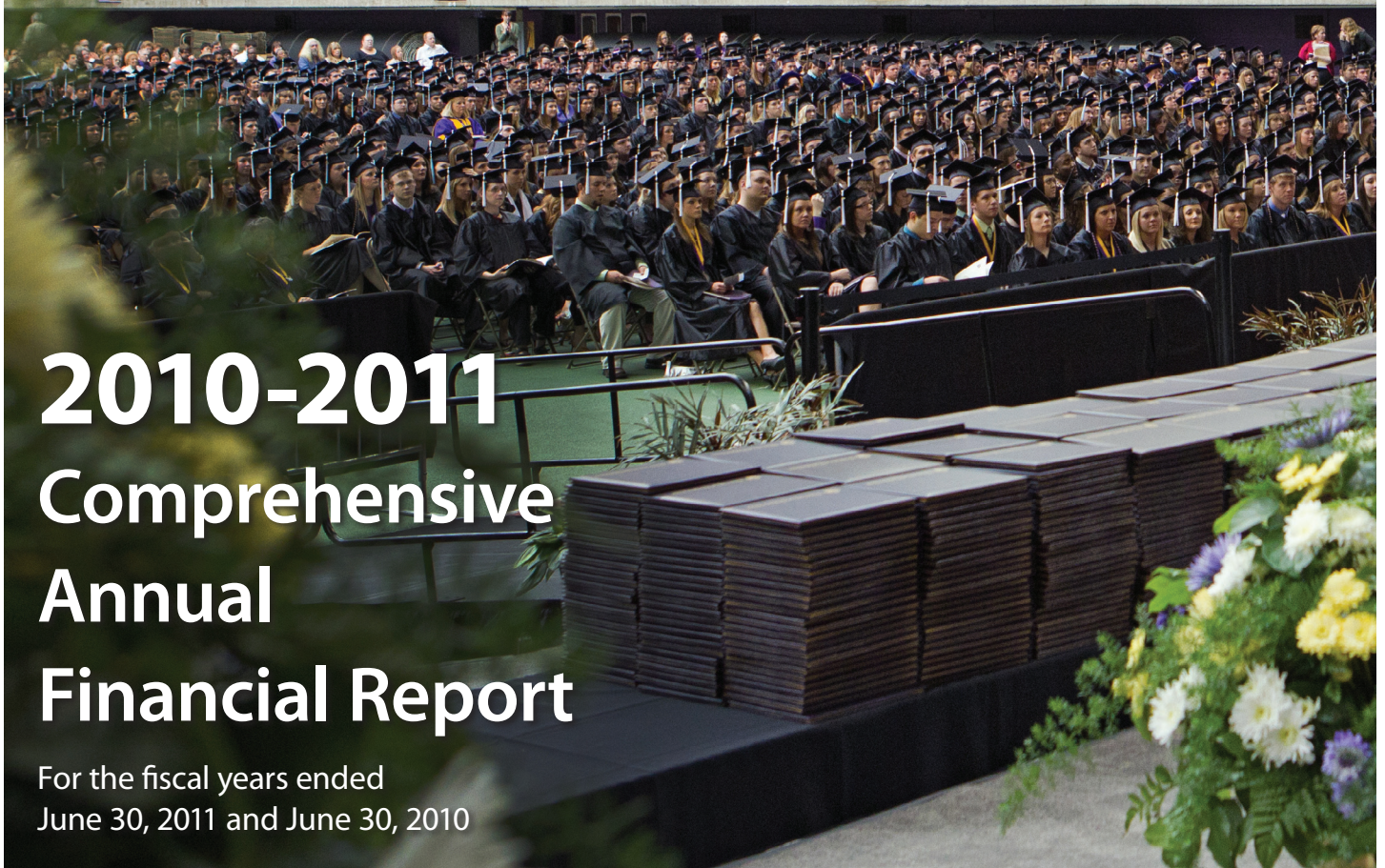




**University of
Northern
Iowa**

A public university governed by the
Board of Regents, State of Iowa

An enterprise fund of the State of Iowa



2010-2011 Comprehensive Annual Financial Report

For the fiscal years ended
June 30, 2011 and June 30, 2010



A public university
governed by the
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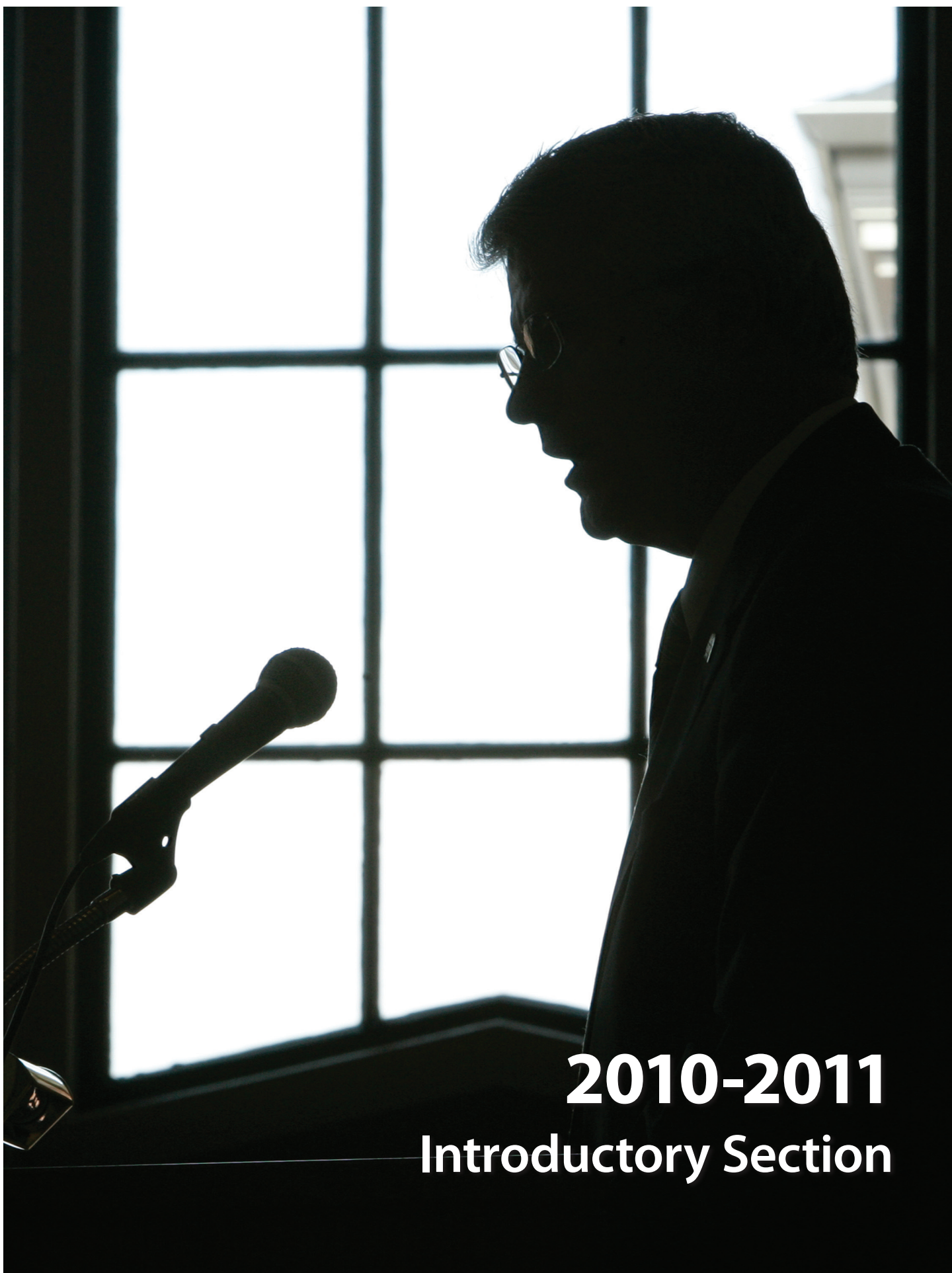
2010-2011 Comprehensive Annual Financial Report

For the fiscal years ended June 30, 2011
and June 30, 2010

Prepared by:
Financial Accounting
and Reporting Services

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2010-2011

Introductory Section



November 18, 2011

To President Allen,
Members of the Board of Regents, State of Iowa,
and Citizens of the State of Iowa

In accordance with Code of Iowa Sections 262.23 and 262.25, we are pleased to submit the Comprehensive Annual Financial Report of the University of Northern Iowa for the year ended June 30, 2011. The audit opinion letter of the Auditor of State appears in the Financial Section and expresses an unqualified opinion on the University's financial statements.

Responsibility for the accuracy of the information and for the completeness and fairness of its presentation, including all disclosures, rests with the management of the University. We believe the information presented is accurate in all material respects and necessary disclosures have been made which enable the reader to obtain an understanding of the University's financial activity.

This report has been prepared in accordance with United States generally accepted accounting principles (GAAP) for governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). See accompanying Notes to Financial Statements for a full disclosure of the accounting principles observed.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE UNIVERSITY

Description of the Institution. The University of Northern Iowa serves Iowa through a tripartite mission of education, research, and service. The University of Northern Iowa has served Iowa continuously for 135 years. Founded in 1876 as Iowa State Normal School, the School became Iowa State Teacher's College in 1909, and State College of Iowa in 1961. In 1967, the College achieved full university status and was renamed the University of Northern Iowa.

The University of Northern Iowa is a comprehensive university with 13,168 students and 1,738 full-time faculty and staff. Ninety and one-half percent of the students are from the State of Iowa. The student body represents every county in Iowa, 43 states, and 56 foreign countries. Approximately 84% of UNI's freshmen rank in the top 50% of their high school class, with about 48% ranking in the top 30%.

The University of Northern Iowa provides transformative learning experiences that inspire students to embrace challenge, engage in critical inquiry and creative thought, and contribute to society. It is committed to being an intellectually and culturally diverse community. The University focuses both on undergraduate education and on selected master's, doctoral and other graduate programs. It is characterized by excellence in three areas: teaching and learning; research, scholarship, and creative work; and service. Through its varied endeavors, UNI shares its expertise with, and provides service to individuals, communities, and organizations throughout the state, the nation, and the world. Building on its traditional strength in teacher education, the University of Northern Iowa offers nationally recognized programs in its colleges of Business Administration; Education; Humanities, Arts and Sciences; Social and Behavioral Sciences; and Graduate College.

The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. Individual programs are accredited by several national accrediting agencies. The University is a member of the American Association of State Colleges and Universities (AASCU), the American Association of Colleges for Teacher Education (AACTE), and the Council of Graduate Schools in the United States.

ECONOMIC CONDITION AND OUTLOOK

National Economic Outlook for 2011-2012

In 2007 and 2008, the United States faced the worst financial crisis in modern times. The origin of the financial crisis involved over-use of credit in the housing market. Many U.S. families took advantage of easily obtained credit and rising home prices and assumed more debt. When the credit bubble burst, home prices plunged and many homeowners owed more than their homes were worth. The bursting of the credit bubble caused great instability in worldwide credit markets and it resulted in a sharp decline in credit availability. The result was a recession that lasted from December 2007 until June 2009. Over that period of time, real gross domestic product decreased 5.09 percent, making the recession the longest and deepest since World War II. The recession caused the loss of jobs. Unemployment rose from 4.6 percent in June 2007 to 10.1 percent in October 2009. Extraordinary actions by the Treasury, Federal Reserve Bank and other central banks, and Congress prevented a world-wide financial collapse. The U.S. economy was stabilized by mid-2009. Since that time, the U.S. economy has grown slowly. The economy has remained weaker than expected and growth has been insufficient to bring down unemployment or to inspire sufficient confidence for business expansion.

Real Gross Domestic Product quarter-over-quarter growth switched from negative to positive during the third quarter of 2009. It averaged -0.3% for 2008, -3.5% for 2009, and 3.0% for 2010. The real gross domestic product became sluggish in 2011 with actual growth of 0.4%, 1.3%, and 2.0% during the first three quarters. The Wells Fargo Economics Group predicts Real GDP growth will be 2.0% during 2012 and 1.8% during 2013.

High unemployment continues to be a problem, with 14,173,000 persons unemployed in June 2011. Of this number, 6,289,000 persons were unemployed for 27 weeks or longer. Unemployment was 8.9%, 9.1%, and 9.1% during the first three quarters of 2011. The Wells Fargo Economics Group predicts unemployment will average 9.4% in 2012 and 9.2% in 2013.

Inflation is controlled. The Consumer Price Index was 2.2%, 3.3%, and 3.8% during the first three quarters of 2011. The "Core" Consumer Price Index, which excludes food and energy, was 1.1%, 1.5%, and 1.9% for the same time period. The Wells Fargo Economics Group predicts core inflation will continue to be modest averaging 1.9% in 2012 and 1.7% in 2013.

Housing starts continue to be very low in reaction to overbuilding and a large inventory of unsold units. Housing starts were 0.58 million, 0.57 million, and 0.62 million units during the first three quarters of 2011. The Wells Fargo Economics Group predicts housing starts will increase slightly to 0.61 million units in 2012 and 0.74 million units in 2013.

The housing market continues to delay economic recovery. Clearing the backlog of millions of repossessed homes is expected to take years in spite of lower home prices and record-low mortgage interest rates. Stricter mortgage underwriting standards make it more difficult to obtain financing. The unemployed are finding it difficult to hold on to their homes. Financial institutions have repossessed millions of homes and are waiting to sell them. Increased legal scrutiny of foreclosure documents has added to the time it takes to foreclose on a mortgage loan. Problems in the housing sector are a major reason why the nation's economy is not recovering more quickly.

The Federal Reserve Bank continues to suppress interest rates in an attempt to stimulate the economy. The Federal Open Market Committee reduced the Federal Funds Target Rate to 0.00% to 0.25% in December 2008. The Committee intends to hold the rate at that level at least through mid-2013. The Federal Reserve Bank of New York, through its programs to purchase and sell assets, expanded its holding of both U.S. Treasury and Agency mortgage-backed securities. According to the Federal Reserve Bank of New York, it undertakes asset purchases and sales to improve conditions in credit markets, help support conditions in mortgage markets, increase the pace and strength of economic recovery, and to help ensure inflation is maintained, over time, at the levels it targets. The prime rate has been 3.25 percent since the fourth quarter

of 2008. The Wells Fargo Economics Group predicts it will remain at that level through 2013. The convention mortgage interest rate has been declining. It averaged 5.04% in 2009 and 4.69% in 2010. During the first three quarters of 2011 it was 4.84%, 4.51%, and 4.11 %. The Wells Fargo Economics Group predicts the rate for conventional mortgages will be 4.10% in 2012 and 4.50% in 2013. It is evident low interest rates are not hampering economic growth.

The nation's economic growth is expected to remain sluggish for the next few years. Major concerns are unacceptably high employment, a distressed housing market, downgrades of the sovereign debt of the U.S. and several European countries, failure of the Super Committee to agree on how to reduce the U.S. government's budget, a gridlocked Congress, ever increasing regulation, uncertainty about future tax rates and the uncertain cost of the Patient Protection and Affordable Care Act. The uncertainty that results from these factors and others has caused businesses and individuals alike to proceed with caution in their decision making. Creative ways must be found to put the nation's unused resources to work. Changes are needed in monetary and fiscal policy, Congressional assistance is needed to repair the housing sector, and reforms are needed to increase competitiveness and promote sustainable growth.

State and Local Economy

Introduction. Iowa's economy is supported by a diverse mix of agricultural, manufacturing, trade, service, and governmental employment. During the past ten years, finance and insurance has increased from 11.1% to 13.8% of the state's gross domestic product. Agriculture became more significant, increasing from 3.1% to 5.9% of the state gross domestic product. Manufacturing decreased from 21.0% to 17.8% and wholesale and retail trade decreased from 12.8% to 11.4%. In 2000, the largest industries in the Iowa gross domestic product were manufacturing (21.0%), wholesale and retail trade (12.8%), government (11.4%), finance and insurance (11.1%), and real estate, rental and leasing (9.8%). Agriculture accounted for 3.1%. In 2010, the largest industries in the Iowa gross domestic product were manufacturing (17.8%), finance and insurance (13.8%), government (11.5%), wholesale and retail trade (11.4%), and real estate, rental and leasing (9.7%). Agriculture increased to 5.9% of the Iowa gross domestic product.

Agriculture. According to the USDA's National Agricultural Statistics Service's 2010 State Agriculture Overview, there were 92,400 farms in the state consisting of 30.8 million acres. The average farm size was 333 acres. Corn production was 2,153 million bushels, soybean production was 496 million bushels, hay production was eight million tons, oats production was four million bushels, and wheat production was one million bushels. Market values of agricultural production in 2010 follow: corn crop, \$11.735 billion; soybeans crop, \$5.805 billion; hay crop, \$810 million; oats crop, \$11 million; and wheat crop, \$50 million. According to the USDA's 2007 Census of Agriculture State Profile, there were 53.8 million layers, 19.3 million hogs, 11.4 million pullets, 4.0 million turkeys and 4.0 million cattle and calves, and 0.2 million sheep in the livestock inventory.

Ethanol Production. According to the Iowa Renewable Fuels Association, there are 41 ethanol refineries in production in the state. These refineries have 3.667 billion gallons of annual production capacity and require over one billion bushels of corn annually. In addition, there are 14 biodiesel refineries in production. They have 321 million gallons of annual production capacity and require 175 million bushels of soybeans. There are 157 E85 stations and 243 biodiesel stations across Iowa.

Farmland Values. According to The Agricultural Newsletter published by the Federal Reserve Bank of Chicago, the annual percentage change in the dollar value of "good" Iowa farmland was 20% in 2010-11, 8% in 2009-2010, -5% in 2008-09, 15% in 2007-08, and 18% in 2006-07. Location was a major factor for land values this year, with regional price increases varying from a low of 1% to a high of 23%. The 2010-11 price increase is attributed to higher commodity prices and record low farm mortgage rates. According to the 2010 Farmland Value Survey conducted by Iowa State University, the average value of an acre of Iowa farmland was \$5,064 in 2010, \$4,371 in 2009, \$4,468 in 2008, \$3,908 in 2007, and \$3,204 in 2006.

Personal Income and Per-Capita Personal Income. According to the March 2011 outlook prepared by the University of Iowa Institute for Economic Research, personal income in Iowa is expected to grow by 3.9% in 2011 and 4.0% in 2012. According to the Bureau of Economic Analysis (BEA), Iowa's personal income, seasonally adjusted, grew at the rate of 2.2%, 0.8%, 2.5%, and 1.5%, respectively, during the four quarters of Fiscal Year 2010-11. The growth is better than the nation as a whole, with personal income growth of 1.1%, 1.0%, 2.1%, and 1.1%, respectively. Iowa's average per-capita income, as reported by BEA, was \$38,084 in 2010 and \$37,074 in 2009. The average per-capita income in the nation was \$39,945

in 2010 and \$38,846 in 2009. Iowa's per-capita personal income increased 2.7% from 2009 to 2010, while the nation's increased 2.8%.

Median Household Income. According to the U.S. Census Bureau, Iowa median household income was \$48,065 in 2009 and \$49,007 in 2008. The national median household income was reported as \$50,221 in 2009 and \$52,029 in 2008.

Employment. According to Economagic.com, Iowa's seasonally adjusted percent unemployed for the State was 6.0% in June 2011 compared with 6.1% in June 2010, 5.6% in June 2009, 4.3% in June 2008, and 3.8% in June 2007. For the nation, seasonally adjusted percent unemployed was 9.2% in June 2011 compared with 9.5% in June 2010, 9.5% in June 2009, 5.6% in June 2008, and 4.6% in June 2007. Over the past five years Iowa's unemployment rate has been between 0.8 and 3.9 percentage points below the national average. In June 2011, there were 1,575,799 employed Iowans compared with 1,566,832 in June 2010, an increase of 8,967 persons. There were 100,206 unemployed Iowans in June 2011 compared with 102,371 in June 2010, a decrease of 2,165.

Manufacturing. According to the Bureau of Economic Analysis (BEA), Iowa's gross domestic product from manufacturing increased by 31.0% between 2001 and 2010, while the nation's gross domestic product from manufacturing increased by 27.8%. According to the Bureau of Labor Statistics, Iowa's manufacturing employment decreased by 15.1%, while the nation's manufacturing employment decreased by 28.8% during the same period of time. According to BEA gross domestic product by industry data, manufacturing jobs have decreased in the nation in all major industries between 2000 and 2009. According to the Bureau of Labor Statistics, manufacturing employment in Iowa averaged 229,608 in 2007, 227,342 in 2008, 202,767 in 2009, 200,050 in 2010, and 203,867 during the first 9 months of 2011.

Exports. According to the Foreign Trade Division of the U.S. Department of Census, Iowa's export shipments of merchandise totaled \$10.9 billion in 2010 and \$9.0 billion in 2009. Iowa's export shipments grew 12.7% from 2007 to 2010. In 2010, Iowa exported merchandise valued at \$3.7 billion to Canada, \$1.8 billion to Mexico, \$852 million to Japan, \$599 million to China, \$479 million to the Federal Republic of Germany, and \$363 million to the United Kingdom. Other top markets included Brazil, Australia, France, South Korea, the Netherlands, Russia, Singapore, and Hong Kong. Iowa's leading export category was tractors. Other top export categories were soybeans, swine meat, corn, aircraft parts, herbicide, and refrigerator-freezer combinations.

Real Gross Domestic Product. The real gross domestic product is the U.S. Commerce Department's measure of the value of all goods and services produced in a given year. It is expressed in base-year prices for the year 2005. According to the Bureau of Economic Analysis, Iowa's real gross domestic product was \$127.67 billion in 2010, \$123.84 billion in 2009, \$125.05 billion in 2008, \$127.28 billion in 2007, and \$121.39 billion in 2006. While Iowa's real gross domestic product increased 5.2% between 2006 and 2010, it declined 1.8% from 2006 to 2007 and 1.0 percent between 2007 and 2008. It increased 3.1% between 2009 and 2010. The nation's real gross domestic product was \$13.10 trillion in 2010, \$12.77 trillion in 2009, \$13.10 trillion in 2008, \$13.14 trillion in 2007, and \$12.90 trillion in 2006. The growth rate in the nation's real gross domestic product between 2006 and 2010 was 1.6%. It declined 0.3% from 2007 to 2008 and 2.8% from 2008 to 2009. The nation's real gross domestic product increased 2.6% between 2009 and 2010. Iowa, then, experienced a larger percentage increase in real gross domestic product than the nation from 2006 to 2010.

Nonagricultural Economy. Over the past 10 years, significant changes have occurred in the mix of nonfarm wage and salary employment. According to the Bureau of Labor Statistics, Iowa's total nonfarm employment experienced a 1.1% increase. Jobs in education and health services grew by 16.3%, jobs in professional and business services grew by 15.7%, jobs in leisure and hospitality grew by 9.2%, jobs in financial activities grew by 8.3%, and jobs in government grew by 2.5%. Jobs in information services decreased 26.2%, jobs in manufacturing decreased 15.1%, jobs in construction decreased 3.4%, jobs in trade, transportation and utilities decreased 2.3%, and other services jobs decreased 1.2%.

Waterloo-Cedar Falls Metropolitan Statistical Area. The Waterloo-Cedar Falls Metropolitan Statistical Area (MSA) consists of Black Hawk, Bremer, and Grundy counties. In 2010, Waterloo-Cedar Falls had a per-capita personal income (PCPI) of \$36,573. This PCPI was 91.6% of the national average of \$39,945. The 2010 PCPI reflected an increase of 2.0% from 2009. The 2009-2010 national change was an increase of 3.7%. In 2000, the PCPI of Waterloo-Cedar Falls was \$25,179. The 2000-2010 average annual growth rate of PCPI was 4.5%. The average annual growth rate for the nation was 3.7%. As of September 2011,

the Waterloo-Cedar Falls MSA had an unemployment rate of 5.3%, while the nation had an unemployment rate of 9.1%.

State of Iowa's Economic Outlook for 2011-2012

The 2011 session of the Iowa General Assembly appropriated \$6.000 billion from the General Fund and \$1.171 billion from other funds for a total of \$7.171 billion for expenditure in Fiscal 2012. The sum appropriated from the General Fund was \$261.8 million less than the expenditure limitation. At the end of Fiscal 2012, the combined balances of the Cash Reserve Fund and the Economic Emergency Fund are estimated to be at the maximum statutory limit of \$593.9 million.

The 2011 session of the Iowa General Assembly changed the destination of \$106 million of cigarette and tobacco tax to the Health Care Trust Fund.

For the first four months of Fiscal 2012 gross tax revenue growth was positive \$22.0 million and gross other revenue growth was positive \$5.6 million. Regular tax refund growth was negative \$15.8 million and school infrastructure refund growth was negative \$25.9 million, resulting in growth of negative \$14.1 million or negative 0.8%. The decline was due solely to the cigarette and tobacco tax destination change. Adjustments are necessary for the cigarette tax change, the school infrastructure refund change, and October 31st being on a weekday this year. Adjusted net General Fund revenue growth through October 31st is positive \$62.0 million, an increase of about 3.4% if the cigarette tax adjustment is excluded from the calculation. The General Fund revenue growth is in line with the October Revenue Estimating Conference projections.

Net General Fund revenue has increased in four of the past six months. Personal income tax receipt growth has been positive for the first four months of the fiscal year. The overall growth rate for that period is 4.5 percent. Sales and use tax receipts have increased 3.5 percent over the past four months. Corporate tax revenue experienced a substantial turnaround starting with May 2011, and has increased almost 36 percent over that period. Corporate income tax dollar growth has contributed substantially to the General Fund dollar growth over the past six months.

The U.S. Bureau of Labor statistics releases two data sets reflecting employment in the State. One set is derived from a survey of employers and the other is derived from a survey of households. The Establishment Survey is showing strong employment growth in the State. The Household Survey is showing fewer people are employed than one year ago. When July-September 2011 is compared with the same period in 2010, the Establishment Series shows an increase of 19,600 employees or 1.3%. The Household Series, however, shows a decline of 2,600 persons employed or negative 0.2%. The Establishment Series, then, shows employment is expanding while the Household Series shows it is contracting. This discrepancy makes discerning the true direction of the Iowa economy difficult.

The Iowa Leading Indicators Index (ILII) provides a monthly signal about the direction of the economy by combining the monthly changes in each of eight components. The Index signaled a recession when the ILII decreased each month from March 2008 to the September 2009 trough, an 18 month period. The index signaled improvement in the economy when it increased each month from the September 2009 trough through April 2011, a 19 month period. The index currently may be signaling the economy is slowing down, which is demonstrated by small decreases in the index each month from May through September 2011 and a minor increase in October 2011. From March 2008 to September 2009, the index declined 10.3%, from September 2009 to April 2011, the index increased 10.7%, and from April to October 2011, the index decreased 0.5%. From September 2009 trough through October 2011, average weekly manufacturing hours increased from 38.30 to 40.34, the number of building permits for residential housing units increased from 565 to 642, and the new factory orders index increased from 39.3 to 65.1. The weekly average of initial claims for unemployment insurance decreased from 7,816 to 3,857. The diesel fuel consumption index increased from 51.71 to 55.10, the Iowa stock market index increased from 53.38 to 62.57, and the agriculture future profits index increased from -3.86 to 2.43. The yield spread between the 10-year Treasury note and the 3-month Treasury bill was the only item in the index that decreased, going from 3.28 down to 2.13.

Iowa General Fund revenue is growing, but the slow pace of growth remains a concern. State Net General Fund Revenues peaked at \$6.085 billion in Fiscal 2008. Revenues decreased to \$5.934 billion in Fiscal 2009 and decreased further to \$5.634 billion in Fiscal 2010. State Net General Fund Revenues were \$5.899 billion in Fiscal 2011, a 4.7% increase over Fiscal 2010. None-the-less, Fiscal 2011 revenues were 3.1%

below the Fiscal 2008 peak. The October 14, 2011 Revenue Estimating Conference reviewed recent economic data and projected Fiscal 2012 Net General Fund Revenues to be \$5.975 billion and Fiscal 2013 revenue to be \$6.210 billion, which is \$76 million more than the actual net revenue for Fiscal 2011 and \$235 million more than estimated net revenue for Fiscal 2012. The next meeting of the Revenue Estimating Conference is scheduled for December 15, 2011.

The State of Iowa's economic outlook is best described as "cautious optimism" for 2011-2012.

Financial Policies

The Governor and General Assembly have statutory responsibility to balance the budget. Spending is limited to 99.0 percent of adjusted revenues, 95.0 percent of any new revenue implemented in the fiscal year, and any carry-over from the previous year. The Governor and General Assembly are required to use the revenue estimates agreed to by the December Revenue Estimating Conference, or the spring estimate if it is lower, as a basis to determine the State General Fund budget for the following year. Two reserve funds have been created: the Cash Reserve Fund and the Economic Emergency Fund. Expenditures from these funds are limited by statute for nonrecurring emergency expenditures.

MAJOR INITIATIVES

Major initiatives of the University of Northern Iowa are guided by the University's strategic plan. The goals and objectives of the University's 2010-2015 Strategic Plan are:

- Goal 1. Be a leading undergraduate public university that provides a strong liberal arts foundation.
- Goal 2. Provide rigorous and relevant graduate education that meets the needs of graduate students, the University, and the community.
- Goal 3. Lead the state and nation in pre K-12 education.
- Goal 4. Create and maintain an inclusive educational environment that prepares students to thrive in a diverse global environment.
- Goal 5. Enhance the economic, social, cultural, and sustainable development of the state.
- Goal 6. Ensure accountability, affordability, and access.

The University has established institutional performance indicators that will be regularly assessed to determine progress in meeting the goals and objectives contained in its Strategic Plan. The University's Strategic Plan is aligned with the plans of its major divisions and units and with the Strategic Plan of the Board of Regents, State of Iowa.

FINANCIAL INFORMATION

Internal Controls. Management of the University is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, estimates and judgments are routinely made to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal control is to provide reasonable, but not absolute, assurance assets are safeguarded against loss from unauthorized use or disposition, and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with United States generally accepted accounting principles. No matter how well internal controls are designed, they can only provide reasonable assurance that objectives have been achieved. Some limitations are inherent in all internal control systems. These include: judgment, breakdowns, management override, and collusion. Executive management of the University is committed to the establishment of internal controls and adherence to the controls. The Office of Auditor of State reviews our internal control procedures as an integral part of the annual audit.

Budgetary Controls. The objective of budgetary control is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Regents, State of Iowa. Budgetary control is established by account and function. A position control system is used to manage the staff salary budget. Budgetary control is also exercised over sponsored projects as defined in grant and contract agreements with external agencies. In addition, capital projects are controlled by Board approved budgets. The University also maintains an encumbrance accounting system as a significant element of the budgetary control system.

Long-Term Financial Planning. The success of the University's strategic plan is closely tied to the development of long-term financial plans at all levels of the organization. University officials are continually seeking ways to increase revenue from public and private sources as well as identifying internal reallocations and cost containment ideas to meet the goals and objectives of the University strategic plan.

Cash Management. The cash management function is the responsibility of the University Treasurer. The Vice President for Administration and Financial Services and the Board of Regents, State of Iowa provide appropriate oversight. University funds may be invested in obligations of the U.S. Government and its agencies, certificates of deposit, bankers' acceptances, commercial paper, short-term corporate debt, repurchase agreements, investments authorized for IPERS, open-end management investment companies, and the Common Fund for Non-Profit Organizations. The three goals of the investment policy, in order of importance, are: 1) safety of funds, 2) liquidity, and 3) return.

A custodial bank is utilized to safe-keep investments and to provide payment and collection services for investment transactions. All investment transactions occur on a delivery versus payment basis. University deposits are insured or collateralized in accordance with Chapter 12C of the Code of Iowa.

Debt Administration. In December 2010, Dormitory Revenue Bonds were issued in the amount of \$16.79 million. The proceeds were used to pay a portion of the costs of constructing and equipping Phase 1 of a new apartment facility, funding a deposit to the Debt Service Reserve Fund, and paying the costs of issuance. Also, in December 2010, Dormitory Revenue Refunding Bonds were issued in the amount of \$10.16 million. The bonds were used to refund, as an advance refunding, the outstanding principal of the July 1, 2011 through July 1, 2021 maturities of the Board's Dormitory Revenue Bonds, Series U.N.I. 2000, dated June 1, 2000. The realized net present value savings from the transaction was \$733,328. In June 2011, Fieldhouse Revenue Refunding Bonds were issued in the amount of \$3.61 million. The bonds were used to refund, as a current refunding, the outstanding principal of the July 1, 2012 through July 1, 2022 maturities of the Board's Fieldhouse Revenue Bonds, Series U.N.I. 2001, dated December 1, 2001. The realized net present value savings from the transaction was \$350,651. On June 30, 2011, the Supplement to the Board's Master Lease dated September 18, 2006 was amended to reduce the interest rate on the Human Performance Center transaction from 6.60% to 4.25%.

Risk Management. It is the general policy of the University not to purchase commercial insurance, with the exception of coverage required by bond covenants, for the risks of losses to which it is exposed. Instead, University management believes it is more economical to manage its risks internally and to depend on the State Contingent Fund. For further information, refer to the Notes to Financial Statements. An Enterprise Risk Management Council was established in Fiscal 2011.

OTHER INFORMATION

Independent Audit. State law, federal guidelines, and certain bond indentures require the University's accounting and financial records be audited each year. The Auditor of State is required by Chapter 11 of the Code of Iowa to annually audit all departments of the State. The accompanying financial statements of the University of Northern Iowa have been audited by the Auditor of State in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. His report appears in the Financial Section of this report.

As a recipient of federal financial awards, the University is responsible for ensuring compliance with all applicable laws and regulations relating to such assistance. A combination of State and University policies and procedures, integrated with the University's internal controls, provides for this compliance. The Auditor of State conducts an annual single audit under the requirements set forth in the Single Audit Act of 1984, the Single Audit Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Additionally, University of Northern Iowa internal auditors perform fiscal and compliance audits. The reports resulting from these audits are shared with the University's management, the Board of Regents, State of Iowa, and the Auditor of State.

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the University of Northern Iowa for its Comprehensive Annual Financial Report for the year ended June 30, 2010. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

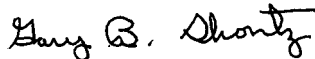
In order to be awarded a Certificate of Achievement, a university must publish an easily readable and efficiently organized annual financial report whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the nineteenth consecutive year the University of Northern Iowa has received this prestigious award. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

Acknowledgements. Appreciation is expressed to the staff of Financial Accounting and Reporting Services, Office of Business Operations, Office of University Relations, and other University offices for their efforts in assisting in the preparation of this report.

This report expresses our commitment to maintain our financial statements in conformance with the highest standards of financial accountability. We believe the report clearly conveys the University of Northern Iowa is a fiscally sound and dynamically managed institution that is positioned to meet the educational and service needs of the citizenry.

Respectfully submitted,



Gary B. Shontz
Controller, University Secretary
and Treasurer



Dr. Jan Hanish
Interim Vice President for Administration
and Financial Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Northern Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, likely belonging to the President of the association.

President

A handwritten signature in black ink that reads 'Jeffrey R. Emer'.

Executive Director

The Governing Board

2010-11

The University of Northern Iowa, together with the State University of Iowa, the Iowa State University of Science and Technology, the Iowa Braille and Sight Saving School, and the Iowa School for the Deaf, is governed by the Board of Regents, State of Iowa consisting of nine members.

Board of Regents, State of Iowa

Officers of the Board

David W. Miles, President
Jack B. Evans, President Pro Tem
Robert Donley, Executive Director

Members of the Board (As of June 30, 2011)

	<u>Term Expires</u>
Jack B. Evans, Cedar Rapids	April 30, 2013
Craig A. Lang, Brooklyn	April 30, 2013
David W. Miles, West Des Moines	April 30, 2013
Robert N. Downer, Iowa City	April 30, 2015
Ruth R. Harkin, Cumming	April 30, 2015
Greta A. Johnson, Le Mars	April 30, 2015
Nicole C. Carroll, Carroll	April 30, 2017
Katie S. Mulholland, Marion	April 30, 2017
Bruce L. Rastetter, Alden	April 30, 2017

Officers of the University (As of June 30, 2011)

President of the University
Benjamin J. Allen, B.S., M.A., Ph. D.

Executive Vice President and Provost
Gloria J. Gibson, B.A., M.A., Ph. D.

Vice President for Administration and Financial Services
Thomas G. Schellhardt, B.S., M.S.

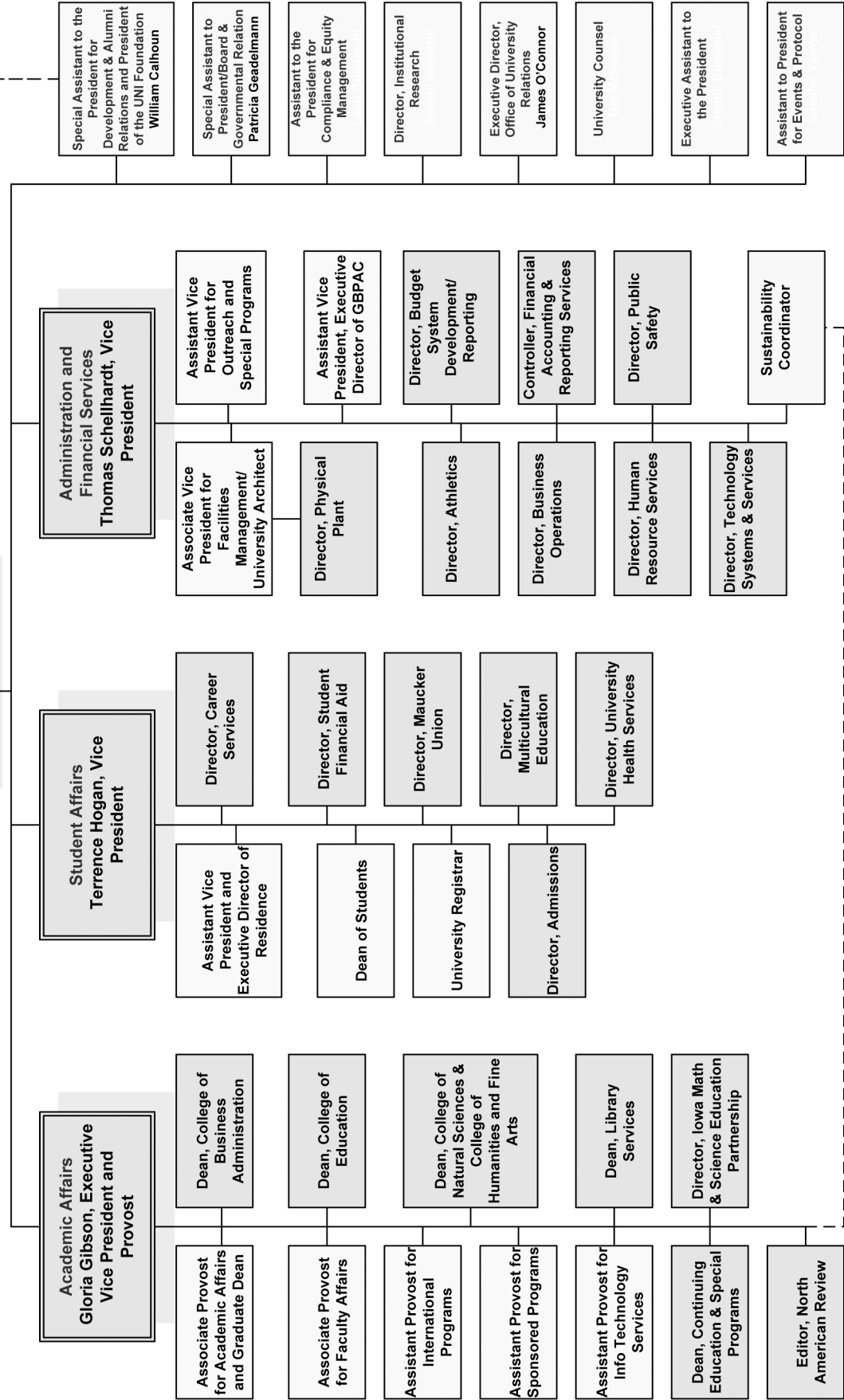
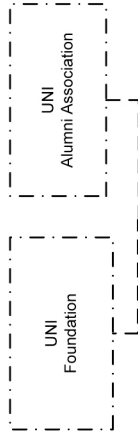
Vice President for Student Affairs
Terrance Hogan, B.S.C., M.A., Ph.D.

Controller, University Secretary and Treasurer
Gary B. Shontz, B.B.A., M.A.E., Ed. S.

Special Assistant to the President for Development & Alumni Relations
William D. Calhoun, Jr., B.A., M.A.

Special Assistant to the President for Board and Governmental Relations
Patricia L. Geadelmann, B.A., M.A., Ed. D.

University of Northern Iowa Administrative Organization 2010-2011



A group of people are wading through a shallow stream in a lush, green forest. The water is dark and rippling. The people are seen from behind, wearing various outdoor gear like backpacks and hats. The forest is dense with tall trees and vibrant green foliage. The scene is captured from a low angle, looking down the stream.

2010-2011
Financial Section



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

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

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses, and changes in net assets and cash flows, of the University of Northern Iowa, Cedar Falls, Iowa, and its discretely presented component unit as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the discretely presented component unit, the University of Northern Iowa Foundation, discussed in Note A, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the component unit, is based on the report of the other auditor.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits and the report of the other auditor provide a reasonable basis for our opinion.

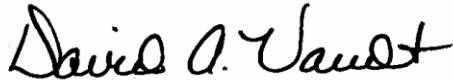
As discussed in Note A, the financial statements of the University of Northern Iowa are intended to present the financial position and the changes in financial position and cash flows of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the University of Northern Iowa. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years ended June 30, 2011 and 2010 in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Northern Iowa and its discretely presented component unit at June 30, 2011 and 2010, and the respective changes in their financial position and their cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 15 through 25 and page 77, respectively, are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

We did not audit the data included in the statistical section and, accordingly, express no opinion on it.

Our report on the University of Northern Iowa's internal control over financial reporting and our 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 17, 2011

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

This section of the University of Northern Iowa comprehensive annual financial report presents management's discussion and analysis of the financial performance of the University for the two years ended June 30, 2011, and 2010. This discussion should be read in conjunction with the accompanying letter of transmittal, financial statements, and footnotes. The financial statements, footnotes, and this discussion are the responsibility of University management.

This information is presented to assist the reader in understanding the University's financial position and operating activities, accomplishments and challenges. We are also presenting financial information about the University of Northern Iowa Foundation (the Foundation). The Foundation is a legally separate support organization that raises and holds funds to support the University and its mission. The Foundation is a discretely presented component unit of the University.

2011 FINANCIAL HIGHLIGHTS

- The Higher Learning Commission of the North Central Association of Colleges and Schools reaccruited the University for ten years without any qualifications or interim reporting requirements.
- The 2011 Session of the Iowa General Assembly provided an appropriation for the primary General Educational Fund in the amount of \$74,734,586 for Fiscal 2012. This is a 5.4 percent decrease from the Fiscal 2011 appropriation of \$79,005,927, which included one-time funds of \$1,456,118.
- The 2011 Session of the Iowa General Assembly provided an appropriation of \$21,000,000 for the renovation of Bartlett Hall and the demolition of Baker Hall. The appropriation will be received over four fiscal years.
- The \$12,376,434 American Recovery and Reinvestment Act (ARRA) allocation to the University was substantially expended in Fiscal 2010. The remaining \$1,375,243 was expended in Fiscal 2011. The University expended the funds for a Student Information System, Early Retirement Incentive Program costs, adjunct funding, energy efficiency and sustainability projects, classroom technology, implementation of revenue enhancement and cost reduction initiatives, and enhancement of the first year student experience.
- Expenditures from sponsored programs were a record \$42.5 million in Fiscal 2011, a 2.6 percent increase from Fiscal 2010.
- The Board of Regents, State of Iowa, issued \$16.79 million of Dormitory Revenue Bonds in December 2010 to pay a portion of the costs of constructing and equipping Phase 1 of a new apartment facility.
- Two series of revenue bonds were refunded. The Board of Regents, State of Iowa, issued \$10.16 million of Dormitory Revenue Refunding Bonds in December 2010 to refund Dormitory Revenue Bonds Series U.N.I. 2000. The advance refunding resulted in an economic gain of \$733,328. In June 2011, the Board issued Field House Revenue Refunding Bonds in the amount of \$3.61 million to refund Field House Revenue Bonds Series U.N.I. 2001. The current refunding resulted in an economic gain of \$350,651.
- The Human Performance Center capital lease was refinanced. The interest rate was reduced from 6.60 percent to 4.25 percent.
- The University's fall 2011 headcount enrollment was 13,168 students, a decrease of 33 students from fall 2010. The headcount had increased each fall between 2006 and 2010.
- The Foundation had strong performance in Fiscal 2011. Foundation contribution revenue increased from \$14.2 million in Fiscal 2010 to \$20.7 million in Fiscal 2011. During Fiscal 2011, the Foundation received an \$11 million cash gift from Richard O. Jacobson for literacy education. Investment return increased from \$8.1 million in Fiscal 2010 to \$12.5 million in Fiscal 2011. Net assets of the Foundation increased from \$72.6 million in Fiscal 2010 to \$95.3 million in Fiscal 2011.
- The Foundation provided revenues of \$4.5 million to the University in Fiscal 2011 and \$3.8 million in Fiscal 2010, an increase of \$0.7 million.
- In 2005, the Foundation launched its \$150 million "Imagine the Impact" capital campaign to raise \$75 million each for scholarships and program support. On October 23, 2010, it launched the campaign nationally. As of September 30, 2011, the Foundation has raised \$131.7 million consisting of \$71.8 million of pledges and gifts and \$59.9 million of deferred gifts.
- An actuarial valuation of the University's retiree health benefit plan was updated by a consulting actuary. The beginning of year net OPEB obligation was \$1,600,000. The end of year net OPEB obligation was \$2,440,856. The actual valuation of the State of Iowa's postretirement medical plan was also updated. University of Northern

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

Iowa merit employees covered by four AFSCME statewide bargaining units receive medical benefits under the plan. The University of Northern Iowa's prorated share of the net OPEB obligation was \$996,071 at the beginning of the year and \$1,454,103 at the end of the year. The University's combined net OPEB obligation, then, was \$2,596,071 at the beginning of the year and \$3,894,959 at the end of the year. Both plans are financed on a pay-as-you-go basis.

- The University was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the year ended June 30, 2010. The Certificate has been received nineteen consecutive years.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the University of Northern Iowa's basic financial statements. The University's basic financial statements consist of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows provide information about the activities of the University as a whole and present a longer-term view of the University's finances. These basic financial statements also include the Notes to Financial Statements which explain some of the information in the statements and provide more detail. Statistical information is also included in schedule form.

THE UNIVERSITY AS A WHOLE

The Statement of Net Assets

The University's Statement of Net Assets presents the assets, liabilities, and net assets of the University as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the University to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements are able to determine the University's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the University owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

University The Statement of Net Assets			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$172,304,948	177,652,145	168,224,670
Capital assets	<u>351,701,317</u>	<u>331,534,837</u>	<u>315,130,905</u>
Total assets	<u>524,006,265</u>	<u>509,186,982</u>	<u>483,355,575</u>
Current liabilities	44,232,209	44,380,946	39,244,953
Noncurrent liabilities	<u>148,223,446</u>	<u>140,271,012</u>	<u>145,476,791</u>
Total liabilities	<u>192,455,655</u>	<u>184,651,958</u>	<u>184,721,744</u>
Net assets:			
Invested in capital assets, net of related debt	226,532,511	219,729,638	205,106,280
Restricted	34,250,533	28,007,491	28,233,393
Unrestricted	<u>70,767,566</u>	<u>76,797,895</u>	<u>65,294,158</u>
Total net assets	<u>\$331,550,610</u>	<u>324,535,024</u>	<u>298,633,831</u>

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

The largest portion of the University's net assets (68.3 percent) is invested in capital assets (e.g., land, land improvements, buildings, equipment, library materials and intangible assets), less the related debt. The debt related to capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (10.3 percent) includes resources subject to external restrictions. The remaining net assets (21.4 percent) are the unrestricted net assets that can be used to meet the University's obligations as they come due.

Total net assets of the University increased \$25.9 million from 2009 to 2010 and \$7.0 million from 2010 to 2011. Increases in total net assets, then, were 8.7 percent from 2009 to 2010 and 2.2 percent from 2010 to 2011.

Foundation The Combined Statements of Financial Position			
	<u>2011</u>	<u>2010</u>	<u>2009</u> (Restated)
Current assets	\$ 17,587,874	16,472,853	18,540,246
Noncurrent assets	<u>82,681,254</u>	<u>61,573,547</u>	<u>49,710,289</u>
Total assets	<u>100,269,128</u>	<u>78,046,400</u>	<u>68,250,535</u>
Current liabilities	1,735,099	514,766	1,621,964
Noncurrent liabilities	<u>3,246,041</u>	<u>4,899,174</u>	<u>4,917,399</u>
Total liabilities	<u>4,981,140</u>	<u>5,413,940</u>	<u>6,539,363</u>
Net assets:			
Unrestricted	6,223,395	2,703,416	(1,685,504)
Temporarily restricted	33,258,299	27,219,907	23,063,517
Permanently restricted	<u>55,806,294</u>	<u>42,709,137</u>	<u>40,333,159</u>
Total net assets	<u>\$ 95,287,988</u>	<u>72,632,460</u>	<u>61,711,172</u>

At June 30, 2011, 93.5 percent of the Foundation's net assets were donor restricted, either temporarily or permanently.

Total net assets of the Foundation increased \$10.9 million from 2009 to 2010 and increased \$22.7 million from 2010 to 2011. Total liabilities of the Foundation decreased \$1.1 million from 2009 to 2010 and decreased \$0.4 million from 2010 to 2011. The decrease in total liabilities from 2009 to 2010 and from 2010 to 2011 was the result of making time payments on funding contracts for Human Performance Complex and McLeod Center construction projects.

Changes in total net assets presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains and losses received or expended by the University.

The Statement of Revenues, Expenses, and Changes in Net Assets

In general, public universities, such as the University of Northern Iowa, report an operating loss as the financial reporting model classifies state appropriations, investment income, and capital gifts as nonoperating revenues. Operating revenues are received for providing goods and services to the various students, customers, and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

University The Statement of Revenues, Expenses, and Changes in Net Assets			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues:			
Tuition and fees	\$ 63,415,145	60,664,817	60,034,123
Receipts from other entities	120,433	111,554	241,941
Grants and contracts	42,887,829	42,493,448	36,708,661
Sales, rents and services	7,998,091	7,687,525	5,774,668
Miscellaneous	992,772	2,868,615	607,771
Auxiliary enterprises	<u>56,156,143</u>	<u>55,193,227</u>	<u>54,859,014</u>
Total operating revenue	<u>171,570,413</u>	<u>169,019,186</u>	<u>158,226,178</u>
Operating expenses:			
Instruction	78,570,575	71,168,267	76,484,933
Research	3,106,240	2,507,353	1,793,393
Public service	25,396,214	31,497,042	31,097,013
Academic support	25,413,636	23,894,367	22,729,813
Student services	7,280,432	6,205,098	7,076,945
Institutional support	23,535,960	26,713,928	29,348,125
Operation and maintenance of plant	21,884,211	20,177,365	22,185,917
Scholarships and fellowships	7,150,385	6,760,209	5,712,482
Depreciation	15,270,614	14,461,097	13,975,476
Loan cancellations and write-offs	137,397	172,245	513,815
Auxiliary enterprises	<u>48,858,614</u>	<u>48,447,239</u>	<u>50,077,862</u>
Total operating expenses	<u>256,604,278</u>	<u>252,004,210</u>	<u>260,995,774</u>
Operating loss	<u>(85,033,865)</u>	<u>(82,985,024)</u>	<u>(102,769,596)</u>
Nonoperating revenues (expenses):			
State appropriations	82,683,919	97,861,782	101,686,218
Gifts, grants and contracts	3,179,412	3,332,794	3,384,744
Investment return	3,023,277	2,990,195	(611,282)
Interest expense	(5,924,235)	(6,274,646)	(5,742,508)
Amortization and misc. expense	<u>(133,446)</u>	<u>(116,705)</u>	<u>(124,128)</u>
Net nonoperating revenues	<u>82,828,927</u>	<u>97,793,420</u>	<u>98,593,044</u>
Income/(loss) before other revenues	(2,204,938)	14,808,396	(4,176,552)
State appropriations – capital projects	5,808,082	5,927,801	5,751,912
Capital contributions and grants	<u>3,412,442</u>	<u>5,164,996</u>	<u>9,845,582</u>
Change in net assets	7,015,586	25,901,193	11,420,942
Net assets, beginning of year	<u>324,535,024</u>	<u>298,633,831</u>	<u>287,212,889</u>
Net assets, end of year	<u>\$331,550,610</u>	<u>324,535,024</u>	<u>298,633,831</u>

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

The Statement of Revenues, Expenses, and Changes in Net Assets reflect three positive years. Net assets increased \$25.9 million from 2009 to 2010 and \$7.0 million from 2010 to 2011.

Operating revenue totaled \$171.6 million in 2011, \$169.0 million in 2010, and \$158.2 million in 2009. The increase from 2009 to 2010 was \$10.8 million and from 2010 to 2011 it was \$2.6 million. Net nonoperating revenues totaled \$82.8 million in 2011, \$97.8 million in 2010, and \$98.6 million in 2009. There was a \$0.8 million decrease from 2009 to 2010 and a \$15.0 million decrease from 2010 to 2011. Changes in operating, nonoperating, and other revenue from 2009 to 2010 and 2010 to 2011 follow:

- Tuition and fee income, net of scholarship allowances, increased \$0.6 million, or 1.1 percent, from 2009 to 2010 and increased \$2.8 million, or 4.5 percent, from 2010 to 2011. The Board of Regents, State of Iowa authorized an increase in the University's resident undergraduate tuition and fees of 5.6 percent from Fiscal 2010 to 2011 and 4.2 percent from Fiscal 2009 to 2010. Increases in enrollment and increases in scholarships account for the actual revenue increase.
- Operating grants and contracts revenue increased \$5.8 million, or 15.8 percent, from 2009 to 2010 and \$0.4 million, or 0.9 percent, from 2010 to 2011. Revenue is recognized as expenses are incurred and, accordingly, it varies from year to year. Operating grants and contracts revenue has increased steadily from \$36.7 million in 2009 to \$42.9 million in 2011.
- Auxiliary Enterprise revenue increased \$0.3 million, or 0.6 percent, from 2009 to 2010 and increased \$1.0 million, or 1.7 percent, from 2010 to 2011.
- State appropriations for operations decreased \$3.8 million, or 3.8 percent, from 2009 to 2010 and \$15.2 million, or 15.5 percent, from 2010 to 2011. Had the ARRA Federal Stimulus Allocation of \$12,376,464 not been classified as a state appropriation in Fiscal 2010, the large percentage decrease would have been reflected one year earlier.
- State appropriations for operations were reduced mid-year in both Fiscal 2009 and 2010. Mid-year reductions were not necessary in Fiscal 2011.
- Investment income increased from negative \$0.6 million in 2009 to positive \$3.0 million in 2010. It increased \$0.03 million from 2010 to 2011. Investment income suffered from a \$2.3 million realized loss on Commonfund's Intermediate Term Fund in Fiscal 2009. During the past two years, the targeted federal funds rate remained at 0.0 percent to 0.25 percent and interest rates on Treasury and Agency securities were at unprecedented low levels.
- Capital appropriations increased \$0.2 million, or 3.1 percent, from 2009 to 2010 and decreased \$0.1 million, or 2.0 percent, from 2010 to 2011.
- Capital contributions and grants decreased \$4.7 million, or 47.5 percent, from 2009 to 2010 and \$1.8 million, or 33.9 percent, from 2010 to 2011. The decrease is attributed to completion of the Multimodal Transportation Center and the Jacobson Human Performance Complex.

Operating expenses totaled \$256.6 million in 2011, \$252.0 million in 2010, and \$261.0 million in 2009. Operating expenses decreased 3.4 percent from 2009 to 2010 and increased 1.8 percent from 2010 to 2011. The \$4.4 million net decrease in operating expenses from 2009 to 2011 is due to smaller state appropriations. Changes in operating expenses by object from 2009 to 2010 and 2010 to 2011 follow:

- Expenses for personnel services decreased \$9.1 million, or 5.3 percent, from 2009 to 2010 and increased \$0.2 million, or 0.1 percent, from 2010 to 2011. The decrease from 2009 to 2010 was because of salary reductions for the faculty and furloughs for the staff. In addition, the University contribution to TIAA-CREF was reduced from 10 percent to 8 percent for the last eight months of Fiscal 2009. Employees were granted salary increases in Fiscal 2011 and the University contribution to TIAA-CREF was increased from 8 percent to 9 percent for the full year. The small increase from 2010 to 2011 was attributed to the Early Retirement Incentive Plan of 2009.
- Travel expenses decreased \$0.6 million, or 5.8 percent, from 2009 to 2010 and increased \$0.06 million, or 0.7 percent, from 2010 to 2011. University employees, with the exception of faculty, were directed to reduce out of state travel in 2010 due to reduced operating appropriations. Limited out of state travel resumed in 2011.
- Expenses for supplies decreased \$0.04 million, or 0.4 percent, from 2009 to 2010 and decreased \$0.1 million, or 1.1 percent, from 2010 to 2011. The reduction in operating appropriations necessitated this decrease.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

- Expenses for contractual services increased \$1.0 million, or 7.1 percent, from 2009 to 2010, and decreased \$2.4 million, or 16.3 percent, from 2010 to 2011. The increase in this category from 2009 to 2010 was due to the Student Information System project. The decrease from 2010 to 2011 was attributed to lower Student Information System project costs.
- Expenses for equipment and repairs decreased \$0.6 million, or 5.0 percent, from 2009 to 2010 and increased \$1.9 million, or 16.5 percent, from 2010 to 2011.
- Expenses for scholarships and fellowships increased \$1.1 million, or 11.9 percent, from 2009 to 2010 and increased \$0.4 million, or 4.0 percent, from 2010 to 2011. A number of UNI Foundation endowments which supported scholarships went under water in 2009. In 2010, the University honored the scholarship commitments the Foundation was unable to honor. The increase from 2010 to 2011 was due to additional scholarships necessitated by the tuition set-aside program.
- Depreciation expense increased \$0.5 million, or 3.5 percent, from 2009 to 2010 and \$0.8 million, or 5.6 percent, from 2010 to 2011, due to placing the Multimodal Transportation Center and renovated spaces in service.

Nonoperating expenses, primarily interest expense, totaled \$6.1 million in 2011, \$6.4 million in 2010 and \$5.9 million in 2009.

Foundation The Combined Statements of Activities			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Public support and revenue:			
Contribution revenue	\$20,684,179	14,240,782	8,871,816
Investment return	12,549,137	8,114,770	(15,177,616)
Miscellaneous income	<u>60,267</u>	<u>413,230</u>	<u>263,596</u>
Total revenue and support	33,293,583	22,768,782	(6,042,204)
Expenses and adjustments	<u>10,638,055</u>	<u>11,847,494</u>	<u>11,443,952</u>
Change in net assets	22,655,528	10,921,288	(17,486,156)
Net assets, beginning of year	<u>72,632,460</u>	<u>61,711,172</u>	<u>79,197,328</u>
Net assets, end of year	<u>\$95,287,988</u>	<u>72,632,460</u>	<u>61,711,172</u>

Foundation revenue and support was \$33.3 million in 2011, \$22.8 million in 2010, and negative \$6.0 million in 2009, an increase of \$28.8 million, or 476.8 percent, from 2009 to 2010 and an increase of \$10.5 million, or 46.2 percent, from 2010 to 2011. Investment income was a positive \$12.5 million in 2011, positive \$8.1 million in 2010, and negative \$15.2 million in 2009. The increase from 2009 to 2010 was due to partial recovery of equity markets from the depressed equity valuations resulting from the worldwide financial crisis in September 2008. The increase from 2010 to 2011 was largely due to additional recovery of equity markets. Contribution revenue was \$20.7 million in 2011, \$14.2 million in 2010, and \$8.9 million in 2009. Contributions were up in 2010 due to improved donor confidence in equity markets. Contributions were up in 2011 due to an \$11 million cash gift from Richard O. Jacobson for literacy education. Expenses were \$10.6 million in 2011, \$11.8 million in 2010, and \$11.4 million in 2009.

The Foundation provided revenues to the University in the amount of \$4.5 million in 2011, \$3.8 million in 2010, and \$5.6 million in 2009. The decrease in 2010 was due to lower than normal scholarship payments due to under water endowments. The increase in 2011 was due to increased scholarship payments after the value of endowments recovered. Contributions restricted for permanent investment in the Foundation's endowment were \$11.9 million in 2011, \$2.2 million in 2010, and \$2.6 million in 2009, as restated. The increase in contribution revenue restricted for permanent investment from 2010 to 2011 was largely due to an \$11.0 million cash gift from Richard O. Jacobson for literacy education.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

The Statement of Cash Flows

The final statement included in the University of Northern Iowa's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping readers assess the University's ability to generate future cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital and related financing, and investing activities.

University The Statement of Cash Flows			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net cash provided (used) by:			
Operating activities	\$ (72,018,893)	(70,310,139)	(77,908,147)
Noncapital financing activities	85,053,212	100,761,639	104,418,993
Capital and related financing activities	(22,597,799)	(22,089,250)	(7,109,096)
Investing activities	<u>13,026,723</u>	<u>(29,104,226)</u>	<u>(3,210,465)</u>
Net increase in cash and cash equivalents	3,463,243	(20,741,976)	16,191,285
Cash and cash equivalents, beginning of year	<u>24,230,377</u>	<u>44,972,353</u>	<u>28,781,068</u>
Cash and cash equivalents, end of year	<u>\$ 27,693,620</u>	<u>24,230,377</u>	<u>44,972,353</u>

The largest sources and uses of University cash are operating activities. The following analysis discusses the University's cash flows during Fiscal 2011. Cash provided by operating activities includes revenues from tuition and fees (\$63.8 million), grants and contracts (\$43.7 million), and auxiliary enterprise receipts (\$56.3 million). The largest uses of cash for operating activities includes payments for salaries and benefits (\$136.9 million), payments for goods and services (\$27.5 million), and auxiliary enterprise payments (\$49.2 million). Cash provided by noncapital financing activities includes state appropriations (\$82.5 million). Cash provided by capital and related financing activities includes capital appropriations (\$5.8 million), capital gifts and grants (\$3.4 million), and the proceeds from revenue and refunding bonds (\$20.2 million). Cash used by capital and related financing activities includes the acquisition of capital assets (\$33.9 million) and principal and interest payments on debt (\$17.7 million). Cash provided by investing activities totaled \$13.0 million.

Capital Assets

At June 30, 2011, the University had \$577.7 million of capital assets at cost, accumulated depreciation of \$226.0 million and net capital assets of \$351.7 million. Depreciation charges totaled \$15.3 million for Fiscal 2011. Details of the capital assets, net of accumulated depreciation are shown below.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

University			
Schedule of Capital Assets, Net, at Year-End			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 4,916,643	4,916,643	4,916,643
Construction in progress	16,165,273	11,353,911	23,589,686
Software in progress	<u>8,605,780</u>	<u>4,576,092</u>	<u>-</u>
Capital assets not depreciated	<u>29,687,696</u>	<u>20,846,646</u>	<u>28,506,329</u>
Land improvements	5,381,894	5,372,442	5,235,370
Infrastructure	26,140,348	26,168,653	18,230,071
Buildings	266,351,855	256,082,617	241,587,110
Equipment	19,163,158	17,648,390	15,612,798
Library materials	<u>4,976,366</u>	<u>5,416,089</u>	<u>5,959,227</u>
Capital assets depreciated	<u>322,013,621</u>	<u>310,688,191</u>	<u>286,624,576</u>
Total capital assets	<u><u>\$351,701,317</u></u>	<u><u>331,534,837</u></u>	<u><u>315,130,905</u></u>

The University acquired the PeopleSoft Student Information System. The system will be used for admissions, student recruiting, housing, financial aid, student records, academic advising, and student billing. The project consists of five phases: discovery, configuration, complex customizations, environmental adaptations, and deployment. Go live dates were July 2010 for admissions, student recruiting, and portal, September 2010 for housing, January 2011 for financial aid, April 2011 for student records and academic advising, and July 2011 for student billing. Amortization of the cost of the system will begin in Fiscal 2012.

During the past three fiscal years, a number of capital projects were completed or in progress. State funded capital projects include the renovation of Science Buildings and Sabin Hall, improvement of the electrical distribution loop system, institutional roads projects, and various deferred maintenance projects. Gilchrist Hall was renovated with insurance proceeds and a state appropriation. Russell Hall was renovated with state funds and private gifts. Residence System projects include construction of new apartments, asbestos abatement, installation of sprinkler systems, repair of roofs, replacement of elevators, and installation of a wireless communications system. The ballroom and lower level of the J.W. Maucker Student Union are being renovated. A Multimodal Transportation Center was constructed with grant funds and local matching funds. Several lighting and HVAC improvement projects were completed with grant and matching funds. The stainless steel UNI-Dome roof was replaced with polyvinyl chloride. Private gifts were used for various projects in the Richard O. Jacobson Human Performance Complex and to construct the Messersmith Track Building. Detailed information about the University's capital assets is presented in Note I of the Notes to Financial Statements.

The Foundation's capital assets consist of a building and related equipment used for the Freeburg Early Childhood Education Program. The net carrying value of the building and equipment was \$1.0 million at the end of 2011 and \$1.1 million at the end of 2010.

LONG-TERM DEBT

During Fiscal 2011, the Board of Regents, State of Iowa, on behalf of the University of Northern Iowa, issued one series of revenue bonds and two series of refunding bonds. In December 2010, Dormitory Revenue Bonds were issued in the amount of \$16.79 million. The proceeds were used to pay a portion of the costs of constructing and equipping Phase 1 of a new apartment facility, funding a deposit to the Debt Service Reserve Fund, and paying the costs of issuance. Also, in December 2010, Dormitory Revenue Refunding Bonds were issued in the amount of \$10.16 million. The bonds were used to refund, as an advance refunding, the outstanding principal of the July 1, 2011 through July 1, 2021 maturities of the Board's Dormitory Revenue Bonds, Series U.N.I. 2000, dated June 1, 2000. The realized net present value savings from the transaction was \$733,328. In June 2011, Fieldhouse Revenue

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

Refunding Bonds were issued in the amount of \$3.61 million. The bonds were used to refund, as a current refunding, the outstanding principal of the July 1, 2012 through July 1, 2022 maturities of the Board's Fieldhouse Revenue Bonds, Series U.N.I. 2001, dated December 1, 2001. The realized net present value savings from the transaction was \$350,651. On June 30, 2011, the Supplement to the Board's Master Lease dated September 18, 2006 was amended to reduce the interest rate on the Human Performance Center transaction from 6.60 percent to 4.25 percent. The University's long-term debt is presented in Note N of the Notes to Financial Statements.

CREDIT RATINGS

Moody's Investors Service has assigned its "A1" credit rating to the University for all outstanding bond issues with a "stable outlook." Standard and Poor's assigned its "A+" credit rating to the University revenue bonds supported by unlimited student fees and its BBB+ rating for Dormitory Revenue Bonds. Standard and Poor's assigned a "stable outlook" to all University bonds with the exception of Dormitory Revenue Bonds. It assigned a "positive outlook" to those bonds. The highest achievable ratings are "Aaa" and "AAA", respectively. The University's capacity to meet its financial obligations is considered strong based upon these ratings.

ECONOMIC FACTORS THAT WILL AFFECT FUTURE BUDGETS AND RATES

The national recession that began in December 2007 and ended in June 2009 caused the State of Iowa to experience negative revenue growth in both Fiscal 2009 and 2010. Positive revenue growth was experienced in Fiscal 2011 and continued positive growth is expected in Fiscal 2012 and 2013. The October 2011 Revenue Estimating Conference (REC) forecast for Fiscal 2012 revenue was \$5.975 billion, an increase of 1.3% over the Fiscal 2011 actual. The REC's forecast for Fiscal 2013 revenue was \$6.210 billion, a 3.9% increase over the fiscal 2012 estimate.

The State is currently experiencing slow revenue growth. Fiscal 2012 and 2013 revenues are not directly comparable with Fiscal 2011 because the Iowa General Assembly diverted the first \$106 million of cigarette and tobacco tax revenue to the Health Care Trust Fund beginning in Fiscal 2012.

The Governor and Iowa lawmakers face the challenge of establishing a Fiscal 2013 budget that does not exceed 99 percent of the State General Fund revenue estimate for Fiscal 2013. That estimate will be established by the Revenue Estimating Conference on December 15, 2011.

During the first four months of Fiscal 2012, state personal income tax, sales and use tax, and corporate tax revenues have all increased. The Iowa General Assembly's action to shift \$106 million of cigarette and tobacco revenue to the Health Care Trust Fund partially offset the growth experienced in the mentioned areas. Iowa's Leading Indicator Index is currently signaling the Iowa economy may slow down slightly. Iowa's leaders are cautiously optimistic Iowa's economy will not slow down. Iowa's unemployment rate of 6.0 percent in September 2011 is lower than the nation's rate of 9.1 percent. This demonstrates the Iowa labor market is better able to withstand a recession than the nation as a whole. It will be necessary to reduce Iowa unemployment to pre-recession levels to improve Iowa revenue levels.

As a public institution, the economic health of the University of Northern Iowa is closely tied to that of the State of Iowa, in that the University relies on state appropriations as a major source of funding. The University also relies on tuition, sponsored programs, investment income, and philanthropy to supplement the funds appropriated by the Iowa General Assembly. The availability of these funds relates directly to the state of the economy.

University Challenges

As a premier public comprehensive university, the University of Northern Iowa plays an important role in the economic development in the State of Iowa. Economic development takes many forms including educating bright high school graduates, hiring and retaining well qualified professors and staff, conducting basic and applied research, and sharing expertise with, and providing service to individuals, communities, and organizations throughout the state,

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

nation, and world. State funding plays an important part in fostering University success and the partnership between the University and the State of Iowa facilitates economic development.

For a number of reasons, the percentage of State funding going to the University has decreased over the years. Despite this decrease in funding, appropriations play a vital role in permitting the University to achieve its goals. Increased funding from the General Assembly will permit the University to enjoy continued success.

In a focused effort to chart the future direction of resource allocation, the Board of Regents, State of Iowa approved the University of Northern Iowa's Strategic Plan for 2010-2015. Achievement of the goals noted in Management's Discussion and Analysis will help the University better serve Iowans through quality teaching, research, and service.

The number of Iowa high school graduates is decreasing, but increased emphasis is being placed on increasing the percentage of persons with B.A. degrees. The recruitment of students has become very competitive. The University's primary competitors are Iowa's community colleges and four year colleges, the University of Iowa, Iowa State University, and for-profit institutions. Students can attend community colleges at a lower cost. Tuition grants are made to Iowa students who attend Iowa's four-year private colleges as a matter of public policy. For-profit institutions have experienced rapid growth due to supportive public policy.

Enrollment dipped slightly from fall 2010 to fall 2011. Prior to that dip, the leadership team noted four years of enrollment growth after experiencing enrollment declines from fall 2002 through fall 2006. The increase from the fall 2006 recent low of 12,260 students to the fall 2011 enrollment of 13,168 students is 908 students, or 7.4 percent.

Federal funding of higher education may be reduced. Earmarks and other grant programs are being eliminated or reduced. Pell Grant funding may be reduced.

State funding of the University has been reduced. The dollar amount of state appropriations per student follows: Fiscal 2009, \$7,615; Fiscal 2010, \$6,407; Fiscal 2011, \$5,984; and Fiscal 2012, \$5,673. There has been a major shift in who pays for a student to be educated. For Fiscal 1996 through Fiscal 2001, state appropriations funded 71 percent of the cost of educating a student and the student paid 29 percent. In Fiscal 2012, students paid 52 percent of the cost and state appropriations funded 48 percent. Keeping education affordable and providing sufficient student aid are major concerns.

The University began Fiscal 2012 with a \$5.0 million budget shortfall. Components of the shortfall follow. The Fiscal 2012 appropriation was \$4.3 million below the Fiscal 2011 level. The cost of salary and fringe benefit increases was \$3.3 million. Miscellaneous income consisting of indirect cost recovery, interest income, and sales and services revenue was down \$0.1 million. These decreases were only partially offset by a tuition increase (net of tuition set aside for additional student aid) of \$2.7 million.

In Fiscal 2009, cost containment and revenue enhancement task forces were created. Many of the recommendations of the task forces have been implemented. The size of the University's General Educational Fund has been reduced by the reorganization of academic and non-academic units, a reduction in the workforce resulting from an Early Retirement Incentive Plan, a reduction of fringe benefit program costs, collaboration with Regents institutions, outsourcing services, and reducing the support of auxiliary enterprises.

The Board of Regents, State of Iowa has requested a four percent increase in the base of the University's primary General Educational Fund and funding of the increased cost of salaries and fringe benefits. Increases have been requested for the University's economic development and IMSEP initiatives. Similar requests have been made on behalf of other Regents universities.

In recognition of the University of Northern Iowa's high dependence on state appropriations and high dependence on in-state tuition revenue, the Board of Regents has approved a request for a special appropriation for UNI. The request is for a base adjustment of \$4 million in Fiscal 2013, 2014, and 2015.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2011 and 2010

The Board of Regents, State of Iowa discussed the tuition increase for Fiscal 2013 at its October 2011 meeting and expects to approve the increase at the December 2011 meeting. A 3.75 percent tuition increase is anticipated.

University officials are currently using one-time funding to bring the Fiscal 2012 primary General Educational Fund budget in balance. Permanent cuts of \$5.0 million must be achieved, as one-time funding will not be available on a continuing basis.

University officials are monitoring the fiscal situation very closely. Officials are currently working through a number of budgeting scenarios utilizing state appropriation and tuition increase assumptions for the revenue budget and base budget, salary and benefit increases, and fixed cost increases for the expense budget. These scenarios include a cut in state appropriations, no increase in state appropriations, and funding of the Board of Regents special request for a \$4.0 million increase to the University's base appropriation. Officials continue to develop plans to increase certain revenues and to decrease certain costs. As decisions are made in the weeks and months ahead, we will continue to do everything we can to maintain affordability and accessibility, ensure program quality and timely graduation, maintain a safe campus, and make strategic changes rather than across-the-board cuts. We are committed to taking the necessary actions to maintain the fiscal health of the University and to honor the "Students First" motto.

In summary, the University faces demographic, competitive, and funding challenges. A number of these challenges have been caused, at least partially, by the national recession that began in 2007 and ended in 2009 and the slow economic recovery that followed. The State of Iowa's revenue remains below the October 2008 high point. State revenues appear to be increasing in select areas during Fiscal 2012, but the Iowa Leading Indicators Index and other economic indicators signal a slow recovery of the Iowa economy and the nation's economy. The Board of Regents, State of Iowa has recommended a four percent increase in the base appropriation, full funding of salary and wage increases, and a special request of a \$4 million increase in UNI's funding. University officials are cautiously optimistic the Governor will recommend support of the Board of Regents' special request for the University, and the Iowa General Assembly will fund the request.

CONTACTING THE UNIVERSITY

This financial report is designed to provide our customers, our donors, our creditors, and the taxpayers of the State of Iowa with a general overview of the University's finances and to demonstrate the University's accountability for the resources it receives. If you have questions about this report or if you would like additional financial information about the University, write to Financial Accounting and Reporting Services, 122 Lang Hall, Cedar Falls, Iowa 50614-0009 or phone 319-273-3576.



2010-2011 Financial Statements

UNIVERSITY OF NORTHERN IOWA
Statement of Net Assets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents-Note B	\$ 27,693,620	24,230,377
Investments-Note B	47,096,207	16,157,724
Accounts receivable, net-Note C	7,100,449	6,236,478
Loans receivable, net-Note E	2,066,871	2,045,647
Interest receivable	648,459	866,630
Due from governmental agencies-Note F	6,892,794	6,964,356
Prepaid expenses-Note G	3,814,881	4,271,122
Inventories-Note H	4,368,483	3,541,302
Other current assets	92,500	100,000
Total Current Assets	<u>99,774,264</u>	<u>64,413,636</u>
Noncurrent Assets		
Investments-Note B	61,992,250	102,522,631
Accounts receivable, net-Note C	282,102	835,923
Loans receivable, net-Note E	8,267,485	8,182,586
Prepaid expenses-Note G	83,413	169,395
Debt issuance costs-Note V	1,905,434	1,527,974
Capital assets, Nondepreciable-Note I	29,687,696	20,846,646
Capital assets, Depreciable-Note I	547,993,301	523,748,478
Accumulated depreciation-Note I	(225,979,680)	(213,060,287)
Total Noncurrent Assets	<u>424,232,001</u>	<u>444,773,346</u>
Total Assets	<u>524,006,265</u>	<u>509,186,982</u>
LIABILITIES		
Current Liabilities		
Accounts payable	14,634,362	15,871,991
Salaries and wages payable-Note J	650,735	490,409
Compensated absences payable-Note K	5,293,800	4,209,500
Unpaid claims liability-Note U	1,610,522	1,757,248
Unearned revenue-Note G	4,369,437	3,942,356
Accrued interest payable	3,143,013	3,516,663
Long-term debt-Note N	11,234,240	11,518,353
Deposits	3,296,100	3,031,048
Other current liabilities	-	43,378
Total Current Liabilities	<u>44,232,209</u>	<u>44,380,946</u>
Noncurrent Liabilities		
Accounts payable	3,583,081	5,755,372
Compensated absences payable-Note K	5,292,724	5,214,539
Refundable advances on student loans-Note Q	9,554,301	9,487,410
Long-term debt-Note N	125,898,381	117,217,620
Net OPEB liability-Note P	3,894,959	2,596,071
Total Noncurrent Liabilities	<u>148,223,446</u>	<u>140,271,012</u>
Total Liabilities	<u>192,455,655</u>	<u>184,651,958</u>
NET ASSETS		
Invested in capital assets, net of related debt	226,532,511	219,729,638
Restricted		
Nonexpendable		
Scholarships and fellowships	615,895	615,895
Expendable		
Scholarships and fellowships	389,104	408,280
Loans	2,978,851	2,900,751
Capital projects	5,706,625	102,040
Debt service	24,203,865	22,812,820
Other	356,193	1,167,705
Unrestricted	70,767,566	76,797,895
Total Net Assets	<u>\$ 331,550,610</u>	<u>324,535,024</u>

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Financial Position
as of June 30, 2011 and 2010

ASSETS

	2011	2010
Current Assets:		
Cash and cash equivalents	\$ 129,200	298,879
Investments	14,753,728	13,721,182
Pledges receivable, net-Note D	2,604,916	2,401,873
Other receivables	24,576	44,141
Prepaid expenses	75,454	6,778
	<hr/>	<hr/>
Total Current Assets	17,587,874	16,472,853
Noncurrent Assets:		
Pledges receivable, less current portion	5,365,903	6,074,352
Long-term investments	74,917,126	53,195,669
Life insurance cash value	1,259,585	1,138,992
Donated assets	166,742	99,485
Building and equipment, net	971,898	1,065,049
	<hr/>	<hr/>
Total Noncurrent Assets	82,681,254	61,573,547
Total Assets	\$ <u>100,269,128</u>	<u>78,046,400</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 689,536	433,921
Pledges payable-Note M	587,281	80,845
Annuities payable	285,474	272,507
Annuity trusts payable	103,676	103,676
Unitrusts payable	69,132	74,716
	<hr/>	<hr/>
Total Current Liabilities	1,735,099	965,665
Noncurrent Liabilities:		
Pledges payable, less current portion	282,102	1,423,037
Annuities payable, less current portion	1,649,922	1,619,430
Annuity trusts payable, less current portion	851,410	877,560
Unitrusts payable, less current portion	462,607	528,248
	<hr/>	<hr/>
Total Noncurrent Liabilities	3,246,041	4,448,275
Total Liabilities	<hr/> 4,981,140	<hr/> 5,413,940
Net Assets:		
Unrestricted	6,223,395	2,703,416
Temporarily restricted-Note T	33,258,299	27,219,907
Permanently restricted-Note T	55,806,294	42,709,137
	<hr/>	<hr/>
Total Net Assets	95,287,988	72,632,460
Total Liabilities and Net Assets	\$ <u>100,269,128</u>	<u>78,046,400</u>

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
REVENUES		
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$24,139,088 for 2011, \$21,202,125 for 2010)	\$ 63,415,145	60,664,817
Receipts from other entities	120,433	111,554
Grants and contracts	42,887,829	42,493,448
Sales, rents and services	7,998,091	7,687,525
Miscellaneous	992,772	2,868,615
Auxiliary enterprises	56,156,143	55,193,227
Total Operating Revenues	<u>171,570,413</u>	<u>169,019,186</u>
EXPENSES		
Operating Expenses		
Instruction	78,570,575	71,168,267
Research	3,106,240	2,507,353
Public service	25,396,214	31,497,042
Academic support	25,413,636	23,894,367
Student services	7,280,432	6,205,098
Institutional support	23,535,960	26,713,928
Operation and maintenance of plant	21,884,211	20,177,365
Scholarships and fellowships	7,150,385	6,760,209
Depreciation	15,270,614	14,461,097
Loan cancellations and write-offs	137,397	172,245
Auxiliary enterprises	48,858,614	48,447,239
Total Operating Expenses	<u>256,604,278</u>	<u>252,004,210</u>
Operating (Loss)	<u>(85,033,865)</u>	<u>(82,985,024)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	82,683,919	97,861,782
Gifts, grants and contracts	3,179,412	3,332,794
Investment return	3,023,277	2,990,195
Interest expense	(5,924,235)	(6,274,646)
Amortization expense	(133,446)	(109,855)
Miscellaneous expense	-	(6,850)
Net Nonoperating Revenues (Expenses)	<u>82,828,927</u>	<u>97,793,420</u>
Income/(Loss) Before Other Revenues	<u>(2,204,938)</u>	<u>14,808,396</u>
OTHER REVENUES		
Capital appropriations	5,808,082	5,927,801
Capital contributions and grants	3,412,442	5,164,996
Total Other Revenues	<u>9,220,524</u>	<u>11,092,797</u>
Change in Net Assets	<u>7,015,586</u>	<u>25,901,193</u>
NET ASSETS		
Net assets, beginning of year	<u>324,535,024</u>	<u>298,633,831</u>
Net assets, end of year	<u>\$ 331,550,610</u>	<u>324,535,024</u>

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Activities
Years Ended June 30, 2011 and 2010

	2011			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Revenue, support and classifications:				
Contribution revenue	\$ 1,283,291	7,504,509	11,896,379	20,684,179
Investment return	5,447,496	6,274,679	826,962	12,549,137
Miscellaneous income	49,074	11,193	-	60,267
Reclassifications attributed to underwater endowments	(552,298)	552,298	-	-
Donor redesignations	1,200,274	(1,828,463)	628,189	-
Net assets released from restrictions	6,278,519	(6,278,519)	-	-
Total revenue, support and reclassifications	<u>13,706,356</u>	<u>6,235,697</u>	<u>13,351,530</u>	<u>33,293,583</u>
Expenses and Adjustments:				
Scholarship expenses	3,335,349	-	-	3,335,349
Programming expenses	3,893,134	-	-	3,893,134
Administrative expenses	886,108	-	-	886,108
Fundraising expenses	1,958,881	-	-	1,958,881
Uncollectible pledges	11,673	161,786	16,249	189,708
Depreciation expense	93,151	-	-	93,151
Present value liability actuarial adjustment	8,081	35,519	238,124	281,724
Total expenses and adjustments	<u>10,186,377</u>	<u>197,305</u>	<u>254,373</u>	<u>10,638,055</u>
Change in net assets	3,519,979	6,038,392	13,097,157	22,655,528
Net assets, beginning of year	<u>2,703,416</u>	<u>27,219,907</u>	<u>42,709,137</u>	<u>72,632,460</u>
Net assets, end of year	<u>\$ 6,223,395</u>	<u>33,258,299</u>	<u>55,806,294</u>	<u>95,287,988</u>

The notes are an integral part of the financial statements.

2010

Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
3,696,075	8,336,797	2,207,910	14,240,782
4,660,409	2,889,157	565,204	8,114,770
311,340	101,890	-	413,230
(402,442)	402,442	-	-
881,174	(923,740)	42,566	-
6,227,008	(6,227,008)	-	-
15,373,564	4,579,538	2,815,680	22,768,782
2,288,804	-	-	2,288,804
5,857,501	-	-	5,857,501
992,247	-	-	992,247
1,736,534	-	-	1,736,534
14,378	439,193	100,666	554,237
95,180	-	-	95,180
-	(16,045)	339,036	322,991
10,984,644	423,148	439,702	11,847,494
4,388,920	4,156,390	2,375,978	10,921,288
(1,685,504)	23,063,517	40,333,159	61,711,172
2,703,416	27,219,907	42,709,137	72,632,460

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 63,798,972	61,066,780
Grants and contracts receipts	43,671,786	39,578,270
Collections of loans from students	1,872,098	1,707,448
Auxiliary enterprise receipts	56,323,025	55,645,317
Payments for salaries and benefits	(136,931,011)	(137,805,278)
Payments for goods and services	(27,479,760)	(26,105,646)
Scholarships	(6,910,556)	(6,619,827)
Loans issued to students	(2,000,568)	(1,124,592)
Auxiliary enterprise payments	(49,214,904)	(48,154,232)
Other operating receipts	8,660,940	10,589,847
Other operating payments	(23,808,915)	(19,088,226)
Net Cash Used by Operating Activities	<u>(72,018,893)</u>	<u>(70,310,139)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	82,548,847	97,785,246
William D. Ford direct lending and plus loans receipts	75,841,139	75,223,613
William D. Ford direct lending and plus loans made	(75,899,873)	(75,260,230)
Agency receipts	2,282,558	2,504,663
Agency payments	(2,214,251)	(2,351,151)
Non capital gifts	2,494,792	2,859,498
Net Cash Provided by Noncapital Financing Activities	<u>85,053,212</u>	<u>100,761,639</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	5,808,082	5,927,801
Capital gifts and grants received	3,418,608	5,824,887
Acquisition of capital assets	(33,932,552)	(25,359,070)
Principal paid on capital debt	(11,618,353)	(6,924,268)
Interest paid on capital debt	(6,095,835)	(5,967,042)
Proceeds from capital debt	20,207,097	4,232,304
Other capital and related financing receipts	179,809	935,487
Other capital and related financing payments	(564,655)	(759,349)
Net Cash Used by Capital and Related Financing Activities	<u>(22,597,799)</u>	<u>(22,089,250)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	1,990,041	2,250,817
Proceeds from sale and maturities of investments	118,777,244	101,690,775
Purchase of investments	(107,740,562)	(133,045,818)
Net Cash Used by Investing Activities	<u>13,026,723</u>	<u>(29,104,226)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,463,243	(20,741,976)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,230,377</u>	<u>44,972,353</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 27,693,620</u>	<u>24,230,377</u>

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (85,033,865)	(82,985,024)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	15,270,614	14,461,097
Increase/(Decrease) in compensated absences	1,162,485	(46,929)
(Increase)/Decrease in accounts receivable	(264,625)	469,781
(Increase)/Decrease in loans receivable	(106,123)	581,213
(Increase)/Decrease in due from governmental agencies	507,429	(1,867,865)
(Increase)/Decrease in inventories	(827,181)	(938,225)
(Increase)/Decrease in prepaid expenses	582,784	(234,818)
(Increase)/Decrease in other assets	207,036	247,814
Increase/(Decrease) in accounts payable	(3,895,586)	717,849
Increase/(Decrease) in salaries and wages payable	46,616	(128,377)
Increase/(Decrease) in unearned revenue	427,082	(381,286)
Increase/(Decrease) in other liabilities	(95,559)	(205,369)
Net Cash Used By Operating Activities	\$ <u>(72,018,893)</u>	<u>(70,310,139)</u>

Noncash Capital, Financing and Investing Activities:

Equipment with a fair market value of \$80,856 in 2011 and \$22,800 in 2010 was donated to the University.

Bond issuance costs of \$616,610 in 2011 and \$28,800 in 2010 were deducted from the bond proceeds. These costs were capitalized and will be amortized over the debt repayment period.

Net unrealized gain increased the fair market value of the University's investments \$1,440,523 in 2011 and \$837,359 in 2010.

The notes are an integral part of the financial statements.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note A – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

The University of Northern Iowa, founded in 1876 and located in Cedar Falls, Iowa, is owned and operated by the State of Iowa under the governance of the Board of Regents, State of Iowa. The Board of Regents is appointed by the Governor and confirmed by the State Senate. Because the Board of Regents holds the corporate powers of the University, the University is not deemed to be legally separate. The University is an integral part of the State of Iowa, the primary government. As such, the University is included in the State of Iowa's Comprehensive Annual Financial Report as one of the State's universities. This Comprehensive Annual Financial Report presents only the University Funds of the University of Northern Iowa.

The University is classified as a state instrumentality under Internal Revenue Code Section 115 and it is exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The financial statements have been prepared in accordance with United States generally accepted accounting principles for governmental colleges and universities, as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements have been prepared on the accrual basis of accounting. Under GASB, the University reports as a Business Type Activity, an activity financed in whole or in part by fees charged to external parties for goods or services.

The University applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted:

Nonexpendable – Net assets subject to externally imposed stipulations that are maintained in perpetuity by the University, including the University's permanent endowment funds.

Expendable – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted: Net assets not subject to externally imposed stipulations. Examples include: student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially, all unrestricted net assets are designated for academic and general programs of the University.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note A – Organization and Summary of Significant Accounting Policies (continued)

GASB Statement No. 35 also requires the statements of net assets, revenues, expenses, and changes in net assets, and cash flows be reported on a consolidated basis.

In May 2002, GASB issued Statement No. 39, Determining Whether Certain Organizations are Component Units. This statement was implemented for the year ended June 30, 2004. The GASB classification of these entities for the University's financial reporting purposes does not affect their respective legal or organizational relationships to the University. The financial statements of all component units are included in the University's financial statements.

Discretely Presented Component Unit

The University of Northern Iowa Foundation (Foundation) is a legally separate, tax-exempt 501(c)(3) corporation. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The University does not control the Foundation or the timing or amount of receipts from the Foundation. The majority of the Foundation's resources are restricted to the activities of the University by UNI Foundation donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The accompanying combined financial statements include the accounts of the University of Northern Iowa Foundation, University of Northern Iowa Properties Corporation and University of Northern Iowa Research Foundation. All material transactions between these organizations have been eliminated. Combined financial statements are presented because the organizations have common Trustees, common management and common objectives of promoting and benefiting the University of Northern Iowa.

The combined financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

The Foundation is a non-profit organization that reports under the Financial Accounting Standards Board (FASB). The Foundation's financial statements were prepared in accordance with the provisions of FASB No. 117, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting for these differences. A copy of the Foundation's financial statements may be obtained by contacting the University of Northern Iowa Foundation at Cedar Falls, Iowa.

Affiliated Organization

Affiliated organizations not controlled by the University, such as the UNI Alumni Association, are not included in the University's financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all short-term highly liquid cash investments are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Investments and Investment Income

Investments in marketable securities are recorded at their fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the settlement date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as investment income. The University is not permitted to invest in derivative instruments. Investments

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note A – Organization and Summary of Significant Accounting Policies (continued)

acquired and classified as gift revenue are recorded at fair market value or appraised value as of the date of the gift.

The University discloses the Credit Risk, Concentration of Credit Risk and Interest Rate Risk in accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures, in Note B.

Credit Risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the University. To reduce the University's exposure to credit risk, the weighted average credit quality of the University's operating portfolio must be AA or Aa as rated by Standard & Poor's or Moody's, respectively.

Concentration of Credit Risk is the risk of loss that may be attributed to the magnitude of a University's investment in a single issue or issuer. Except for Treasury or Agency debentures, no more than 5% of the operating portfolio can be invested in securities of a single issuer.

Interest Rate Risk is the possibility changes in interest rates will adversely affect the fair value of a fixed income investment. This risk is managed within the portfolio using duration. Duration analysis is widely used in the management of fixed income portfolios to quantify the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk to price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. The maximum duration of the University's operating portfolio may not exceed the duration of the Merrill 1-3 year Government/Corporate Index by more than 20%. At the time of purchase, the maturity of securities in the operating portfolio cannot exceed sixty-three months.

Interest on the Perkins Student Loan Fund is recorded on the accrual basis while interest on other Loan Funds is reported on the cash basis due to immateriality.

With the exception of funds specifically invested for bond issues and endowment funds, all other monies are pooled in an investment pool entitled "Treasurer's Temporary Investments". Investment income on the investment pool is allocated to the activities that participate in the pool. In fiscal years 2011 and 2010, the amount of income allocated from the Treasurer's Temporary Investment Pool was \$1,506,511 and \$2,104,132 respectively.

Investments (Foundation)

The Foundation has adopted FASB No. 157, Fair Value Measurements. FASB No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market the most advantageous market for the investment or liability. The Foundation categorizes its investments into a three-level fair value hierarchy.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note A – Organization and Summary of Significant Accounting Policies (continued)

Capital Assets

Property, buildings, equipment, and library materials are stated at cost at the date of acquisition or fair market value at date of donation. Depreciation of capital assets is provided on a straight-line basis over the estimated useful lives of the respective assets and it is recorded in the Plant Accounts. Effective July 1, 2010, the University changed the capitalization thresholds for future acquisitions for infrastructure from \$10,000 to \$25,000 and buildings and building improvements from \$25,000 to \$100,000.

The following useful lives are used:

Infrastructure	20-40 years
Buildings	40-50 years
Improvements other than buildings	20-30 years
Equipment	5-20 years
Vehicles	7-10 years
Library	10 years
Software	5-30 years

The following thresholds are used to define capital assets:

Infrastructure	\$ 25,000
Land improvements	\$ 25,000
Building and building improvements	\$100,000
Equipment	\$ 5,000
Intangible assets	\$500,000

The University does not capitalize works of art or historical treasures held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any manner. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

The University implemented GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, as of July 1, 2009. Intangible assets are recorded at cost at the date of acquisition or estimated fair value at date of donation. A state government-wide capitalization threshold of \$500,000 was established by the Iowa Department of Administrative Services. Once intangible assets are placed in service, they are amortized on the straight-line basis over their estimated useful life.

Termination Benefits

The University accounts for its termination benefit plans in accordance with GASB Statement No. 47, Accounting for Termination Benefits. Disclosure of the Early Retirement Incentive Programs (ERIP) is presented in Note X.

Endowment Appreciation

For donor-restricted endowments, the Uniform Management of Institutional Funds Act permits management of the University to allocate the amount of realized and unrealized endowment appreciation that it determines to be prudent. It is the University's policy to retain realized and unrealized appreciation within the endowment after spending rule distributions.

Distributions are made from the endowments to the departments which benefit from the endowment funds. The endowment spending rule provides for an annual distribution of five percent of the three-year moving average of the market value of the fund.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note A – Organization and Summary of Significant Accounting Policies (continued)

Unearned Revenue

Unearned revenue consists of revenue received in advance of an academic session or an event, such as student tuition, student housing or ticket sales related to future fiscal years. It also includes amounts received from grant and contract sponsors which have not yet been earned under the terms of the agreement.

Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the Residence System, Intercollegiate Athletics, Student Union, Fieldhouse System, Wellness and Recreation Center, Student Health System, and the Gallagher-Bluedorn Performing Arts Center.

Summer Session

The University operates summer sessions during May, June, and July. Tuition and Mandatory Student Fee revenues and expenditures for the summer sessions are recorded in the appropriate fiscal year. Residence System revenues and expenditures for the noted summer sessions are also recorded in the appropriate fiscal year.

Inventories

Inventories, consisting mainly of coal, fuel oil, foodstuffs and supplies, are primarily valued at the lower of cost (first in, first out) or market.

Debt Issuance Costs

Upon the sale of revenue bonds, debt issuance costs are amortized by the straight-line method over the term of the bond issuance.

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Operating and Nonoperating Activities

Operating activities as reported in the statement of revenues, expenses, and changes in net assets are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating revenues include state appropriations, gifts, grants and contracts, and investment return. Nonoperating expenses include interest expense and amortization expense.

Use of Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note B – Cash Deposits and Investments

(1) Cash and deposits:

The deposits of the University were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. In the unlikely event a bank fails, the State Treasurer first determines the amount of the loss and validates the amount of applicable FDIC insurance. He is empowered by this chapter to cover the remaining loss from the State Sinking Fund for public deposits in banks. If the balance in that sinking fund is inadequate to pay the entire loss, he is empowered to make assessments against other banks to insure there will be no loss of public funds. The carrying values at June 30, 2011 and June 30, 2010 were \$27,693,620 and \$24,230,377, respectively. The bank balances at June 30, 2011 and June 30, 2010 were \$27,377,446 and \$29,358,500, respectively. The carrying value at June 30, 2011 and June 30, 2010 includes cash-on-hand of \$124,101 and \$123,955, respectively.

(2) Investments:

In accordance with the Code of Iowa, the University's operating portfolio may be invested in obligations of the U.S. government and its agencies, certificates of deposit, prime bankers' acceptances, investment grade commercial paper, repurchase agreements, investments authorized for the Iowa Public Employees' Retirement System in Section 97B.7 of the Code of Iowa, investment grade corporate debt, mortgage pass-through and asset-backed securities with an A rating at time of purchase, and an open-end management investment company organized in trust form registered with the S.E.C. under the Investment Company Act of 1940. The University's endowment portfolio may invest in all of the above as well as certain international and listed domestic equities. A portion of the University's operating portfolio is invested in the State University of Iowa's diversified pool. In addition, the University's endowments are pooled with the State University of Iowa's endowments to achieve economies of scale.

Chapter 540A of the Code of Iowa permits the University to spend endowment income and to appropriate within certain limitations an amount of realized and unrealized endowment appreciation as the University determines to be prudent considering the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending rule is that five percent (5%) of the three year moving average of the market value of the endowment will be calculated and distributed. The net appreciation on true endowments available for expenditure at June 30, 2011 and 2010 was \$615,159 and \$461,708, respectively. The net appreciation is classified in the Statement of Net Assets as follows:

	<u>2011</u>	<u>2010</u>
Restricted Expendable:		
Scholarships and fellowships	\$ 151,311	120,001
Loans	137,198	115,855
Other-Chair	326,650	225,852
Total	\$ <u>615,159</u>	<u>461,708</u>

The University's investments are recorded at fair value, as determined by quoted market price. At June 30, 2011, the University had the following investments and quality credit ratings by investment type:

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note B – Cash Deposits and Investments (continued)

Invested Assets	
Operating Portfolio:	Fair Value
Fixed Income:	
U.S. Government Securities:	
U.S. Government Treasuries	\$ 24,743,119
U.S. Government Agencies	49,886,189
Short-Term Securities:	
Certificates of Deposit	556,989
Fixed Income Mutual Funds	<u>11,269,953</u>
Total Fixed Income Securities	<u>86,456,250</u>
Equity and Other Securities:	
Domestic Equity Mutual Funds	2,078,353
International Equity Mutual Funds	534,277
REIT Mutual Funds	1,351,357
Other Securities	<u>162,655</u>
Total Equity and Other Securities	<u>4,126,642</u>
Cash and Cash Equivalents:	
Money Market Fund Shares	<u>10,554,653</u>
Total Cash and Cash Equivalents	<u>10,554,653</u>
Total Operating Portfolio	<u>101,137,545</u>
Endowment Portfolio (UNI Equity in SUI Endowment Pool):	
Fixed Income:	
U.S. Government Securities:	
U.S. Government Treasuries	690,450
U.S. Government Agencies	296,123
Mortgage-Backed Securities	16,191
Credit:	
Corporate Bonds	226,878
Corporate Asset-Backed	143,420
Private Placements	39,636
Other Agencies	776,212
Fixed Income Mutual Funds	<u>421,711</u>
Total Fixed Income Securities	<u>2,610,621</u>
Equity and Other Securities:	
Domestic Equity Mutual Funds	2,650,072
International Equity Mutual Funds	2,257,569
REIT Mutual Funds	<u>432,650</u>
Total Equity and Other Securities	<u>5,340,291</u>
Total Endowment Portfolio	<u>7,950,912</u>
Total Invested Assets	<u>\$109,088,457</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note B – Cash Deposits and Investments (continued)

Credit Risk Concentration

Issuers that represent 5% or more of total operating portfolio assets.

Investment	Fair Value	% of Total Operating Portfolio Assets
Federal Home Loan Bank	\$23,708,502	27%
Federal National Mortgage Association	17,927,691	20%
Federal Farm Credit Bank	5,523,184	6%

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note B – Cash Deposits and Investments (continued)

The following table reflects the interest rate sensitivity as measured by duration of the University's fixed income securities:

Interest Rate Sensitivity – Duration		Fair Value	Duration (in years)
Operating Portfolio:			
Fixed Income:			
U.S. Government Securities:			
U.S. Government Treasuries		\$ 24,743,119	1.57
U.S. Government Agencies		49,886,189	2.90
Short-Term Securities:			
Certificates of Deposit		556,989	0.69
Fixed Income Mutual Funds		<u>11,269,953</u>	5.82
Operating Portfolio-Total Fixed Income Securities		<u>86,456,250</u>	
Operating Portfolio Duration			2.89
Endowment Portfolio:			
Fixed Income:			
U.S. Government Securities:			
U.S. Government Treasuries		690,450	5.71
U.S. Government Agencies		296,123	5.84
Mortgage-Backed Securities		16,191	1.87
Credit:			
Corporate Bonds		226,878	5.66
Corporate Asset-Backed		143,420	1.44
Private Placements		39,636	4.78
Other Agencies		776,212	4.14
Fixed Income Mutual Funds		<u>421,711</u>	4.18
Endowment Portfolio-Total Fixed Income Securities		<u>2,610,621</u>	
Endowment Portfolio Duration			4.73
Total All Portfolios		<u>\$ 89,066,871</u>	

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note B – Cash Deposits and Investments (continued)

Credit Risk – Quality Ratings

	<u>Treasury</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>
Fixed Income Securities:				
U.S. Government Guaranteed				
U.S. Government Treasuries	\$25,433,569	-	-	-
U.S. Government Non-Guaranteed				
Federal Home Loan Bank	-	23,708,502	-	-
Federal National Mortgage Association	-	17,927,691	-	-
Federal Farm Credit Bank	-	5,523,184	-	-
Federal Home Loan Mortgage Corporation	-	2,010,461	-	-
Federal Agricultural Mortgage Corporation	-	1,012,474	-	-
Agency Mortgage-Backed Securities	-	16,191	-	-
Credit				
Corporate Bonds	-	-	21,307	155,339
Corporate Asset-Backed	-	128,456	4,789	5,804
Private Placements	-	7,344	1,518	832
Other Agencies	-	770,119	-	-
Certificates of Deposit	-	-	-	-
Fixed Income Mutual Funds	-	8,160,147	372,040	758,009
Total Fixed Income Securities	<u>\$25,433,569</u>	<u>59,264,569</u>	<u>399,654</u>	<u>919,984</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>NR</u>	<u>Total</u>
-	-	-	-	25,433,569
-	-	-	-	23,708,502
-	-	-	-	17,927,691
-	-	-	-	5,523,184
-	-	-	-	2,010,461
-	-	-	-	1,012,474
-	-	-	-	16,191
50,232	-	-	-	226,878
-	-	-	4,371	143,420
29,942	-	-	-	39,636
-	-	-	6,093	776,212
-	-	-	556,989	556,989
<u>733,033</u>	<u>609,203</u>	<u>847,152</u>	<u>212,080</u>	<u>11,691,664</u>
<u>813,207</u>	<u>609,203</u>	<u>847,152</u>	<u>779,533</u>	<u>89,066,871</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note C – Accounts Receivable

Accounts receivable are summarized as follows:

	<u>2011</u>	<u>2010</u>
Student accounts	\$ 2,617,964	2,131,648
University of Northern Iowa Foundation	1,107,907	1,684,722
Sponsoring agencies	1,320,235	1,231,222
Other	<u>3,099,486</u>	<u>2,862,206</u>
	8,145,592	7,909,798
Less allowance for doubtful accounts	<u>(763,041)</u>	<u>(837,397)</u>
Total	<u>\$ 7,382,551</u>	<u>7,072,401</u>

Note D – Pledges Receivable (Foundation)

Unconditional promises are included in the combined financial statements as pledges receivable and revenue of the appropriate net asset category. Unconditional promises are recorded at their net unrealizable value at the time the promise is made. Those promises expected to be collected in more than one year are discounted at various rates based on the length of time the payments are to be received. Unconditional promises are expected to be realized in the following periods:

	<u>2011</u>	<u>2010</u>
In one year or less	\$ 2,692,504	2,528,287
Between one year and five years	4,375,854	5,086,385
More than five years	<u>1,951,481</u>	<u>2,009,145</u>
	9,019,839	9,623,817
Less discounts to net present value	(628,114)	(685,279)
Less allowance for uncollectible pledges	<u>(420,906)</u>	<u>(462,313)</u>
Total	<u>\$ 7,970,819</u>	<u>8,476,225</u>

Pledges receivable at June 30, 2011 and 2010 have the following restrictions:

	<u>2011</u>	<u>2010</u>
Unrestricted:		
Undesignated	\$ 126,065	128,892
Temporarily Restricted:		
Scholarships and department programs	4,412,302	2,947,527
Plant	1,071,662	3,018,634
Permanently Restricted:		
Endowments-Scholarships and department programs	<u>2,360,790</u>	<u>2,381,172</u>
Total	<u>\$ 7,970,819</u>	<u>8,476,225</u>

Note E – Loans Receivable

Loans receivable are summarized as follows:

	<u>2011</u>	<u>2010</u>
Student loans:		
Federal loan programs	\$11,164,701	11,245,743
University loan funds	<u>82,504</u>	<u>87,723</u>
	11,247,205	11,333,466
Less allowance for uncollectible loans	<u>(912,849)</u>	<u>(1,105,233)</u>
Total	<u>\$10,334,356</u>	<u>10,228,233</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note E – Loans Receivable (continued)

Loans receivable from students bear interest primarily at 5% and are generally repayable over a one to ten year period commencing six to nine months from the date of separation from the University.

Note F – Due From Governmental Agencies

Due from Governmental Agencies is summarized as follows:

	<u>2011</u>	<u>2010</u>
Federal Government	\$ 4,067,887	5,175,810
State Government	2,712,886	1,772,568
Local Government	3,559	15,978
Other Government	<u>108,462</u>	<u>-</u>
Total	\$ <u>6,892,794</u>	<u>6,964,356</u>

Note G – Prepaid Expenses/Unearned Revenue

Prepaid expenses at June 30, 2011 and 2010 totaled \$3,898,294 and \$4,440,517, respectively, and unearned revenue at June 30, 2011 and 2010 totaled \$4,369,437 and \$3,942,356, respectively. The summer session portion for unearned tuition and fees for 2011 and 2010 was \$773,894 and \$776,460, respectively. Students sign housing contracts with the Department of Residence for the following Fall semester. Unearned revenue on housing contracts was \$634,000 and \$635,800 at June 30, 2011 and 2010, respectively. Season ticket sales for the Gallagher-Bluedorn Performing Arts Center Artist Series begin in the Spring for the following year. Unearned Performing Arts Center ticket sale revenues were \$760,674 and \$537,620 at June 30, 2011 and 2010, respectively.

Note H – Inventories

Inventories at June 30, 2011 and 2010, consisting mainly of supplies and merchandise, primarily valued at lower of cost or market (first in, first out), had values of \$4,368,483 and \$3,541,302, respectively.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note I – Capital Assets

Capital assets activity for the year ended June 30, 2011 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 4,916,643	-	-	4,916,643	-	4,916,643
Construction in Progress	11,353,911	18,922,012	(14,110,650)	16,165,273	-	16,165,273
Software in Progress	<u>4,576,092</u>	<u>4,029,688</u>	<u>-</u>	<u>8,605,780</u>	<u>-</u>	<u>8,605,780</u>
Capital Assets, Nondepreciable	<u>20,846,646</u>	<u>22,951,700</u>	<u>(14,110,650)</u>	<u>29,687,696</u>	<u>-</u>	<u>29,687,696</u>
Land Improvements	13,055,595	436,288	-	13,491,883	(8,109,989)	5,381,894
Infrastructure	36,167,526	873,414	-	37,040,940	(10,900,592)	26,140,348
Buildings	391,501,210	19,715,646	(506,483)	410,710,373	(144,358,518)	266,351,855
Equipment	48,217,436	4,870,458	(1,462,595)	51,625,299	(32,462,141)	19,163,158
Library Materials	<u>34,806,711</u>	<u>885,783</u>	<u>(567,688)</u>	<u>35,124,806</u>	<u>(30,148,440)</u>	<u>4,976,366</u>
Capital Assets, Depreciable	<u>523,748,478</u>	<u>26,781,589</u>	<u>(2,536,766)</u>	<u>547,993,301</u>	<u>(225,979,680)</u>	<u>322,013,621</u>
Total Capital Assets	<u>\$544,595,124</u>	<u>49,733,289</u>	<u>(16,647,416)</u>	<u>577,680,997</u>	<u>(225,979,680)</u>	<u>351,701,317</u>

Depreciation activity for the year ended June 30, 2011 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 7,683,153	426,836	-	8,109,989
Infrastructure	9,998,873	901,719	-	10,900,592
Buildings	135,418,593	9,323,269	(383,344)	144,358,518
Equipment	30,569,046	3,293,284	(1,400,189)	32,462,141
Library Materials	<u>29,390,622</u>	<u>1,325,506</u>	<u>(567,688)</u>	<u>30,148,440</u>
Total	<u>\$213,060,287</u>	<u>15,270,614</u>	<u>(2,351,221)</u>	<u>225,979,680</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note I – Capital Assets (continued)

Capital assets activity for the year ended June 30, 2010 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	\$ 4,916,643	-	-	4,916,643	-	4,916,643
Construction in Progress	23,589,686	18,855,944	(31,091,719)	11,353,911	-	11,353,911
Software in Progress	-	4,576,092	-	4,576,092	-	4,576,092
Capital Assets, Nondepreciable	28,506,329	23,432,036	(31,091,719)	20,846,646	-	20,846,646
Land Improvements	12,499,217	556,378	-	13,055,595	(7,683,153)	5,372,442
Infrastructure	27,523,268	8,705,792	(61,534)	36,167,526	(9,998,873)	26,168,653
Buildings	368,085,452	23,415,758	-	391,501,210	(135,418,593)	256,082,617
Equipment	45,193,466	5,280,296	(2,256,326)	48,217,436	(30,569,046)	17,648,390
Library Materials	34,843,847	873,852	(910,988)	34,806,711	(29,390,622)	5,416,089
Capital Assets, Depreciable	488,145,250	38,832,076	(3,228,848)	523,748,478	(213,060,287)	310,688,191
Total Capital Assets	\$516,651,579	62,264,112	(34,320,567)	544,595,124	(213,060,287)	331,534,837

Depreciation activity for the year ended June 30, 2010 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 7,263,847	419,306	-	7,683,153
Infrastructure	9,293,197	705,676	-	9,998,873
Buildings	126,498,342	8,920,251	-	135,418,593
Equipment	29,580,668	2,998,874	(2,010,496)	30,569,046
Library Materials	28,884,620	1,416,990	(910,988)	29,390,622
Total	\$201,520,674	14,461,097	(2,921,484)	213,060,287

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note I – Capital Assets (continued)

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Software totaling \$8,605,780 was classified as intangibles. Restatement of the beginning net assets and capital assets was not necessary because costs incurred prior to July 1, 2009, for internally generated computer software were not capitalized.

Note J – Salaries and Wages Payable

All non-student University employees are paid the last working day of each month. Certain bargaining unit employees submit time sheets verifying hours worked up to the middle of the month. Student employees submit time sheets verifying hours worked and are paid bi-weekly. Accrued salaries and wages payable at June 30, 2011 and 2010 were \$650,735 and \$490,409, respectively.

Note K – Compensated Absences Payable

University employees accumulate vacation and sick leave under provisions of Chapter 70A of the Code of Iowa. These accumulated benefits may be liquidated under specific circumstances. Accumulated vacation is paid at the employee's hourly rate upon retirement, death, or termination.

With certain exceptions, accumulated sick leave is paid at the employee's hourly rate to a maximum of \$2,000 on retirement.

The following schedule presents the changes in the liability for compensated absences, including accrued retirement and FICA contributions, for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amount of accrued compensated absences at beginning of year	\$9,424,039	9,470,968
Amount of compensated absences accrued during the fiscal year	8,705,083	6,025,580
Payments on compensated absences during the fiscal year	<u>(7,542,598)</u>	<u>(6,072,509)</u>
Amount of accrued compensated absences at end of year	<u>\$10,586,524</u>	<u>9,424,039</u>

As of June 30, 2011 and 2010, the current liabilities for compensated absences payable were \$5,293,800 and \$4,209,500, respectively.

Note L – Retirement Programs

Teachers Insurance and Annuity Association - The University contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, which is a defined contribution plan. TIAA administers the retirement plan for the University. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents, State of Iowa establishes and amends the plan's provision and contribution requirements. As required by the Board of Regents, State of Iowa policy, all eligible University employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified in the contract with TIAA, each employee through the fifth year of employment contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings. The University, through the fifth year of employment, is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above \$4,800. Upon completion of five years of service, the participant contributes 5% and the University 10% on

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note L – Retirement Programs (continued)

all earnings. The Board of Regents, State of Iowa has approved a temporary reduction of the University required contribution from November 2009 through June 2011. During this period of time, the University, through the fifth year of employment, is required to contribute 5 1/3% of the first \$4,800 of earnings and 9% and 8% on earnings above \$4,800 in fiscal year 2011 and 2010, respectively. Upon completion of five years of service, the University is required to contribute 9% in fiscal year 2011 and 8% in fiscal year 2010 on all earnings. During fiscal years 2011 and 2010, the University's required and actual contribution amounted to \$9,858,033 and \$9,084,297, respectively. During fiscal years 2011 and 2010, the employees' required and actual contribution amounted to \$5,173,519 and \$5,020,759, respectively.

Iowa Public Employees' Retirement System - The University contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members were required to contribute 4.5% of their annual covered earnings and the University was required to contribute 6.95% of annual covered earnings for the year ended June 30, 2011. For the years ended June 30, 2010, and 2009, plan members were required to contribute 4.3% and 4.1%, respectively, of the annual covered earnings and the University was required to contribute 6.65% and 6.35%, respectively, of annual covered earnings. Contribution requirements are established by State statute. The University's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$769,421, \$614,811 and \$543,437, respectively, equal to the annual required contributions.

Note M – Pledge Payable (Foundation)

On February 27, 2004, the Foundation entered into an agreement with the Board of Regents, State of Iowa to make gifts to the University of Northern Iowa of at least \$17,000,000 to be used solely and only to pay costs of constructing and equipping the McLeod Center on the University campus. Those costs could include principal and interest payments on \$10,000,000 of Field House Revenue Bonds, Series UNI 2004, which the Board of Regents has issued. As of June 30, 2011 and 2010, \$16,117,919 and \$15,530,805, respectively, of the \$17,000,000 was paid to the University.

On October 29, 2004, the Foundation signed an amendment to the original agreement promising additional gifts in the amount of \$2,660,000 due to increased construction costs for the McLeod Center. As of June 30, 2011, this amendment was paid in full to the University.

On September 15, 2005, the Foundation signed a second amendment to the original agreement promising additional gifts in the amount of \$1,165,000 to fund a Hall of Fame entrance hall between the UNI-Dome and the McLeod Center. As of June 30, 2011, this amendment was paid in full to the University.

On May 5, 2006, the Foundation signed a third amendment to the original agreement promising additional gifts in the amount of \$500,000 due to increased construction costs for the McLeod Center. As of June 30, 2011, this amendment was paid in full to the University.

On August 9, 2006, the Foundation signed a fourth amendment to the original agreement promising additional gifts in the amount of \$250,000 due to increased construction costs for the McLeod Center. As of June 30, 2011, this amendment was paid in full to the University.

On May 25, 2007, the Foundation signed a fifth amendment to the original agreement promising additional gifts to the University of Northern Iowa in the amount of \$150,000 due to increased construction costs for the McLeod Center. As of June 30, 2011, this amendment was paid in full to the University.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note M – Pledge Payable (Foundation) (continued)

On October 6, 2006, the Foundation entered into an agreement with the Board of Regents, State of Iowa to make gifts to the University of Northern Iowa of at least \$2,500,000 to be used solely and only to pay costs of constructing and equipping the Human Performance Complex on the University campus. Those costs could include principal and interest payments on \$2,150,000 of capital leases. As of June 30, 2011 the agreement was paid in full and \$2,419,155 was paid to the University as of June 30, 2010.

The unconditional promise to pay is included in the Foundation's combined financial statements as a pledge payable and expense of the Foundation.

The remaining payments are scheduled as follows:

	<u>2011</u>	<u>2010</u>
In one year or less	\$ 587,281	667,959
Between one year and five years	<u>294,800</u>	<u>882,081</u>
	882,081	1,550,040
Less discounts to net present value	<u>(12,698)</u>	<u>(46,158)</u>
Total	<u>\$ 869,383</u>	<u>1,503,882</u>

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note N – Long-Term Debt

Long-Term debt on June 30, 2011, consisted of the following:

	<u>Interest Rates %</u>	<u>Maturity Date</u>	<u>Original Value</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Academic Bldg. Revenue Bonds:								
Series 1994-Refunding	4.50 – 6.00	2015	\$ 2,180,000	980,000	-	140,000	840,000	150,000
Series 1994	5.00 – 8.25	2015	9,201,461	1,768,532	-	531,629	1,236,903	191,706
Series 1996-Refunding	4.55 – 6.00	2013	7,600,000	2,420,000	-	565,000	1,855,000	580,000
Series 2002-Refunding	4.00 – 5.50	2015	4,890,000	2,605,000	-	390,000	2,215,000	405,000
Series 2003-Refunding	3.00 – 3.80	2015	8,465,000	5,065,000	-	755,000	4,310,000	790,000
Series 2003A-Refunding	2.00 – 3.40	2012	4,225,000	1,455,000	-	465,000	990,000	495,000
Series 2005-Refunding	5.75 – 6.20	2020	5,110,000	3,915,000	-	305,000	3,610,000	505,000
Series 2005	2.90 – 4.25	2027	12,800,000	12,550,000	-	150,000	12,400,000	525,000
Series 2007	4.00 – 4.25	2027	8,000,000	7,800,000	-	100,000	7,700,000	100,000
Series 2008	4.00 – 5.00	2035	12,000,000	12,000,000	-	-	12,000,000	25,000
Series 2009	3.00 – 5.00	2035	13,860,000	13,860,000	-	-	13,860,000	-
Residence System Bonds:								
Series 1999	4.05 – 5.55	2020	7,000,000	4,650,000	-	4,650,000	-	-
Series 2000	5.00 – 6.50	2021	14,040,000	11,220,000	-	11,220,000	-	-
Series 2002-Refunding	3.00 – 4.50	2018	9,535,000	5,465,000	-	510,000	4,955,000	525,000
Series 2003	3.50 – 4.75	2023	9,210,000	7,415,000	-	405,000	7,010,000	420,000
Series 2010-Refunding	2.00 – 3.13	2020	4,255,000	4,255,000	-	-	4,255,000	355,000
Series 2010A	3.25 – 5.00	2030	16,790,000	-	16,790,000	-	16,790,000	600,000
Series 2010B-Refunding	2.50 – 4.00	2021	10,160,000	-	10,160,000	-	10,160,000	-
Field House Bonds:								
Series 2001	3.75 – 4.75	2022	5,625,000	4,130,000	-	245,000	3,885,000	3,885,000
Series 2004	2.50 – 4.40	2024	10,000,000	6,530,000	-	335,000	6,195,000	345,000
Series 2005-Refunding	3.00 – 4.20	2022	7,465,000	6,155,000	-	375,000	5,780,000	385,000
Series 2011-Refunding	2.00 – 3.50	2022	3,685,000	-	3,610,000	-	3,610,000	-
Student Union Bonds:								
Series 2002	1.80 – 5.00	2022	12,755,000	9,460,000	-	545,000	8,915,000	565,000
Student Health System Bonds:								
Series 2004	3.00 – 4.40	2024	<u>3,875,000</u>	<u>3,135,000</u>	<u>-</u>	<u>160,000</u>	<u>2,975,000</u>	<u>165,000</u>
Total Bonds Payable			202,726,461	126,833,532	30,560,000	21,846,629	135,546,903	11,011,706
Notes Payable	0.00	2027	500,000	470,000	-	15,000	455,000	15,000
Capital Leases Payable	4.25 – 6.60	2016	<u>2,150,000</u>	<u>1,432,441</u>	<u>-</u>	<u>301,723</u>	<u>1,130,718</u>	<u>207,534</u>
Total Long-Term Debt Payable			<u>\$205,376,461</u>	<u>128,735,973</u>	<u>30,560,000</u>	<u>22,163,352</u>	<u>137,132,621</u>	<u>11,234,240</u>

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note N – Long-Term Debt (continued)

Long-Term debt on June 30, 2010, consisted of the following:

	<u>Interest Rates %</u>	<u>Maturity Date</u>	<u>Original Value</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Academic Bldg. Revenue Bonds:								
Series 1994-Refunding	4.50 – 6.00	2015	\$ 2,180,000	1,120,000	-	140,000	980,000	140,000
Series 1994	5.00 – 8.25	2015	9,201,461	2,193,759	-	425,227	1,768,532	531,629
Series 1996-Refunding	4.55 – 6.00	2013	7,600,000	2,950,000	-	530,000	2,420,000	565,000
Series 2002-Refunding	4.00 – 5.50	2015	4,890,000	2,975,000	-	370,000	2,605,000	390,000
Series 2003-Refunding	3.00 – 3.80	2015	8,465,000	5,795,000	-	730,000	5,065,000	755,000
Series 2003A-Refunding	2.00 – 3.40	2012	4,225,000	1,920,000	-	465,000	1,455,000	465,000
Series 2005-Refunding	5.75 – 6.20	2020	5,110,000	4,315,000	-	400,000	3,915,000	305,000
Series 2005	2.90 – 4.25	2027	12,800,000	12,675,000	-	125,000	12,550,000	150,000
Series 2007	4.00 – 4.25	2027	8,000,000	7,900,000	-	100,000	7,800,000	100,000
Series 2008	4.00 – 5.00	2035	12,000,000	12,000,000	-	-	12,000,000	-
Series 2009	3.00 – 5.00	2035	13,860,000	13,860,000	-	-	13,860,000	-
Residence System Bonds:								
Series 1999	4.05 – 5.55	2020	7,000,000	4,965,000	-	315,000	4,650,000	4,650,000
Series 2000	5.00 – 6.50	2021	14,040,000	11,870,000	-	650,000	11,220,000	675,000
Series 2002-Refunding	3.00 – 4.50	2018	9,535,000	5,950,000	-	485,000	5,465,000	510,000
Series 2003	3.50 – 4.75	2023	9,210,000	7,805,000	-	390,000	7,415,000	405,000
Series 2010-Refunding	2.00 – 3.13	2020	4,255,000	-	4,255,000	-	4,255,000	-
Field House Bonds:								
Series 2001	3.75 – 4.75	2022	5,625,000	4,365,000	-	235,000	4,130,000	245,000
Series 2004	2.50 – 4.40	2024	10,000,000	6,855,000	-	325,000	6,530,000	335,000
Series 2005-Refunding	3.00 – 4.20	2022	7,465,000	6,515,000	-	360,000	6,155,000	375,000
Student Union Bonds:								
Series 2002	1.80 – 5.00	2022	12,755,000	9,980,000	-	520,000	9,460,000	545,000
Student Health System Bonds:								
Series 2004	3.00 – 4.40	2024	<u>3,875,000</u>	<u>3,290,000</u>	<u>-</u>	<u>155,000</u>	<u>3,135,000</u>	<u>160,000</u>
Total Bonds Payable			172,091,461	129,298,759	4,255,000	6,720,227	126,833,532	11,301,629
Notes Payable	0.00	2027	500,000	485,000	-	15,000	470,000	15,000
Capital Leases Payable	6.60	2016	<u>2,150,000</u>	<u>1,621,482</u>	<u>-</u>	<u>189,041</u>	<u>1,432,441</u>	<u>201,724</u>
Total Long-Term Debt Payable			<u>\$174,741,461</u>	<u>131,405,241</u>	<u>4,255,000</u>	<u>6,924,268</u>	<u>128,735,973</u>	<u>11,518,353</u>

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note N – Long-Term Debt (continued)

Bonds Payable

The above bonds were issued for the following purposes:

Academic Building Revenue Bonds were issued primarily for the construction, renovation and equipping academic buildings, libraries, administrative, and service buildings.

Residence System Revenue Bonds were issued for the construction, renovation, and equipping residence halls, food service buildings, and apartment housing.

Field House System Revenue Bonds were issued in 1997 to replace the air-supported roof of the UNI-Dome with a self-supported roof. Bonds were issued in 2001 to make repairs to the roof and to the structure of the UNI-Dome. Bonds were issued in 2004 for the construction of the McLeod Center and to remodel the UNI-Dome. The 1997 bonds were refunded in 2005 and the 2001 bonds were refunded in 2011.

Student Union Revenue Bonds were issued to construct additions to, remodel, refurbish, and equip the J. W. Maucker Student Union.

Student Health System Revenue Bonds were issued to construct additions to, remodel, refurbish and equip the UNI Student Health Center.

All of the bond issues included funding for a pre-funded debt service reserve and for issuance costs. A number of the bond issues refinanced previous issues to take advantage of lower interest rates.

The bonds mature as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 11,011,706	5,679,967	16,691,673
2013	8,518,112	5,537,426	14,055,538
2014	8,539,222	4,954,541	13,493,763
2015	8,251,126	5,034,614	13,285,740
2016	8,386,737	5,293,529	13,680,266
2017-2021	39,065,000	15,914,774	54,979,774
2022-2026	27,115,000	8,610,028	35,725,028
2027-2031	15,715,000	3,988,675	19,703,675
2032-2036	8,945,000	1,159,875	10,104,875
Total	<u>\$135,546,903</u>	<u>56,173,429</u>	<u>191,720,332</u>

The changes in Bonds Payable for fiscal years 2011 and 2010 are detailed below:

	<u>2011</u>	<u>2010</u>
Bonds payable beginning of year	\$126,833,532	129,298,759
Bonds retired during the fiscal year	(21,846,629)	(6,720,227)
Bonds issued during the fiscal year	<u>30,560,000</u>	<u>4,255,000</u>
Bonds payable end of year	<u>\$135,546,903</u>	<u>126,833,532</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note N – Long-Term Debt (continued)

Notes Payable

At its September 15, 2004 meeting, the Board of Regents, State of Iowa approved a 28E Agreement between the University of Northern Iowa and the City of Cedar Falls, Iowa. Under the terms of the Agreement, the City of Cedar Falls transferred \$500,000 of City funds received from the Black Hawk County Landfill to the University to assist with construction costs of the McLeod Center. Of the amount transferred, \$300,000 is repayable and \$200,000 is forgivable if all the conditions in the Agreement are met. The \$300,000 portion is repayable in the amount of \$15,000 per year for twenty years. The \$200,000 portion, if not forgiven, is repayable in the amount of \$10,000 per year for twenty years. The note is not interest bearing. The University agreed to transfer to the City \$15,000 of its annual rebate from the Black Hawk County Landfill to make the required payments. The City and the University simultaneously executed a Joint Use 28E Agreement permitting City use of University facilities, which may include the Wellness and Recreation Center Complex and outdoor athletic field.

Capital Leases Payable

The University has an equipment master lease agreement to finance the acquisition of certain equipment and real property. The University entered into a capital lease agreement with Wells Fargo Brokerage Services, LLC. Funds provided were to be used for the construction of a Human Performance Complex on campus to support the academic, research and public service programs of the School of Health, Physical Education and Leisure Services. The original lease agreement provided funding for costs of \$2,150,000, with payments due semi-annually through fiscal year 2016 and bore an interest rate of 6.60%. In fiscal year 2011, the interest rate was renegotiated to 4.25%. An additional \$100,000 principal payment was made in fiscal year 2011. The principal balance was \$1,130,718 as of June 30, 2011.

The following is a schedule, by year, of future minimum lease payments:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 207,534	45,874	253,408
2013	216,447	36,960	253,407
2014	225,744	27,663	253,407
2015	235,440	17,967	253,407
2016	<u>245,553</u>	<u>7,854</u>	<u>253,407</u>
Total	<u>\$1,130,718</u>	<u>136,318</u>	<u>1,267,036</u>

Note O – Advance Refunding

As of December 1, 2010, the University issued \$10,160,000 of Dormitory Revenue Refunding Bonds, Series U.N.I. 2010B with an average interest rate of 3.311%. The bonds were issued in the form of an advance refunding to refund the July 1, 2011 through July 1, 2021 maturities of Dormitory Revenue Bonds, Series U.N.I. 2000. Outstanding Series U.N.I. 2000 bonds totaled \$10,545,000 and interest ranged between 5.2% and 5.6%.

Aggregate debt service payments are reduced \$969,618 over the next ten years.

The net proceeds of \$9,858,832 and \$963,690 in University funds were deposited in an irrevocable escrow account with Wells Fargo Bank, National Association as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The 2000 Dormitory Revenue Bonds were called on July 1, 2011. The current refunding resulted in an economic gain of \$733,328.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note P – OPEB (Other Postemployment Benefits)

Plan Description. The University operates a single-employer retiree benefit plan which provides medical, dental and life insurance benefits for retirees and their spouses. There are 1,351 active and 538 retired members in the plan. Retired members must be age 55 or older at retirement.

The medical benefit, which is a self-funded indemnity medical plan, is administered by Wellmark Blue Cross Blue Shield of Iowa. The dental benefit, which is also self-funded, is administered by Delta Dental of Iowa and the life insurance benefit is administered by Principal Financial Group. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the University. The University currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost is calculated based on the annual required contribution of the University (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the University's annual OPEB cost as of June 30, 2011, the amount actually contributed to the plan and changes in the University's net OPEB obligation:

Annual required contribution	\$ 2,284,000
Interest on net OPEB obligation	72,000
Adjustment to annual required contribution	(61,000)
Annual OPEB cost (expense)	2,295,000
Contributions made	(1,454,144)
Increase in net OPEB obligation	840,856
Net OPEB obligation – beginning of year	1,600,000
Net OPEB obligation – end of year	\$ 2,440,856

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2011.

For fiscal year 2011, the University contributed \$1,454,144 to the medical plan. Plan members receiving benefits contributed \$2.1 million, or 59% of the premium costs.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations are summarized as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/2009	\$1,119,000	58.8%	\$ 917,000
6/30/2010	2,302,000	70.3%	1,600,000
6/30/2011	2,295,000	63.4%	2,440,856

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note P – OPEB (Other Postemployment Benefits) (continued)

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$26.3 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$134.6 million, and the ratio of the UAAL to the covered payroll was 19.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate based on the University's funding policy. The projected annual health care trend rate is 10.5%. The ultimate health care trend rate is 5%. The health care trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. The inflation rate is assumed to increase at a rate of 5%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed by adjusting the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2006 to reflect the University's experienced retirement age of 62 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2006.

Projected claim costs of the medical plan are \$938 per month for retirees age 69 or less and \$330 per month for retirees who have attained age 70. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Details of the University's OPEB plan may be obtained by writing Financial Accounting and Reporting Services, 122 Lang Hall, Cedar Falls, IA 50614-0009 or phone 319-273-3576.

Allocated Other Postemployment Benefits Liability.

The University's merit employees are participants in the State of Iowa postretirement medical plan (OPEB Plan). The State of Iowa recognizes the implicit rate subsidy for the OPEB Plan as required by GASB Statement No. 45.

The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. The method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$377,933,000 for the State of Iowa at June 30, 2011. The University's allocation of the

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note P – OPEB (Other Postemployment Benefits) (continued)
unfunded liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2011. The report may be obtained by writing the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

The University recognized a net OPEB liability of \$1,454,103 for other postemployment benefits, which represents the University's allocated portion of the State's net OPEB liability. The University's portion of the net OPEB liability was calculated using the ratio of full time equivalent University merit employees compared to all full time equivalent employees of the State of Iowa.

In summary, the University has recognized a net OPEB liability of \$2,440,856 for its retiree benefit plan and a liability of \$1,454,103 for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of \$3,894,959.

Note Q – Refundable Advances on Student Loans

The Perkins Federal Loan program requires a return of Federal Capital Contribution if the United States Government terminates the program. The accumulated Federal Capital Contribution received by the University of Northern Iowa over the lifetime of the Perkins Loan program is \$9,554,301 and \$9,487,410 at June 30, 2011 and 2010, respectively.

Note R – Endowments

Prior to the establishment of the Foundation in 1959, the University accepted \$615,895 from donors to be invested in perpetuity with only the agreed upon spending rule payout to be made available for annual expenditures according to the donor's restrictions. The revenue and appreciation on the non-expendable donations in excess of the spending rule is retained as an inflationary hedge. The net assets retained by the University from these endowments are classified as follows:

	<u>2011</u>	<u>2010</u>
Restricted-Nonexpendable	\$ <u>615,895</u>	<u>615,895</u>
Restricted-Expendable:		
Scholarships	\$ 151,311	120,001
Loans	137,198	115,855
Other-Chair	<u>326,650</u>	<u>225,852</u>
Total	\$ <u>615,159</u>	<u>461,708</u>

Note S – Related Party Organization

The University of Northern Iowa Alumni Association is a related party organization to the University of Northern Iowa because of common management. The separate board of this organization includes members who are also officers of the University. The significant revenues for the Alumni Association are royalties, membership dues, and investment income. The material expenses of the Alumni Association are alumni programming costs.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note S – Related Party Organization (continued)

Significant Alumni Association financial data as of and for the years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Total Assets	\$ 895,830	675,626
Total Liabilities	160,165	150,489
Total Equity	735,665	525,137
Due to the University	21,747	908
Total Support and Revenues	498,251	432,740
Total Expenses	287,723	375,359

Note T – Restrictions on Net Assets (Foundation)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2011</u>	<u>2010</u>
Program activities:		
Scholarships and department programs	\$ 6,163,745	5,240,194
Plant	<u>114,774</u>	<u>986,814</u>
Total Temporarily Restricted Net Assets	\$ <u>6,278,519</u>	<u>6,227,008</u>

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2011</u>	<u>2010</u>
Program activities:		
Scholarships and department programs	\$ 31,807,242	25,876,485
Plant	813,179	898,533
Charitable gift annuities	114,726	22,958
Charitable remainder unitrusts	<u>523,152</u>	<u>421,931</u>
Total Temporarily Restricted Net Assets	\$ <u>33,258,299</u>	<u>27,219,907</u>

Permanently restricted net assets are restricted for the following purposes:

	<u>2011</u>	<u>2010</u>
Endowment	\$ 54,116,412	41,578,391
Charitable gift annuities	358,539	112,531
Charitable remainder trust annuities	272,452	145,284
Charitable remainder unitrusts	<u>1,058,891</u>	<u>872,931</u>
Total Permanently Restricted Net Assets	\$ <u>55,806,294</u>	<u>42,709,137</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note U – Risk Management

It is the policy of the University not to purchase commercial insurance for the risks of certain losses to which it is exposed. Instead, management believes it is more economical to manage certain risks internally. It is also the policy of the Board of Regents, State of Iowa and the State of Iowa not to purchase commercial insurance for the risks of certain losses to which they are exposed.

Losses are reported when it is probable a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The University is exposed to various risks of loss related to a number of matters enumerated below.

Business Income. The University purchased business income insurance for the McLeod Center, Field House, Residence System, Maucker Union, Student Health Center, Human Performance Center, and the Gallagher-Bluedorn Performing Arts Center. The University self-funds business income losses for other buildings.

Errors and Omissions. The University self-funds errors and omissions losses.

Extra Expense. The University purchased \$10,000,000 in extra expense insurance for all buildings on campus.

Fidelity Bond. The State purchased an employee fidelity bond whereby the first \$100,000 of losses are the responsibility of the University. Losses between \$100,000 and \$2,000,000 are insured. The University also purchased a \$500,000 employee fidelity bond with a \$10,000 deductible.

General Liability and Property Loss. The State of Iowa self-funds, on behalf of the University, losses related to general liability (tort claims), and property (casualty losses) with the exception of property belonging to auxiliary enterprises. Claims for torts are filed with the State Appeal Board, while casualty losses are filed with the Executive Council.

The Board of Regents, State of Iowa entered into an agreement with the Department of Management, the State Appeal Board, and the Attorney General for resolution of tort claims of \$5,000 or less. The University is authorized to approve claims of \$5,000 or less, paying for the claims from institutional funds up to an annual limit of \$50,000. When a tort claim is filed against the State, the State Appeal Board has the authority to approve or reject ordinary claims less than ten years from occurrence and tort claims not over \$5,000. Tort claims settled or allowed in excess of \$5,000 must have the unanimous approval of all the members of the State Appeal Board, the Attorney General, and the District Court of the State of Iowa for Polk County. Torts may be paid without limit from the State's general fund.

A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses). By agreement with the State, claims in excess of \$5,000 or an annual aggregate of \$10,000 may be submitted to the Executive Council for consideration. If a loss exceeds \$500,000, it is necessary to seek an appropriation from the General Assembly.

The University has purchased commercial property insurance, including earthquake and flood coverage, for its facilities. There is a \$2,000,000 deductible on general University buildings. Additional coverage is provided for Auxiliary Enterprises, such as the Residence System, Maucker Union, and the Field House System, with deductibles ranging from \$25,000 to \$100,000 per occurrence.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note U – Risk Management (continued)

The University purchased commercial insurance to cover the collection of the Art Gallery. The University also purchased commercial insurance to cover media perils of libel and slander for the University's student newspaper.

Group Life, LTD, and Accidental Death and Disability Insurance. The University purchased commercial insurance for group term life insurance and long-term disability insurance. The University purchased commercial insurance on a pooled basis for accidental death and disability.

Medical and Dental-Commercial Insurance. The State of Iowa purchased commercial health and dental insurance for general service staff of the University. The University and employees share the cost of the premium.

Medical and Dental-Self Insured. The University self-funds the medical and dental claims of its professional employees. The University and employees share the cost of the coverage. The University insures its medical claims with 120% aggregate stop-loss insurance.

The following schedule presents the changes in claims liabilities for medical and dental insurance for professional staff and unemployment compensation for the years ended June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amount of claims and contingent liabilities accrued beginning of year	\$ 1,757,248	2,063,548
Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	16,615,644	15,333,516
Payments on claims during the fiscal year	<u>(16,762,370)</u>	<u>(15,639,816)</u>
Amount of claims liabilities end of year	<u>\$ 1,610,522</u>	<u>1,757,248</u>

Motor Vehicle Liability. Institutions governed by the Board of Regents, State of Iowa cooperatively self-fund collision, comprehensive, property damage, and liability losses related to motor vehicle liability up to \$250,000 per claim in an insurance pool. Each Regents' institution is assessed a premium of \$24 to \$39 per rated vehicle per month. Losses in excess of \$250,000 are self-funded by the State, as provided in Chapter 669 of the Code of Iowa.

Unemployment Compensation. The University self-funds unemployment compensation claims received from Iowa Workforce Development on a reimbursement basis.

Workers' Compensation. The State of Iowa self-funds on behalf of the University losses related to workers' compensation for all University employees. The University pays a quarterly assessment for this coverage.

In all the above instances of commercial insurance, claims settled have not exceeded coverage for the last three years.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note V – Debt Issuance Costs

Debt issuance costs at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Debt issuance costs	\$ 2,789,833	2,278,927
Less accumulated amortization	<u>(884,399)</u>	<u>(750,953)</u>
Net debt issuance costs	\$ <u>1,905,434</u>	<u>1,527,974</u>

Amortization expense for fiscal years 2011 and 2010 was \$133,446 and \$109,855, respectively.

Note W – Operating Leases

The University has leased various buildings, tower space, and equipment. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. These leases expire between June 30, 2011 and June 30, 2015, and require various minimum annual rentals. Certain leases are renewable for additional periods. Some leases also require the payment of normal maintenance and insurance on the properties and equipment. In most cases, management expects the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011:

<u>Year ending June 30,</u>	<u>Amount</u>
2012	\$ 267,447
2013	213,228
2014	217,705
2015	<u>135,174</u>
Total	\$ <u>833,554</u>

All leases contain non-appropriation clauses indicating continuation of the lease is subject to funding by the Legislature.

Rental expense for the years ended June 30, 2011 and 2010, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$1,003,079 and \$953,801, respectively.

Note X – Retirement Incentive Programs and Termination Benefits

Early Retirement Incentive Program of 1986

An early retirement incentive program was approved by the Board of Regents, State of Iowa in June, 1986, and modified in July, 1990 and July, 1992. This program expired on June 30, 2004. Eligible for participation were faculty, professional-scientific employees, institutional officials, and all merit system employees employed by the Board for a period of at least fifteen years who have attained the age of 57 but are not older than 63. The employee's department head and the appropriate administrative officers approved the employee's participation.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note X – Retirement Incentive Programs and Termination Benefits (continued)

The following benefits were applicable during participation in the Early Retirement Incentive Program:

- 1) Health and Dental Insurance - The employer's contributions were made until the employee was eligible for Medicare coverage.
- 2) Group Life Insurance - The employer provided a \$4,000 paid-up life insurance policy for faculty and a \$2,000 policy for all other employees.
- 3) TIAA/CREF and/or IPERS Contributions - The employer's and employee's contributions were made for up to three (3) years; the employer's contributions were made for up to an additional two (2) years; the employer's contributions were payable for a maximum of five (5) years or until the employee was eligible for full Social Security benefits, whichever occurred first.

The employee may have elected, prior to approval of participation in the program, to accept the present value of all or part of the incentives as a lump sum payment on the beginning date of participation in the program. The Board established the rate of interest used to calculate the present value.

University policy required departments to fully fund the ERIP liability upon signing ERIP contracts. All contracts were fulfilled during fiscal year 2010. At June 30, 2011 and 2010, the present value of future benefits was \$0. During fiscal year 2010, benefit payments for 10 participants totaled \$32,092.

Early Retirement Incentive Program of 2009

The Early Retirement Incentive Program of 2009 was approved by the Board of Regents, State of Iowa in April, 2009. The 2009 Program was a one-time program which expired on July 31, 2009. Eligible for participation were faculty, professional-scientific employees, institutional officials and merit system employees who have attained the age of 57 and whose age plus years of service equals 70 or more on his or her retirement date. Employees participating in the program were required to retire between June 1 and December 31, 2009.

The following benefits are applicable during participation in the 2009 Program:

- 1) Health and Dental Insurance - The employer's and employee's contributions are made for the employee and spouse/domestic partner for five years.
- 2) TIAA/CREF - The employer's contributions are made to TIAA/CREF for five years based on the employee's annual salary as of May 1, 2009.

The employee may have elected, prior to approval of participation in the program, to accept the present value of the health and dental incentives as a lump sum payment on the beginning date of participation in the program.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note X – Retirement Incentive Programs and Termination Benefits (continued)

The University is funding the 2009 Program on a pay-as-you-go basis using ARRA Education Stimulus funds, health and dental insurance reserves, and operating funds. At June 30, 2011 and 2010, the present value of future benefits was \$5,104,952 and \$6,567,070, respectively. The liabilities are included in Accounts Payable in the Statement of Net Assets. The interest rate utilized to calculate the present value was 0.12% at June 30, 2011 and 0.22% at June 30, 2010. During fiscal year 2011, benefit payments for 117 participants totaled \$1,454,144. During fiscal year 2010, benefit payments for 117 participants totaled \$1,642,229.

Note Y – Funds Held in Trust by Others

The University is a beneficiary of the Joseph S. Wright Trust, which is held by others and had an aggregate market value of \$697,332 and \$620,467 at June 30, 2011 and 2010, respectively. The income received by the University from this trust was \$26,642 in fiscal year 2011 and \$18,005 in fiscal year 2010.

Note Z – Other Commitments, Claims, and Contingencies

Commitments: Changes to the University's outstanding construction contract commitments for Plant construction for the year ended June 30, 2011 are as follows:

Construction Commitments beginning of year	\$ 6,031,362
Increases in Commitments	26,164,583
Payments and Decreases in Commitments	<u>(20,711,879)</u>
Construction Commitments end of year	\$ <u>11,484,066</u>

There were no material claims or contingencies as of June 30, 2011.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AA – Segment Reporting

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bond issues are outstanding. Investors in Academic Building Revenue Bonds rely on pledged tuition and fees revenues generated by the University for repayment. Investors in bonds of all other bond enterprises rely solely on the revenue generated by the individual activities for repayment. A segment has a specifically identifiable revenue stream pledged in support of revenue bonds and has related expenses, assets, and liabilities that are required by an external party to be accounted for separately. The University's segments are described as follows:

Academic Building Revenue Bonds were issued to defray the costs of constructing, renovating and equipping academic buildings, libraries, and administrative and service buildings of the University.

Residence System Revenue Bonds were issued for the construction, renovation, and equipping residence halls, food service buildings, and apartment housing. The bonds are payable from the net rents, profits and income derived from operation of the system. Primary sources of revenue include: room and board contracts, apartment rents, retail food sales, catering sales, and investment income.

Field House Revenue Bonds were issued in 1997 for the replacement of the air-supported fabric roof with a self-supported roof. In 2001, bonds were issued to make repairs to the roof and the structure of the building. In 2004, bonds were issued to construct the McLeod Center, an integral part of the Field House Enterprise. The bonds are payable from student fees and the net revenues of the Field House System. Primary sources of revenue include: concession stand sales, facility rentals to the University and the public, investment income, and mandatory student fees.

Student Union Revenue Bonds were issued to construct additions to, remodel, refurbish, and equip the J. W. Maucker Student Union. The bonds are payable from mandatory student fees and the net revenues of the Student Union System. Primary sources of revenue include: retail sales, commissions, meeting room rentals to the University and the public, investment income, and mandatory student fees.

Student Health System Revenue Bonds were issued in 2004 for the construction, furnishing, and equipping the Student Health Center building and to improve, remodel, and repair the existing Student Health Center building. The bonds are payable from student fees and the net revenues of the Student Health System. Primary sources of revenue include: student receipts and health insurance revenues for health care provided to UNI students, and mandatory student fees.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AA – Segment Reporting (continued)
Academic Building

Condensed Statement of Net Assets	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 10,440,433	13,151,543
Capital assets	70,537,698	68,579,448
Other noncurrent assets	<u>4,701,552</u>	<u>7,738,726</u>
Total assets	<u>85,679,683</u>	<u>89,469,717</u>
Liabilities:		
Current liabilities	5,928,682	6,238,435
Noncurrent liabilities	<u>57,250,196</u>	<u>61,016,902</u>
Total liabilities	<u>63,178,878</u>	<u>67,255,337</u>
Net assets:		
Invested in capital assets, net of related debt	14,017,075	12,974,966
Restricted, expendable	7,732,065	8,422,231
Restricted, other	-	11,875
Unrestricted	<u>751,665</u>	<u>805,308</u>
Total net assets	<u>\$ 22,500,805</u>	<u>22,214,380</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 67,950,247	63,489,894
Depreciation expense	<u>(2,568,185)</u>	<u>(2,250,499)</u>
Net operating income (loss)	65,382,062	61,239,395
Nonoperating revenues (expenses)	2,795,541	2,579,249
Transfers from (to) University funds	<u>(67,891,178)</u>	<u>(63,587,418)</u>
Change in net assets	286,425	231,226
Net assets, beginning of year	<u>22,214,380</u>	<u>21,983,154</u>
Net assets, end of year	<u>\$ 22,500,805</u>	<u>22,214,380</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 67,786,273	63,525,667
Net cash provided (used) by capital and related financing activities	<u>(73,602,865)</u>	<u>(73,059,144)</u>
Net cash provided (used) by investing activities	<u>5,862,041</u>	<u>3,274,852</u>
Net increase (decrease) in cash	45,449	(6,258,625)
Cash and cash equivalents, beginning of year	<u>6,611,999</u>	<u>12,870,624</u>
Cash and cash equivalents, end of year	<u>\$ 6,657,448</u>	<u>6,611,999</u>

Debt Service Coverage

Debt service coverage – required	1.25	1.25
Debt service coverage – actual	11.09	10.06

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 6,709,993	6,950,665
Net operating income *	67,950,247	63,489,894
Annual debt service/net operating income (%)	9.9%	10.9%

As of June 30, 2011, revenue pledged for future principal and interest payments was \$94,729,603.

* Net operating income plus depreciation added back per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AA – Segment Reporting (continued)
Residence System

Condensed Statement of Net Assets	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 24,735,728	19,160,896
Capital assets	49,753,751	35,037,223
Other noncurrent assets	<u>5,213,950</u>	<u>6,181,534</u>
Total assets	<u>79,703,429</u>	<u>60,379,653</u>
Liabilities:		
Current liabilities	6,285,937	9,362,999
Noncurrent liabilities	<u>41,744,435</u>	<u>27,364,409</u>
Total liabilities	<u>48,030,372</u>	<u>36,727,408</u>
Net assets:		
Invested in capital assets, net of related debt	8,483,751	8,272,223
Restricted, expendable	17,161,675	8,977,551
Unrestricted	<u>6,027,631</u>	<u>6,402,471</u>
Total net assets	<u>\$ 31,673,057</u>	<u>23,652,245</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 36,952,259	36,003,367
Depreciation expense	(1,409,417)	(1,332,166)
Other operating expenses	<u>(26,375,598)</u>	<u>(26,902,270)</u>
Net operating income (loss)	9,167,244	7,768,931
Nonoperating revenues (expenses)	<u>(1,146,432)</u>	<u>(741,867)</u>
Change in net assets	8,020,812	7,027,064
Net assets, beginning of year	<u>23,652,245</u>	<u>16,625,181</u>
Net assets, end of year	<u>\$ 31,673,057</u>	<u>23,652,245</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 10,260,274	9,343,438
Net cash provided (used) by capital and related financing activities	(6,731,833)	(3,589,338)
Net cash provided (used) by investing activities	<u>(6,076,880)</u>	<u>1,769,687</u>
Net increase (decrease) in cash	(2,548,439)	7,523,787
Cash and cash equivalents, beginning of year	<u>18,339,537</u>	<u>10,815,750</u>
Cash and cash equivalents, end of year	<u>\$ 15,791,098</u>	<u>18,339,537</u>

Debt Service Coverage

Debt service coverage – required	1.35	1.35
Debt service coverage – actual	2.60	3.43

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 3,122,137	3,280,804
Net operating income *	12,604,389	11,576,378
Annual debt service/net operating income (%)	24.8%	28.3%

As of June 30, 2011, revenue pledged for future principal and interest payments was \$57,311,541.

* Net operating income plus investment income minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AA – Segment Reporting (continued)
Field House System

Condensed Statement of Net Assets	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 8,224,283	7,149,119
Capital assets	35,998,217	35,769,598
Other noncurrent assets	<u>7,940,436</u>	<u>7,113,187</u>
Total assets	<u>52,162,936</u>	<u>50,031,904</u>
Liabilities:		
Current liabilities	5,040,973	1,450,694
Noncurrent liabilities	<u>15,329,554</u>	<u>16,349,290</u>
Total liabilities	<u>20,370,527</u>	<u>17,799,984</u>
Net assets:		
Invested in capital assets, net of related debt	20,703,217	19,454,598
Restricted, expendable	3,118,658	3,743,128
Unrestricted	<u>7,970,534</u>	<u>9,034,194</u>
Total net assets	<u>\$ 31,792,409</u>	<u>32,231,920</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 3,807,403	3,711,752
Depreciation expense	(1,386,882)	(1,352,230)
Other operating expenses	<u>(2,413,347)</u>	<u>(2,148,406)</u>
Net operating income (loss)	7,174	211,116
Nonoperating revenues (expenses)	<u>(446,685)</u>	<u>1,797,045</u>
Change in net assets	(439,511)	2,008,161
Net assets, beginning of year	<u>32,231,920</u>	<u>30,223,759</u>
Net assets, end of year	<u>\$ 31,792,409</u>	<u>32,231,920</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 1,421,954	1,535,010
Net cash provided (used) by capital and related financing activities	816,706	339,744
Net cash provided (used) by investing activities	<u>819,203</u>	<u>(954,314)</u>
Net increase (decrease) in cash	3,057,863	920,440
Cash and cash equivalents, beginning of year	<u>3,564,205</u>	<u>2,643,765</u>
Cash and cash equivalents, end of year	<u>\$ 6,622,068</u>	<u>3,564,205</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	5.88	6.40

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 1,638,533	1,638,618
Net operating revenue *	1,932,817	1,760,240
Annual debt service/net operating income (%)	84.8%	93.1%

As of June 30, 2011, revenue pledged for future principal and interest payments was \$20,487,570.

* Net operating income plus investment income, student fee income, casualty reimbursement, and transfers-in of university funds minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AA – Segment Reporting (continued)
Student Union

Condensed Statement of Net Assets	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 3,192,809	1,795,319
Capital assets	12,844,347	12,873,221
Other noncurrent assets	<u>1,757,712</u>	<u>3,067,508</u>
Total assets	<u>17,794,868</u>	<u>17,736,048</u>
Liabilities:		
Current liabilities	892,614	819,908
Noncurrent liabilities	<u>8,376,759</u>	<u>8,948,933</u>
Total liabilities	<u>9,269,373</u>	<u>9,768,841</u>
Net assets:		
Invested in capital assets, net of related debt	4,494,348	3,958,220
Restricted, expendable	1,008,750	1,008,750
Unrestricted	<u>3,022,397</u>	<u>3,000,237</u>
Total net assets	<u>\$ 8,525,495</u>	<u>7,967,207</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 1,769,590	1,694,932
Depreciation expense	(416,111)	(404,914)
Other operating expenses	<u>(1,018,348)</u>	<u>(1,048,229)</u>
Net operating income (loss)	335,131	241,789
Nonoperating revenues (expenses)	(375,129)	(375,303)
Transfers from (to) University funds	<u>598,286</u>	<u>619,837</u>
Change in net assets	558,288	486,323
Net assets, beginning of year	<u>7,967,207</u>	<u>7,480,884</u>
Net assets, end of year	<u>\$ 8,525,495</u>	<u>7,967,207</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 710,669	656,851
Net cash provided (used) by capital and related financing activities	(719,880)	(844,472)
Net cash provided (used) by investing activities	<u>70,864</u>	<u>854,445</u>
Net increase (decrease) in cash	(61,653)	(666,824)
Cash and cash equivalents, beginning of year	<u>1,623,076</u>	<u>956,252</u>
Cash and cash equivalents, end of year	<u>\$ 1,684,729</u>	<u>1,623,076</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	4.36	4.43

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 993,195	995,813
Net operating revenue *	1,392,145	1,499,804
Annual debt service/net operating income (%)	71.3%	66.4%

As of June 30, 2011, revenue pledged for future principal and interest payments was \$11,802,660.

* Net operating income plus investment income and transfers-in of university funds minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AA – Segment Reporting (continued)
Student Health System

Condensed Statement of Net Assets	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 1,739,053	890,989
Capital assets	3,563,143	3,615,602
Other noncurrent assets	<u>1,052,307</u>	<u>1,908,013</u>
Total assets	<u>6,354,503</u>	<u>6,414,604</u>
Liabilities:		
Current liabilities	313,864	362,978
Noncurrent liabilities	<u>2,872,311</u>	<u>3,042,473</u>
Total liabilities	<u>3,186,175</u>	<u>3,405,451</u>
Net assets:		
Invested in capital assets, net of related debt	753,143	640,602
Restricted, expendable	289,980	289,980
Unrestricted	<u>2,125,205</u>	<u>2,078,571</u>
Total net assets	<u>\$ 3,168,328</u>	<u>3,009,153</u>

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

Operating revenues	\$ 3,199,159	3,060,998
Depreciation expense	(133,229)	(122,670)
Other operating expenses	<u>(3,120,064)</u>	<u>(3,016,679)</u>
Net operating income (loss)	(54,134)	(78,351)
Nonoperating revenues (expenses)	(79,556)	(64,270)
Transfers from (to) University funds	<u>292,865</u>	<u>420,411</u>
Change in net assets	159,175	277,790
Net assets, beginning of year	<u>3,009,153</u>	<u>2,731,363</u>
Net assets, end of year	<u>\$ 3,168,328</u>	<u>3,009,153</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 34,518	135,917
Net cash provided (used) by capital and related financing activities	(117,037)	30,429
Net cash provided (used) by investing activities	<u>41,897</u>	<u>(87,989)</u>
Net increase (decrease) in cash	(40,622)	78,357
Cash and cash equivalents, beginning of year	<u>732,698</u>	<u>654,341</u>
Cash and cash equivalents, end of year	<u>\$ 692,076</u>	<u>732,698</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	8.98	9.67

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 281,574	281,374
Net operating revenue *	469,739	587,228
Annual debt service/net operating income (%)	59.9%	47.9%

As of June 30, 2011, revenue pledged for future principal and interest payments was \$3,919,959.

* Net operating income plus investment income and transfers-in of university funds minus capital additions from operating fund per the bond indenture.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AB – Operating Expenses by Function

Operating expenses by natural classification for the year ended June 30, 2011 are summarized as follows:

	<u>Personnel Services</u>	<u>Travel</u>	<u>Supplies</u>	<u>Contractual Services</u>	<u>Equipment and Repairs</u>
Operating Expenses:					
Instruction	\$ 72,295,166	1,601,014	743,900	1,366,365	459,430
Research	2,058,020	101,531	156,894	589,231	50,177
Public Service	12,323,865	4,462,955	1,464,679	4,206,754	354,779
Academic Support	19,052,322	620,853	747,132	428,620	3,453,396
Student Services	5,438,539	418,816	288,826	461,868	69,826
Institutional Support	20,160,019	394,982	406,244	2,182,990	437,119
Operation and Maintenance of Plant	3,889,365	27,077	267,911	259,569	6,629,778
Scholarships and Fellowships	830,029	2,306	172	81,930	-
Depreciation	-	-	-	-	-
Loan Cancellations and Write-Offs	-	-	-	48,069	-
Auxiliary Enterprises	<u>25,924,226</u>	<u>1,613,263</u>	<u>7,185,842</u>	<u>2,627,150</u>	<u>2,241,294</u>
Total Operating Expenses	<u>\$161,971,551</u>	<u>9,242,797</u>	<u>11,261,600</u>	<u>12,252,546</u>	<u>13,695,799</u>

	<u>Claims and Miscellaneous</u>	<u>Licenses, Permits & Refunds</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
Operating Expenses: (continued)					
Instruction	1,089,039	53,585	962,076	-	\$ 78,570,575
Research	77,989	24,214	48,184	-	3,106,240
Public Service	1,802,758	567,639	212,785	-	25,396,214
Academic Support	503,054	522,083	86,176	-	25,413,636
Student Services	503,326	106,800	(7,569)	-	7,280,432
Institutional Support	(1,600,318)	1,400,099	(7,124)	161,949	23,535,960
Operation and Maintenance of Plant	10,738,398	234,062	-	(161,949)	21,884,211
Scholarships and Fellowships	180	-	6,235,768	-	7,150,385
Depreciation	-	-	-	15,270,614	15,270,614
Loan Cancellations and Write-Offs	22,346	66,982	-	-	137,397
Auxiliary Enterprises	<u>5,101,682</u>	<u>811,019</u>	<u>3,354,138</u>	-	<u>48,858,614</u>
Total Operating Expenses	<u>18,238,454</u>	<u>3,786,483</u>	<u>10,884,434</u>	<u>15,270,614</u>	<u>\$256,604,278</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AB – Operating Expenses by Function (continued)

Operating expenses by natural classification for the year ended June 30, 2010 are summarized as follows:

	<u>Personnel Services</u>	<u>Travel</u>	<u>Supplies</u>	<u>Contractual Services</u>	<u>Equipment and Repairs</u>
Operating Expenses:					
Instruction	\$ 65,409,480	1,552,546	879,388	709,104	826,113
Research	1,856,499	136,785	150,230	179,587	62,678
Public Service	13,062,351	4,646,700	1,648,579	8,954,054	461,210
Academic Support	18,172,716	542,311	614,430	353,763	3,221,216
Student Services	4,462,621	468,625	303,730	487,143	58,444
Institutional Support	24,574,669	278,382	421,059	738,105	379,379
Operation and Maintenance of Plant	8,867,198	43,817	557,196	325,623	4,277,603
Scholarships and Fellowships	769,416	-	-	50,000	-
Depreciation	-	-	-	-	-
Loan Cancellations and Write-Offs	-	-	-	66,639	-
Auxiliary Enterprises	<u>24,597,067</u>	<u>1,511,199</u>	<u>6,813,364</u>	<u>2,779,257</u>	<u>2,465,275</u>
Total Operating Expenses	<u>\$161,772,017</u>	<u>9,180,365</u>	<u>11,387,976</u>	<u>14,643,275</u>	<u>11,751,918</u>

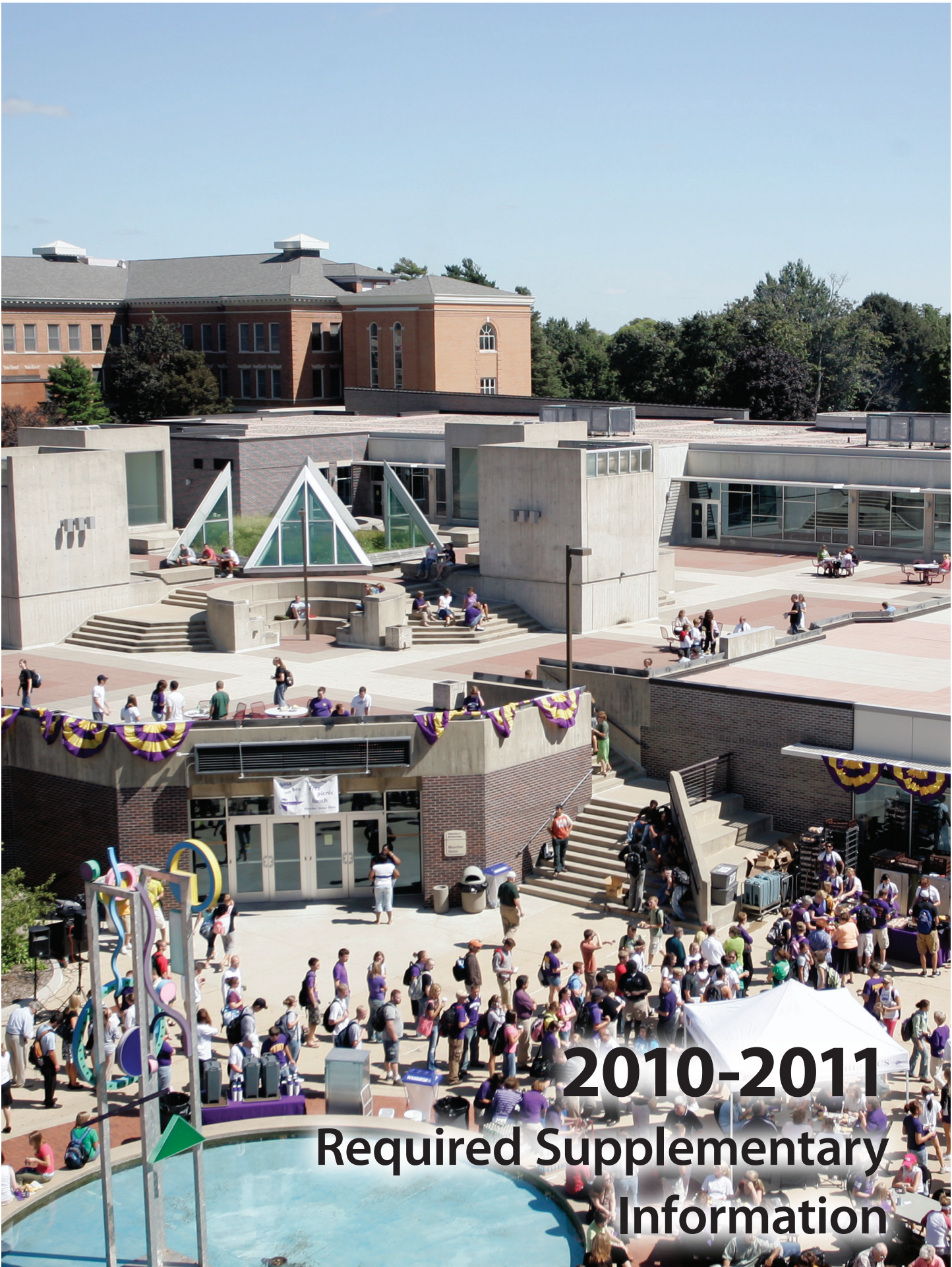
	<u>Claims and Miscellaneous</u>	<u>Licenses, Permits & Refunds</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
Operating Expenses: (continued)					
Instruction	1,049,917	73,267	668,452	-	\$ 71,168,267
Research	82,829	4,529	34,216	-	2,507,353
Public Service	2,062,856	430,555	230,737	-	31,497,042
Academic Support	383,621	479,848	126,462	-	23,894,367
Student Services	348,746	44,895	30,894	-	6,205,098
Institutional Support	(937,834)	1,296,255	(36,087)	-	26,713,928
Operation and Maintenance of Plant	6,022,603	83,325	-	-	20,177,365
Scholarships and Fellowships	-	-	5,940,793	-	6,760,209
Depreciation	-	-	-	14,461,097	14,461,097
Loan Cancellations and Write-Offs	2,297	103,309	-	-	172,245
Auxiliary Enterprises	<u>5,993,631</u>	<u>811,690</u>	<u>3,475,756</u>	-	<u>48,447,239</u>
Total Operating Expenses	<u>15,008,666</u>	<u>3,327,673</u>	<u>10,471,223</u>	<u>14,461,097</u>	<u>\$252,004,210</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2011

Note AC – Subsequent Events

In August 2011, the Board of Regents, State of Iowa issued \$8,425,000 of Student Union Revenue Refunding Bonds, Series U.N.I. 2011. Proceeds of the sale of the bonds will be used to refund, as an advance refunding, the outstanding principal of the July 1, 2012 through July 1, 2022 maturities of the Board's Student Union Revenue Bonds, Series U.N.I. 2002, dated April 1, 2002, funding a deposit to the Reserve Fund, and paying the costs of issuance. The refunding bonds were sold to take advantage of lower interest rates.

On August 5, 2011, Standard and Poor's Ratings Services, and independent provider of credit ratings, lowered its long-term sovereign credit rating on the United States of America from AAA to AA+. On August 8, 2011, Standard and Poor's lowered its long-term issue credit ratings on select government-related entities (GREs) from AAA to AA+. The outlooks for all 12 FHLBs, and the issue level ratings for Fannie Mae, Freddie Mac, the FHLB System, and the Farm Credit System are negative.



2010-2011 Required Supplementary Information

University of Northern Iowa
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
for the Retiree Health Plan
(In Thousands)

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b – a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b – a) / c)</u>
2009	07/01/07	-	\$13,303	\$13,303	0.0%	\$118,839	11.2%
2010	07/01/09	-	\$26,708	\$26,708	0.0%	\$120,647	22.1%
2011	07/01/10	-	\$26,320	\$26,320	0.0%	\$134,586	19.5%

See Note P in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, and the funded status and funding progress.



2010-2011 Statistical Section

University of Northern Iowa Statistical Section

The University's statistical section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the University's overall financial health.

<u>Contents</u>	<u>Page</u>
 Financial Trends	
These schedules contain trend information to help understand how the University's financial performance has changed over time.	81-84
 Revenue Capacity	
These schedules provide information on the University's most significant revenue sources, tuition and fees, and state appropriations.	85-86
 Debt Capacity	
These schedules present the University's bonded debt obligation and the revenue bond coverage.	87-89
 Demographic and Economic Information	
These schedules offer demographic and economic indicators to help understand the environment within which the University's financial activities take place.	90-91
 Operating Information	
These schedules contain information about the University's operations and resources to help the reader understand how the University's financial information relates to the students and services the University provides.	92-98

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The University implemented GASB Statement 34 in 2002. Schedules presenting financial information include information beginning in that year.

University of Northern Iowa

Schedule 1

HIGHER EDUCATION PRICE INDEX (HEPI)/FULL YEAR FTE

For the Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Higher Education Price Index	6.850	6.694	6.637	6.406	6.183	5.983	5.689	5.499	5.254	5.107
Normalized HEPI	1.341	1.311	1.300	1.254	1.211	1.172	1.114	1.077	1.029	1.000
Full Year FTE	11,431	11,391	11,141	10,979	10,783	10,969	11,351	11,477	11,959	12,186

HIGHER EDUCATION PRICE INDEX (HEPI). The HEPI deflates financial data to provide a Constant Dollar comparison. The HEPI has been applied to facilitate in the interpretation of certain financial information. The HEPI uses 1971 as a base year. The following table provides the HEPI in a base year format with normalized amounts for this ten year period.

FULL TIME EQUIVALENT STUDENT (FTE). Certain financial data in this section is presented per FTE student. The FTE is based on a weighted full year FTE.

Source: Commonfund; HEPI Index; 2005 through 2011 Updates

Source: Research Associates of Washington; HEPI Index; 2002 through 2004 Updates

University of Northern Iowa
Schedule 2
**CHANGE IN NET ASSETS/
NET ASSETS BY CLASSIFICATION**
For the Last Ten Years
(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
CHANGE IN NET ASSETS										
Total Revenues - Schedule 3	\$ 269,678	284,297	278,283	256,846	255,306	239,105	231,310	239,576	225,894	222,614
Total Expenses - Schedule 4	262,662	258,396	266,862	242,840	227,663	226,703	217,262	217,447	211,236	211,256
Change in Net Assets	7,016	25,901	11,421	14,006	27,643	12,402	14,048	22,129	14,658	11,358
Net Assets - July 1	324,535	298,634	287,213	273,207	245,564	233,162	219,114	196,985	182,327	170,969
Net Assets - June 30	\$ 331,551	324,535	298,634	287,213	273,207	245,564	233,162	219,114	196,985	182,327
NET ASSETS BY CLASSIFICATION										
Invested in capital assets, net of related debt	\$ 226,533	219,730	205,107	194,237	180,720	158,553	145,911	136,015	136,364	119,586
Restricted										
Nonexpendable										
Scholarships and fellowships	615	615	615	615	615	615	615	615	615	615
Expendable										
Scholarships and fellowships	389	408	274	340	391	371	338	319	416	230
Loans	2,979	2,901	2,817	2,996	2,976	2,962	2,940	2,834	2,622	2,527
Capital projects	5,707	102	429	4,576	14,936	17,828	23,682	15,670	3,783	6,010
Debt service	24,204	22,813	23,780	20,912	19,719	27,548	20,389	23,683	16,832	14,327
Other	356	1,168	318	846	1,034	635	740	1,224	919	696
Unrestricted	70,768	76,798	65,294	62,691	52,816	37,052	38,547	38,754	35,434	38,336
Net Assets - June 30	\$ 331,551	324,535	298,634	287,213	273,207	245,564	233,162	219,114	196,985	182,327

University of Northern Iowa
Schedule 3
REVENUES
For the Last Ten Years
(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING										
Gross Tuition & Fees	\$ 87,554	81,867	77,260	73,394	70,721	65,855	65,569	62,130	54,886	47,695
Less: Scholarship Allowance	24,139	21,202	17,226	15,871	14,290	13,351	13,689	13,052	12,054	10,361
Net Tuition & Fees	63,415	60,665	60,034	57,523	56,431	52,504	51,880	49,078	42,832	37,334
Receipts from other entities	120	111	242	144	86	100	83	991	852	2,823
Grants and contracts	42,888	42,493	36,708	32,073	30,863	29,100	30,744	29,123	27,839	28,150
Sales, rents and services	7,998	7,688	5,775	7,421	6,192	8,476	7,313	6,822	6,519	5,351
Miscellaneous	993	2,869	608	720	805	772	785	2,280	2,176	811
Auxiliary enterprises	56,156	55,193	54,859	50,177	47,559	41,967	38,524	36,857	36,928	34,577
Total Operating Income	171,570	169,019	158,226	148,058	141,936	132,919	129,329	125,151	117,146	109,046
NONOPERATING										
State appropriations	82,684	97,862	101,686	95,364	86,531	83,585	79,128	79,256	83,107	85,103
Investment return	3,023	2,990	(611)	1,687	5,247	2,694	2,154	1,665	2,791	1,775
Gifts, grants and contracts	3,180	3,333	3,385	2,601	2,954	2,433	2,386	2,213	1,492	2,782
Other revenue	-	-	-	-	-	-	-	-	-	6,881 *
Total Nonoperating Revenue	88,887	104,185	104,460	99,652	94,732	88,712	83,668	83,134	87,390	96,541
CAPITAL AND OTHER REVENUES										
Capital appropriations	5,808	5,928	5,752	5,018	8,650	6,188	14,307	15,440	20,412	16,542
Capital contributions and grants	3,413	5,165	9,845	4,118	9,988	4,311	4,006	15,851	946	485
Casualty reimbursement	-	-	-	-	-	3,170 #	-	-	-	-
Extraordinary gain on asset impairment	-	-	-	-	-	3,805 #	-	-	-	-
Total Capital and Other Revenues	9,221	11,093	15,597	9,136	18,638	17,474	18,313	31,291	21,358	17,027
Total Revenues	\$ 269,678	284,297	278,283	256,846	255,306	239,105	231,310	239,576	225,894	222,614
Constant Dollar Revenues	\$ 201,102	216,855	214,064	204,821	210,822	204,015	207,639	222,448	219,528	222,614
Revenues per FTE (Actual)	\$ 23,592	24,958	24,978	23,394	23,677	21,798	20,378	20,874	18,889	18,268
Constant Dollar										
Revenues per FTE (Actual)	\$ 17,593	19,037	19,214	18,656	19,552	18,599	18,293	19,382	18,357	18,268

Gilchrist arson October 16, 2005.

* Principal Insurance Company Demutualization \$12,816,904 less Principal Demutualization proceeds remitted to State of Iowa \$5,936,000 during the fiscal year ending June 30, 2002.

University of Northern Iowa
Schedule 4
EXPENSES
For the Last Ten Years
(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
OPERATING EXPENSES BY FUNCTION										
Instruction	\$ 78,571	71,168	76,485	72,605	68,768	67,145	64,418	64,082	62,067	58,352
Research	3,106	2,507	1,793	2,455	3,232	1,428	2,518	2,568	2,513	2,961
Public service	25,396	31,497	31,097	24,185	23,488	22,589	22,165	19,978	18,382	20,394
Academic support	25,414	23,895	22,730	22,050	19,771	19,904	19,401	19,794	20,659	20,846
Student services	7,280	6,205	7,077	6,558	6,278	5,973	6,460	6,130	6,067	5,915
Institutional support	23,536	26,714	29,348	20,231	19,163	23,311	23,562	22,828	22,716	20,211
Operation and maintenance of plant	21,884	20,178	22,186	21,396	20,687	20,576	16,740	20,471	19,717	25,293
Scholarships and fellowships	7,150	6,760	5,712	4,884	4,495	4,861	5,454	6,415	6,563	5,922
Depreciation	15,271	14,461	13,975	13,292	12,517	11,469	12,646	12,833	12,512	12,631
Loan cancellations and write-offs	137	172	514	252	279	277	471	479	484	790
Auxiliary enterprises	48,859	48,447	50,078	49,043	43,779	41,066	38,220	36,486	34,275	33,383
Total Operating Expenses	256,604	252,004	260,995	236,951	222,457	218,599	212,055	212,064	205,955	206,698
NONOPERATING EXPENSES										
Interest expense	5,924	6,275	5,743	5,765	5,014	5,010	5,141	5,179	5,180	4,504
Amortization expense	134	110	102	94	77	91	66	107	101	54
Miscellaneous expense	-	7	22	30	115	3,003 *	-	97	-	-
Total Nonoperating Expenses	6,058	6,392	5,867	5,889	5,206	8,104	5,207	5,383	5,281	4,558
Total Expenses	\$ 262,662	258,396	266,862	242,840	227,663	226,703	217,262	217,447	211,236	211,256
Constant Dollar Expenses	\$ 195,870	197,098	205,278	193,652	187,996	193,433	195,029	201,901	205,283	211,256
Expenses per FTE (Actual)	\$ 22,978	22,684	23,953	22,119	21,113	20,668	19,140	18,946	17,663	17,336
Constant Dollar Expenses per FTE (Actual)	\$ 17,135	17,303	18,425	17,639	17,434	17,635	17,181	17,591	17,165	17,336

* Includes unrealized loss on increase in equipment capitalization threshold of \$3,001,533.

University of Northern Iowa
Schedule 5

***TUITION & FEES PER FULL TIME EQUIVALENT (FTE) STUDENT/
TUITION & FEES RATES***

For the Last Ten Years

(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
TUITION & FEES										
Total Tuition & Fees	\$ 87,554	81,867	77,260	73,394	70,721	65,855	65,569	62,130	54,886	47,695
Less: Other Funds Unrestricted	9,578	8,895	8,781	8,298	7,565	6,496	6,743	6,600	6,087	7,767
Unrestricted Scholarships & Fellowships	12,745	12,183	10,541	9,851	9,324	9,438	9,415	8,937	8,078	6,537
Net Tuition & Fees	\$ 65,231	60,789	57,938	55,245	53,832	49,921	49,411	46,593	40,721	33,391
Constant Dollar Net Tuition & Fees	\$ 48,644	46,368	44,568	44,055	44,453	42,595	44,355	43,262	39,573	33,391
Tuition & Fees per FTE Student (Actual)	\$ 5,706	5,337	5,200	5,032	4,992	4,551	4,353	4,060	3,405	2,740
Constant Dollar Tuition & Fees per FTE Student (Actual)	\$ 4,255	4,071	4,000	4,013	4,122	3,883	3,908	3,769	3,309	2,740
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
TUITION & FEES RATES										
Resident Undergraduate	\$ 7,008	6,636	6,376	6,190	6,112	5,602	5,387	4,916	4,118	3,440
Non-resident Undergraduate	15,348	14,900	14,596	14,282	14,028	13,214	12,705	11,874	10,426	8,762
Resident Graduate	8,026	7,596	7,298	7,084	6,962	6,420	6,173	5,612	4,814	4,028
Non-resident Graduate	16,534	16,052	15,726	15,392	15,100	14,244	13,697	12,686	11,238	9,446
FULL ROOM & BOARD RATE	\$ 7,140	6,980	6,790	6,280	5,740	5,519	5,261	5,018	4,640	4,398
TOTAL COST OF ATTENDANCE										
Resident Undergraduate	\$ 14,148	13,616	13,166	12,470	11,852	11,121	10,648	9,934	8,758	7,838
Non-resident Undergraduate	22,488	21,880	21,386	20,562	19,768	18,733	17,966	16,892	15,066	13,160
CONSTANT DOLLAR TUITION & FEE RATES										
Resident Undergraduate	\$ 5,226	5,062	4,905	4,936	5,047	4,780	4,836	4,565	4,001	3,440
Non-resident Undergraduate	11,445	11,365	11,228	11,389	11,584	11,275	11,405	11,025	10,132	8,762
Resident Graduate	5,985	5,794	5,614	5,649	5,749	5,478	5,541	5,211	4,678	4,028
Non-resident Graduate	12,330	12,244	12,097	12,274	12,469	12,154	12,295	11,779	10,921	9,446
CONSTANT DOLLAR FULL ROOM & BOARD RATE	\$ 5,324	5,324	5,223	5,008	4,740	4,709	4,723	4,659	4,509	4,398
CONSTANT DOLLAR COST OF ATTENDANCE										
Resident Undergraduate	\$ 10,550	10,386	10,128	9,944	9,787	9,489	9,559	9,224	8,510	7,838
Non-resident Undergraduate	16,769	16,689	16,451	16,397	16,324	15,984	16,128	15,684	14,641	13,160

University of Northern Iowa
Schedule 6
STATE APPROPRIATIONS
For the Last Ten Years
CAPITAL APPROPRIATIONS
For the Last Ten Years
(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
STATE APPROPRIATIONS										
Total	\$ 82,684	97,862	101,686	95,364	86,531	83,585	79,128	79,256	83,107	85,102
Less: Non-General Funds	<u>956</u>	<u>1,023</u>	<u>993</u>	<u>1,606</u>	<u>1,544</u>	<u>677</u>	<u>723</u>	<u>677</u>	<u>291</u>	<u>272</u>
Net State Appropriations	<u>\$ 81,728</u>	<u>96,839</u>	<u>100,693</u>	<u>93,758</u>	<u>84,987</u>	<u>82,908</u>	<u>78,405</u>	<u>78,579</u>	<u>82,816</u>	<u>84,830</u>
Constant Dollar Unrestricted State Appropriations	\$ 60,946	73,867	77,456	74,767	70,179	70,741	70,382	72,961	80,482	84,830
State Appropriations per FTE Student (Actual)	\$ 7,150	8,501	9,038	8,540	7,882	7,558	6,907	6,847	6,925	6,961
Constant Dollar State Appropriations per FTE Student (Actual)	\$ 5,332	6,485	6,952	6,810	6,508	6,449	6,200	6,357	6,730	6,961
CAPITAL APPROPRIATIONS	\$ 5,808	5,928	5,752	5,018	8,650	6,188	14,307	15,440	20,412	16,542
Constant Dollar Restricted Capital Appropriations	\$ 4,331	4,522	4,425	4,002	7,143	5,280	12,843	14,336	19,837	16,542
Capital Appropriations per FTE Student (Actual)	\$ 508	520	516	457	802	564	1,260	1,345	1,707	1,357
Constant Dollar Capital Appropriations per FTE Student (Actual)	\$ 379	397	397	364	662	481	1,131	1,249	1,659	1,357

University of Northern Iowa

Schedule 7

OUTSTANDING DEBT PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Bonded Debt										
Academic Building Revenue Bonds\$	61,017	64,419	67,704	57,066	47,854	42,738	37,890	35,707	46,963	46,326
Residence System Bonds	43,170	33,005	30,590	32,355	34,040	35,655	36,935	37,960	39,570	31,140
Field House Bonds	19,470	16,815	17,735	18,630	20,190	21,640	30,340	23,325	13,760	13,990
Student Union Bonds	8,915	9,460	9,980	10,480	10,965	11,430	11,885	12,325	12,755	12,755
Student Health Center Bonds	2,975	3,135	3,290	3,440	3,585	3,730	3,875	3,875	-	-
Total Bonded Debt	135,547	126,834	129,299	121,971	116,634	115,193	120,925	113,192	113,048	104,211
Notes Payable										
City of Cedar Falls	455	470	485	500	500	500	500	-	-	-
Total Notes Payable	455	470	485	500	500	500	500	-	-	-
Capital Leases Payable										
Human Performance Center	1,131	1,432	1,621	1,799	1,965	-	-	-	-	-
McLeod Center Video Boards	-	-	-	-	717	-	-	-	-	-
Total Capital Leases Payable	1,131	1,432	1,621	1,799	2,682	-	-	-	-	-
Total Debt	\$ 137,133	128,736	131,405	124,270	119,816	115,693	121,425	113,192	113,048	104,211
Constant Dollar										
Outstanding Debt	\$ 102,262	98,197	101,081	99,099	98,940	98,714	108,999	105,099	109,862	104,211
Outstanding Debt										
per FTE Student (Actual)	\$ 11,997	11,302	11,795	11,319	11,112	10,547	10,697	9,863	9,453	8,552
Constant Dollar Debt										
per FTE Student (Actual)	\$ 8,946	8,621	9,073	9,026	9,176	8,999	9,603	9,157	9,187	8,552

University of Northern Iowa
Schedule 8
REVENUE BOND COVERAGE
For the Last Ten Years
(Dollars in Thousands)

ACADEMIC BUILDING REVENUE BONDS

Legal coverage = 1.25 of Maximum Debt Service Requirements

Fiscal Year Ended June 30	Pledged General Fund Tuition	Maximum Debt Service	Actual Coverage
2011	76,542	6,905	11.09
2010	71,581	7,116	10.06
2009	67,272	7,116	9.45
2008	63,771	6,287	10.14
2007	61,801	5,901	10.47
2006	58,158	5,392	10.79
2005	57,836	4,772	12.12
2004	54,447	4,824	11.29
2003	47,670	4,294	11.10
2002	39,934	5,135	7.78

RESIDENCE SYSTEM REVENUE BONDS

Legal coverage = 1.35 of Maximum Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	Maximum Debt Service	Actual Coverage
2011	37,511	24,906	12,605	4,851	2.60
2010	36,585	25,008	11,577	3,378	3.43
2009	36,099	25,559	10,540	3,347	3.15
2008	32,650	24,151	8,499	3,347	2.54
2007	30,323	22,701	7,622	3,347	2.28
2006	27,344	21,165	6,179	3,347	1.85
2005	24,836	20,092	4,744	3,347	1.42
2004	23,775	18,946	4,829	3,347	1.44
2003	24,158	18,491	5,667	3,347	1.69
2002	24,818	19,282	5,536	2,816	1.97

Maximum Debt Service is defined as the largest sum of principal and interest payable in any subsequent fiscal year. Legal coverage for the above bond issues is computed utilizing Maximum Debt Service.

University of Northern Iowa

Schedule 8 (continued)

REVENUE BOND COVERAGE

For the Last Ten Years

(Dollars in Thousands)

FIELD HOUSE REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	System Fund Balance	Debt Service Requirements			Actual Coverage
					Principal	Interest	Total	
2011	4,319	2,386	1,933	7,620	986	638	1,624	5.88
2010	3,886	2,126	1,760	8,638	955	669	1,624	6.40
2009	4,029	2,156	1,873	6,627	920	697	1,617	5.26
2008	4,062	2,345	1,717	5,938	895	725	1,620	4.73
2007	4,419	1,916	2,503	6,751	1,560	769	2,329	3.97
2006	3,577	1,701	1,876	2,903	1,450	855	2,305	2.07
2005	3,162	1,567	1,595	2,423	1,320	956	2,276	1.76
2004	2,782	1,449	1,333	3,788	450	730	1,180	4.34
2003	3,062	1,661	1,401	2,229	435	643	1,078	3.37
2002	2,675	1,680	995	3,521	230	554	784	5.76

Note: Gross revenues consist of Operating Fund revenue, student fees and interest income.

STUDENT UNION REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	System Fund Balance	Debt Service Requirements			Actual Coverage
					Principal	Interest	Total	
2011	2,397	1,005	1,392	2,937	565	428	993	4.36
2010	2,402	897	1,505	2,907	545	451	996	4.43
2009	2,860	1,299	1,561	2,951	520	472	992	4.55
2008	2,704	1,313	1,391	3,089	500	491	991	4.52
2007	2,874	1,071	1,803	2,768	485	508	993	4.59
2006	2,357	1,121	1,236	1,991	465	523	988	3.26
2005	2,299	1,236	1,063	1,799	455	537	992	2.89
2004	2,067	1,019	1,048	2,243	440	548	988	3.33
2003	2,510	968	1,542	2,794	430	555	985	4.40
2002	2,258	988	1,270	2,631	-	139	139	28.06

STUDENT HEALTH SYSTEM REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

Fiscal Year Ended June 30	Gross Revenues	Less Operating Expenses	Net Available Revenues	System Fund Balance	Debt Service Requirements			Actual Coverage
					Principal	Interest	Total	
2011	3,533	3,063	470	2,061	165	117	282	8.98
2010	3,542	2,955	587	2,130	160	121	281	9.67
2009	3,546	3,012	534	1,898	155	126	281	8.65
2008	3,445	2,725	720	1,689	150	131	281	8.57
2007	3,247	2,650	597	1,263	145	135	280	6.64
2006	3,069	2,493	576	986	145	139	284	5.50
2005	2,489	1,838	651	1,166	145	144	289	6.30

University of Northern Iowa
Schedule 9

**STATE OF IOWA - TOTAL PERSONAL INCOME, POPULATION,
PER CAPITA PERSONAL INCOME, UNEMPLOYMENT PERCENTAGE**
For the Last Ten Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total Personal Income (expressed in millions)	\$ 116,152	113,166	112,302	104,651	99,112	95,858	90,289	85,506	83,051	79,753
Population (expressed in thousands)	3,046	3,008	3,003	2,988	2,982	2,966	2,954	2,944	2,937	2,923
Per Capita Personal Income (expressed in dollars)	\$ 38,084	37,623	37,402	35,023	33,236	32,315	30,560	29,043	28,240	27,283
Unemployment Percentage	6.0%	6.0%	4.1%	3.8%	3.7%	4.6%	4.5%	4.5%	4.0%	3.3%
Constant Dollar										
Per Capita Personal Income	\$ 28,400	28,698	28,771	27,929	27,445	27,573	27,433	26,967	27,444	27,283
Net UNI Appropriations										
(expressed in thousands)	\$ 96,839	100,693	93,758	84,987	82,908	78,405	78,579	82,816	84,830	91,830
UNI Appropriations per Capita	\$ 31.79	33.48	31.22	28.44	27.80	26.43	26.60	28.13	28.88	31.42
Constant Dollar										
UNI Appropriations per Capita	\$ 23.71	25.53	24.02	22.68	22.96	22.56	23.88	26.12	28.07	31.42

Source: State of Iowa Comprehensive Annual Financial Report, most recent audited report

STATE OF IOWA PRINCIPAL NON-GOVERNMENTAL EMPLOYERS

Current Year and Nine Years Prior

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Wells Fargo Bank NA	Finance
4	Deere and Company	Machinery Manufacturing
5	Rockwell Collins, Inc.	Equipment Manufacturing
6	Principal Life Insurance Company	Life Insurance
7	Tyson Fresh Meats, Inc.	Food Manufacturing
8	Fareway Food Stores, Inc.	Retail Food
9	Casey's General Store	Convenience Stores
10	Iowa Health Systems	Health Services

Source: Iowa Workforce Development

Rank	Employer	Type of Business
1	Hy-Vee Food Stores, Inc.	Retail Food
2	Wal-Mart Stores, Inc.	Retail General Merchandise
3	Deere & Company	Machinery Manufacturing
4	Principal Life Insurance Company	Insurance/Finance
5	Rockwell Collins, Inc.	Equipment Manufacturing
6	Iowa Beef Processors, Inc	Meat Packing Plants
7	Maytag Corporation	Household Equipment Manufacturing
8	Pella Corporation	Wood Products Manufacturing
9	Central Iowa Hospital Corporation	Health Services
10	Fareway Stores, Inc.	Retail Food

Source: Iowa Workforce Development

The Code of Iowa defines employee counts as confidential data; as such, this information is not available.

University of Northern Iowa

Schedule 11

FULL TIME EMPLOYEES AND FACULTY DATA

For the Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
STAFF POSITIONS (Full Time)										
General Operating Fund:										
Faculty	563	599	619	603	595	625	618	632	649	648
Administrative	305	318	327	288	285	282	303	295	272	286
Clerical/Secretarial	162	164	178	174	171	173	180	208	210	229
Technical	8	14	17	20	17	16	17	17	17	19
Craftsmen & Custodial	30	117	127	126	124	124	123	141	152	161
Security	15	14	14	11	12	11	12	12	14	12
All Other Funds	679	491	503	511	526	516	515	481	520	515
Total	<u>1,762</u>	<u>1,717</u>	<u>1,785</u>	<u>1,733</u>	<u>1,730</u>	<u>1,747</u>	<u>1,768</u>	<u>1,786</u>	<u>1,834</u>	<u>1,870</u>
FACULTY POSITIONS (FTE)										
Total Faculty	710.0	690.0	691.3	711.3	684.3	740.4	741.6	746.3	760.0	804.9
Percent Tenured	56.0%	56.2%	57.7%	54.1%	56.6%	58.6%	57.0%	56.8%	55.2%	50.7%
Students per Faculty Member	16.0	17.0	16.7	16.0	16.5	14.8	15.3	15.3	15.6	15.0

Prior to fiscal year 2011, Price Lab School and Recharge Center staff were paid within the General Operating Fund. During fiscal year 2011, Price Lab School and Recharge Center staff were paid from Other Funds Unrestricted.

University of Northern Iowa

Schedule 12

ENROLLMENT AND FRESHMAN CLASS DATA

For the Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
ENROLLMENT (Fall Headcount)										
Undergraduate - Lower	4,780	4,841	4,865	4,719	4,427	4,433	4,363	4,619	5,112	5,425
Undergraduate - Upper	6,611	6,453	6,182	6,291	6,275	6,519	6,857	7,155	7,170	7,049
Graduate - Masters	1,289	1,300	1,369	1,157	1,113	1,112	1,100	1,173	1,163	1,174
Graduate - Advanced	521	486	492	442	445	449	504	494	481	422
Total	13,201	13,080	12,908	12,609	12,260	12,513	12,824	13,441	13,926	14,070
Residents	11,978	11,896	11,562	11,444	11,129	11,400	11,793	12,356	12,781	13,010
Nonresidents	1,223	1,184	1,346	1,165	1,131	1,113	1,031	1,085	1,145	1,060
ENROLLMENT (FTE)										
Full Year FTE	11,431	11,391	11,141	10,979	10,783	10,969	11,351	11,477	11,959	12,186
Fall FTE	11,681	11,571	11,365	11,107	10,835	11,016	11,006	11,424	11,879	12,081
ADMISSIONS (Freshmen)										
Applications	4,666	4,092	4,133	4,584	4,722	4,585	4,360	4,216	4,350	4,446
Accepted	3,607	3,411	3,505	3,841	3,759	3,572	3,422	3,360	3,518	3,554
Acceptance Ratio	77.3%	83.4%	84.8%	83.8%	79.6%	77.9%	78.5%	79.7%	80.9%	79.9%
Enrolled	1,942	1,978	1,946	2,015	1,991	1,768	1,737	1,700	1,785	1,865
Enrollment Ratio	53.8%	58.0%	55.5%	52.5%	53.0%	49.5%	50.8%	50.6%	50.7%	52.5%
Average ACT Score	23.3	23.1	23.0	22.9	23.0	23.0	22.8	22.9	22.9	22.8
Percent in Upper 30% of High School Class	56.2%	51.5%	52.3%	50.6%	53.8%	57.5%	56.7%	57.3%	58.4%	57.0%
Percent in Upper 10% of High School Class	18.5%	17.3%	16.9%	16.6%	17.6%	18.2%	19.0%	19.1%	19.2%	17.7%

University of Northern Iowa
Schedule 13
DEGREES GRANTED
For the Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
DEGREES GRANTED (Summary)										
Baccalaureate	2,198	2,347	2,268	2,221	2,259	2,423	2,669	2,584	2,592	2,420
Masters	509	561	467	474	471	485	494	434	405	415
Specialists	5	6	6	9	10	7	3	11	9	4
Doctorates	13	20	10	16	8	18	10	10	12	12
Total	2,725	2,934	2,751	2,720	2,748	2,933	3,176	3,039	3,018	2,851
DEGREES GRANTED (Detail)										
Doctor of Industrial Technology	1	2	1	1	-	3	1	2	2	5
Doctor of Education	12	18	9	15	8	15	9	8	10	7
Specialist in Education	5	6	6	9	10	7	3	11	9	4
Professional Science Master's	17	19	19	5	-	-	-	-	-	-
Master of Arts in Education	105	147	99	119	129	103	147	127	114	107
Master of Arts	255	243	204	208	231	237	206	198	215	217
Master of Business Administration	31	40	42	42	35	62	52	21	5	36
Master of Music	10	24	14	22	13	12	19	11	12	11
Master of Public Policy	10	4	10	16	11	5	6	11	8	10
Master of Science	19	15	16	10	10	20	21	13	17	16
Master of Accounting	21	29	36	23	11	19	13	23	7	2
Master of Social Work	41	40	27	29	31	27	30	30	27	16
Bachelor of Arts Teaching	415	500	433	442	453	-	-	-	-	-
Bachelor of Arts	1,664	1,701	1,715	1,679	1,695	2,272	2,514	2,463	2,449	2,307
Bachelor of Fine Arts	6	8	3	8	8	15	9	8	7	8
Bachelor of Music	15	27	22	14	19	19	22	23	24	22
Bachelor of Science	84	84	76	64	64	93	90	74	84	71
Bachelor of Technology	-	-	-	-	-	-	-	-	1	-
Bachelor of Liberal Studies	14	27	19	14	20	24	34	16	27	12
Total	2,725	2,934	2,751	2,720	2,748	2,933	3,176	3,039	3,018	2,851

University of Northern Iowa

Schedule 14

COST PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Educational Fund										
Expenditures	\$ 146,885	149,001	156,951	143,263	136,384	132,257	128,373	125,409	122,788	117,744
Less Separately Budgeted										
Expenditures:										
Research	506	504	656	628	581	487	499	480	471	650
Public Service	3,232	4,798	6,048	1,905	1,616	1,611	2,207	1,834	1,449	2,582
Scholarships/Fellowships	12,745	12,183	10,547	9,845	9,324	9,438	9,415	8,937	8,078	6,537
General Educational Fund										
Instructional Expenditures	\$ 130,402	131,516	139,700	130,885	124,863	120,721	116,252	114,158	112,790	107,975
Cost per FTE Student (Actual)	\$ 11,408	11,546	12,539	11,921	11,580	11,006	10,242	9,947	9,431	8,861
Constant Dollar Cost										
per FTE Student (Actual)	\$ 8,507	8,807	9,646	9,507	9,562	9,390	9,194	9,236	9,166	8,861

University of Northern Iowa

Schedule 15

SCHOLARSHIPS & FELLOWSHIPS PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
SCHOLARSHIPS & FELLOWSHIPS										
Unrestricted	\$ 12,745	12,183	10,541	9,851	9,324	9,438	9,415	8,937	8,078	6,537
Restricted	18,544	15,779	12,397	10,904	9,461	8,774	9,728	10,545	10,539	9,746
Total	\$ 31,289	27,962	22,938	20,755	18,785	18,212	19,143	19,482	18,617	16,283

**CONSTANT DOLLAR
SCHOLARSHIPS &
FELLOWSHIPS**

Unrestricted	\$ 9,504	9,293	8,108	7,856	7,699	8,053	8,452	8,298	7,850	6,537
Restricted	13,828	12,036	9,536	8,695	7,813	7,486	8,732	9,791	10,242	9,746
Total	\$ 23,332	21,329	17,644	16,551	15,512	15,539	17,184	18,089	18,092	16,283

**SCHOLARSHIPS &
FELLOWSHIPS PER
FTE STUDENT (Actual)**

Unrestricted	\$ 1,115	1,070	946	897	865	860	829	779	675	536
Restricted	1,622	1,385	1,113	993	877	800	857	919	881	800
Total	\$ 2,737	2,455	2,059	1,890	1,742	1,660	1,686	1,698	1,556	1,336

**CONSTANT DOLLAR
SCHOLARSHIPS &
FELLOWSHIPS PER
FTE STUDENT (Actual)**

Unrestricted	\$ 831	816	728	715	714	734	744	723	656	536
Restricted	1,210	1,056	856	792	724	683	769	853	856	800
Total	\$ 2,041	1,872	1,584	1,507	1,438	1,417	1,513	1,576	1,512	1,336

University of Northern Iowa
Schedule 16
CAPITAL ASSETS BY MAJOR CLASS LESS
ACCUMULATED DEPRECIATION
For the Last Ten Years
(Expressed in Thousands)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Land	\$ 4,917	4,917	4,917	4,580	4,305	4,235	4,235	4,235	4,203	3,935
Construction in Progress	16,165	11,354	23,590	13,423	19,461	24,979	34,727	23,534	31,709	6,673
Software in Progress	8,606	4,576	-	-	-	-	-	-	-	-
Capital Assets Not Depreciated	29,688	20,847	28,507	18,003	23,766	29,214	38,962	27,769	35,912	10,608
Land Improvements	13,492	13,056	12,499	12,447	12,250	12,233	12,132	11,132	11,861	11,745
Infrastructure	37,041	36,167	27,523	27,403	27,043	27,040	14,070	13,455	13,456	13,456
Buildings	410,710	391,501	368,086	355,148	326,437	292,846	273,898	263,732	237,998	237,279
Equipment	51,625	48,217	45,193	43,812	41,060	37,655	50,222	48,672	46,902	45,163
Library Materials	35,125	34,807	34,844	33,969	33,075	32,158	31,165	30,289	28,801	27,651
Capital Assets Depreciated	547,993	523,748	488,145	472,779	439,865	401,932	381,487	367,280	339,018	335,294
Total Capital Assets	577,681	544,595	516,652	490,782	463,631	431,146	420,449	395,049	374,930	345,902
Less: Accumulated Depreciation	225,980	213,060	201,521	190,294	178,466	168,232	169,102	158,890	147,984	136,795
Net Book Value	\$ 351,701	331,535	315,131	300,488	285,165	262,914	251,347	236,159	226,946	209,107

ACCUMULATED DEPRECIATION

Land Improvements	\$ 8,110	7,683	7,264	6,844	6,413	5,992	5,551	5,379	4,999	4,607
Infrastructure	10,901	9,999	9,293	8,605	7,901	7,159	6,712	6,295	5,886	5,478
Buildings	144,359	135,418	126,498	117,918	109,819	102,524	96,216	89,662	83,363	77,636
Equipment	32,462	30,569	29,581	29,326	27,986	27,451	36,807	35,066	32,611	29,384
Library Materials	30,148	29,391	28,885	27,601	26,347	25,106	23,816	22,488	21,125	19,690
Total Accumulated Depreciation	\$ 225,980	213,060	201,521	190,294	178,466	168,232	169,102	158,890	147,984	136,795

University of Northern Iowa

Schedule 17

ENROLLMENT PROJECTIONS (Headcount Basis)

For the Next Ten Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Undergraduate - Lower	4,630	4,679	4,728	4,760	4,825	4,895	4,951	4,996	5,002	5,007
Undergraduate - Upper	6,511	6,572	6,632	6,628	6,680	6,775	6,884	6,984	7,060	7,114
Unclassified - Special	301	323	344	354	363	371	379	387	395	403
Graduate	1,812	1,824	1,835	1,861	1,891	1,924	1,901	1,895	1,920	1,907
Total	13,254	13,398	13,539	13,603	13,759	13,965	14,115	14,262	14,377	14,431

Note: Enrollment projections are based primarily on high school graduate projections provided by the Iowa Department of Education. Historical trends are used to project other student pools for non-traditional, out-of-state, and new transfers. The overall historical yield is also adjusted for current recruiting factors.

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