluctuations which occurred during the holding period.

The UICA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the investment objective of the endowment is to seek maximum total return consistent with the preservation of principal, diversification and avoidance of excessive risk. The UICA will exercise reasonable care, skill and caution with regard to the investment of funds in the context of the entire portfolio which incorporates risk and return objectives reasonably suitable to the purposes of the UICA. The assets are to be managed in a manner that seeks to meet these investment objectives, while at the same time attempting to reduce volatility in year-to-year spending. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, the UICA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The UICA targets a diversified asset allocation.

Note 9. University of Iowa Facilities Corporation Transactions and Commitments

From time to time, the University of Iowa Facilities Corporation (UIFC) has issued revenue bonds to provide financial assistance to the University of Iowa for the acquisition and construction of facilities for the benefit of the University of Iowa. The bonds are payable solely from the lease payments paid by the University of Iowa for the facilities. Upon repayment of the bonds, ownership of the acquired facilities transfers to the University of Iowa. The UIFC is not obligated in any manner for repayment on the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2018, there were 12 series of revenue bonds outstanding. The original issue amounts of these bonds totaled $185,035,000 with the aggregate outstanding balance as of June 30, 2018, totaling $120,865,000.