



**University of
Northern
Iowa**

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

**2011-2012
Comprehensive
Annual
Financial Report**

For the fiscal years ended
June 30, 2012 and June 30, 2011



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governed by the
Board of Regents,
State of Iowa

An Enterprise Fund
of the State of Iowa

2011-2012 Comprehensive Annual Financial Report

For the fiscal years ended June 30, 2012
and June 30, 2011

Prepared by:
Financial Accounting
and Reporting Services

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2011-2012 Introductory Section



December 17, 2012

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, 2012. 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 136 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 12,273 students and 1,801 full-time faculty and staff. Ninety and four-tenths percent of the students are from the State of Iowa. The student body represents 98 counties in Iowa, 44 states, and 51 foreign countries. Approximately 84% of UNI's freshmen rank in the top 50% of their high school class, with about 57% 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 2012-2013

Real Gross Domestic Product quarter-over-quarter growth has remained sluggish since the end of the recession in June 2009. Clearly, the national economy is not rebounding as quickly as it rebounded from prior recessions. Real GDP was -3.1% in 2009, 2.4% in 2010 and 1.8% in 2011. It remains sluggish in 2012 with actual growth of 2.0%, 1.3%, and 2.7% during the first three quarters. The Wells Fargo Economics Group predicts Real GDP growth will be 0.7 percent for the fourth quarter of 2012, 1.4% during 2013 and 2.5% during 2014.

Job growth has been slow and it is not likely to improve over the next 12 months. Employment had been on a decline in the United States starting in calendar year 2007 when only 1.1 million new jobs were created. Job losses were experienced in 2008, with 3.6 million jobs lost, and in 2009, an additional 5.1 million jobs were lost. Job growth was experienced in 2010, with 1.0 million jobs added, and in 2011, with 1.8 million jobs added. In 2012, 1.7 million jobs were added during the first eleven months of the year. Projections for 2013 are for continued slow job growth.

Unemployment has been a serious problem since the end of the recession in 2009. Structural unemployment is a problem as many do not have the requisite skills for 21st century jobs. State and local governments are not providing job growth. Unemployment was 9.3% in 2009, 9.6% in 2010, 9.0% in 2011, and 8.3%, 8.2%, and 8.1% during the first three quarters of 2012. The Wells Fargo Economics Group predicts unemployment will average 7.8% for the fourth quarter of 2012, 7.8% in 2013 and 7.6% in 2014.

Inflation remains controlled. The Consumer Price Index was 2.8%, 1.9%, and 1.7% during the first three quarters of 2012. The "Core" Consumer Price Index, which excludes food and energy, was 2.2%, 2.3%, and 2.0% for the same time period. The Wells Fargo Economics Group predicts core inflation will continue to be modest, averaging 1.9% in 2013 and 2.0% in 2014.

Housing is beginning to add strength to the economy. Housing starts have increased each year following the recession. Housing starts were 0.71 million, 0.74 million, and 0.78 million units during the first three quarters of 2012. The Wells Fargo Economics Group predicts housing starts will increase to 0.99 million units in 2013 and 1.17 million units in 2014.

The auto industry is also adding strength to the economy. Light vehicle sales have increased each year following the recession. Light vehicle sales were 14.1 million units, 14.1 million units, and 14.5 million units during the first three quarters of 2012. The Wells Fargo Economics Group predicts light vehicle sales will increase to 14.7 million units in 2013 and 15.4 million units in 2014.

Interest rates are at a near all-time low. On December 12th, the Federal Reserve Bank announced it intends to hold the short-term rate near zero until the current unemployment rate of 7.7% is reduced to 6.5% or lower and the inflation rate, which is currently 2.2%, is forecast to hit 2.5% or higher. Chairman Bernanke said the numerical targets better serve the financial markets than establishing a date which can be modified. The Fed plans to purchase \$85 billion of mortgage-backed securities and Treasury securities in 2013, part of a program to drive down long-term interest rates to encourage borrowing, spending, and investing. The prime rate has been at 3.25% and the Federal Funds Target Rate has been at 0.0% to 0.25% since the fourth quarter of 2008. The Wells Fargo Economics Group predicts both will remain at those levels through 2014. The Fed's asset purchase programs have been effective, as is evident from declining conventional mortgage interest rates. Mortgages averaged 4.69% in 2010 and 4.46% in 2011. During the first three quarters of 2012, the rate was 3.95%, 3.68%, and 3.50%. The Wells Fargo Economics Group predicts the conventional mortgage rate will be 3.44% in 2013 and 3.80% in 2014.

The “fiscal cliff” is a major concern for individuals, businesses, and governmental agencies. The fiscal cliff involves six major areas: the Bush-era tax cuts, which expire on December 31; the sequestration of Federal appropriations under the Budget Control Act of 2011, which begins when Congress resumes in January; the temporary 2% cut in the social security payroll tax rate, which expires on December 31; the new taxes associated with the Patient Protection and Affordable Care Act, which begin on January 1; the ending of federal funding for extended unemployment benefits on December 31; and the end of bonus depreciation on capital equipment outlays on December 31. Also of concern is the need for a patch to the Alternative Minimum Tax system. If the AMT system is not patched, millions of taxpayers will face an unanticipated income tax liability for calendar year 2012. The fiscal cliff is certain to have an effect on the economy in Fiscal 2013 and beyond.

How Congress resolves the fiscal cliff will have a long-lasting effect on the U.S. economy. Long-term challenges will remain after Congress deals with the immediate issue of the Bush-era tax cuts and sequestration. Restoring soundness to the nation’s finances could slow U.S. economic growth significantly. A combination of demographic changes and economic growth, which is slower than that experienced over the past several decades, will present a new set of challenges to individuals, businesses, governmental agencies, and policymakers.

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 10.3% to 12.6% of the state’s gross domestic product. Manufacturing decreased from 20.6% to 18.6%, wholesale and retail trade decreased from 12.6% to 11.4%, government decreased from 11.8% to 11.3%, and real estate decreased from 10.4% to 9.5%. Agriculture became more significant, increasing from 3.1% to 6.6% of the state gross domestic product. In 2001, the largest industries in the Iowa gross domestic product were manufacturing (20.6%), wholesale and retail trade (12.6%), government (11.8%), real estate, rental and leasing (10.4%), and finance and insurance (10.3%). Agriculture accounted for 3.1%. In 2011, the largest industries in the Iowa gross domestic product were manufacturing (18.6%), finance and insurance (12.6%), wholesale and retail trade (11.4%), government (11.3%), and real estate, rental and leasing (9.5%). Agriculture accounted for 6.6%.

Agriculture. According to the USDA’s National Agricultural Statistics Service’s 2011 State Agriculture Overview, there were 92,300 farms in the state comprising 30.7 million acres. The average farm size was 333 acres. Corn production was 2.36 billion bushels, soybean production was 466 million bushels, hay production was 3.46 million tons, oats production was 3.25 million bushels, and wheat production was 720 thousand bushels. According to Iowa Agriculture Quick Facts for 2011, cash receipts from corn were \$14.5 billion, soybeans were \$5.5 billion, cattle and calves were \$3.41 billion, hogs were \$6.7 billion, dairy products were \$889 million, and eggs were \$932 million.

Ethanol Production. According to the Iowa Renewable Fuels Association, there are 42 ethanol refineries in production in the state. These refineries have 3.81 billion gallons of annual production capacity and require over one billion bushels of corn annually. In addition, there are 13 biodiesel refineries in production. They have 320 million gallons of annual production capacity and require 175 million bushels of soybeans. There are 170 E85 stations and 249 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 24% in 2011-12, 20% in 2010-11, 8% in 2009-10, -5% in 2008-09, and 15% in 2007-08. Location was a major factor for land values this year, with regional price increases varying from a low of -2% to a high of 30%. The 2011-12 price increase is attributed to high commodity prices, high farm net income, and low farm mortgage interest rates. According to the 2011 Farmland Value Survey conducted by Iowa State University, the average value of an acre of Iowa farmland was \$6,708 in 2011, \$5,064 in 2010, \$4,371 in 2009, \$4,468 in 2008, and \$3,908 in 2007.

Personal Income and Per-Capita Personal Income. According to the Bureau of Economic Analysis, (BEA), Iowa’s personal income, seasonally adjusted, grew at a rate of 0.6%, 0.7%, 1.1%, and 1.0%, respectively, during the four quarters of Fiscal 2011-12. The growth of personal income was 24th in the nation as a whole. The nation’s personal quarterly income growth was 0.3%, 0.3%, 1.7%, and 1.0%, respectively, during the same time period. Iowa’s average per-capita income, as reported by BEA, was \$41,156 in 2011 and \$38,084 in 2010. The average per-capita income in the nation was \$41,663 in 2011

and \$39,945 in 2010. Iowa's per-capita personal income increased 8.1% from 2010 to 2011, while the nation's increased 4.3%.

Median Household Income. According to the U.S. Census Bureau, Iowa median household income was \$50,219 in 2011 and \$49,016 in 2010. The national median household income was reported as \$50,054 in 2011 and \$49,277 in 2010.

Employment. According to the Bureau of Labor Statistics, Iowa's seasonally adjusted percent unemployed for the State was 5.1% in June 2012 compared with 6.0% in June 2011, 6.2% in June 2010, 6.2% in June 2009, and 4.1% in June 2008. For the nation, seasonally adjusted percent unemployed was 8.2% in June 2012 compared with 9.1% in June 2011, 9.4% in June 2010, 9.5% in June 2009, and 5.6% in June 2008. Over the past five years, Iowa's unemployment rate has been between 1.5 and 3.3 percentage points below the national average. In June 2012, there were 1,573,313 employed Iowans compared with 1,560,534 in June 2011, an increase of 12,779 persons. There were 85,317 unemployed Iowans in June 2012 compared with 100,304 in June 2011, a decrease of 14,987.

Manufacturing. According to the Bureau of Economic Analysis, Iowa's gross domestic product from manufacturing increased by 42.8% between 2001 and 2011, while the nation's gross domestic product from manufacturing increased by 28.8%. According to the Bureau of Labor Statistics, Iowa's manufacturing employment decreased by 13.7%, while the nation's manufacturing employment decreased by 28.6% during the same period of time. According to the Bureau of Labor Statistics, manufacturing employment in Iowa averaged 227,333 in 2008, 202,767 in 2009, 200,517 in 2010, 207,408 in 2011 and 217,110 during the first 10 months of 2012.

Exports. According to the Foreign Trade Division of the U.S. Department of Census, Iowa's export shipments of merchandise totaled \$13.3 billion in 2011 and \$10.9 billion in 2010. Iowa's export shipments grew 9.7% from 2008 to 2011. In 2011, Iowa exported merchandise valued at \$4.1 billion to Canada, \$2.2 billion to Mexico, \$976 million to Japan, \$594 million to Germany, \$574 million to China, \$527 million to Brazil, \$443 million to Australia, and \$374 million to the United Kingdom. Other top markets included South Korea, France, Russia, Netherlands, Singapore, Taiwan, Italy, and Hong Kong. Iowa's leading export category was tractors. Other top export categories were corn, pork, soybeans, aircraft parts, herbicide, and front-end shovel loaders.

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 \$128.6 billion in 2011, \$126.2 billion in 2010, \$120.1 billion in 2009, and \$123.7 billion in 2008. Iowa's real gross domestic product increased 4.0% between 2008 and 2011. The nation's real gross domestic product was \$13.1 trillion in 2011, \$12.9 trillion in 2010, \$12.5 trillion in 2009, and \$13.0 trillion in 2008. The growth rate in the nation's real gross domestic product between 2008 and 2011 was 0.7%. Iowa's real gross domestic product increased 1.9% between 2010 and 2011, while the nation's real gross domestic product increased 1.5%.

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 0.9% increase. Jobs in education and health services grew by 16.4%, jobs in professional and business services grew by 15.2%, jobs in financial activities grew by 9.0%, jobs in leisure and hospitality grew by 5.2%, jobs in government grew by 1.9%, and jobs in other services grew by 0.2%. Jobs in information services decreased 25.6%, jobs in manufacturing decreased 13.7%, jobs in trade, transportation and utilities decreased 3.1%, and jobs in construction decreased 2.8%.

Waterloo-Cedar Falls Metropolitan Statistical Area. The Waterloo-Cedar Falls Metropolitan Statistical Area (MSA) consists of Black Hawk, Bremer, and Grundy counties. In 2010, the Waterloo-Cedar Falls MSA had a per-capita personal income (PCPI) of \$36,903. This PCPI was 92.4% of the national average of \$39,937. In 2000, the PCPI of Waterloo-Cedar Falls was \$25,179. The 2000-2010 average annual growth rate of the PCPI was 3.9%. The average annual growth rate for the nation was 3.3%. As of October 2012, the Waterloo-Cedar Falls MSA had a seasonally adjusted unemployment rate of 5.0%, while the nation had an unemployment rate of 7.9%.

State of Iowa's Economic Outlook for 2012-2013

At the beginning of Fiscal 2012, the economic outlook was cautiously optimistic. During Fiscal 2012, Iowa's economy moved forward at a slow and steady pace. Net General Fund revenues for the State were \$6.311 billion in Fiscal 2012 compared with \$5.899 billion in Fiscal 2011, an increase of 7.0%. The State returned to the peak revenue collection, which occurred in Fiscal 2008, in April 2012 and exceeded it by the end of Fiscal 2012. Economic indicators continued to show recovery and the State has been slowly adding jobs.

The 2012 session of the Iowa General Assembly appropriated \$6.223 billion from the General Fund. The sum appropriated represents an increase of \$212.5 million, or 3.5%, compared to net Fiscal 2012 appropriations of \$6.010 billion. The sum appropriated from the General Fund was \$234.4 million less than the expenditure limitation. At the end of Fiscal 2013, the combined balances of the Cash Reserve Fund and the Economic Emergency Fund are estimated to be at the maximum statutory limit of \$622.1 million and the Taxpayer Trust Fund is projected to have a balance of \$60.0 million.

Net General Fund revenue has increased in 11 of the past thirteen months, with revenue increasing an average of \$45 million per month over the past six months. During the first four months of Fiscal 2013, personal income tax receipts increased 6.9%, sales and use tax receipts increased 6.1%, corporate tax receipts increased 31.5%, and refunds decreased 6.0%.

For the first four months of Fiscal 2013, net General Fund revenues for the State were up \$185.1 million, or 10.3%. The reader will note the 10.3% growth experience during the first four months of Fiscal 2013 far exceeds the 2.7% increase in Fiscal 2013 projected on October 11, 2012 by the Revenue Estimating Conference.

The reason for the difference in growth currently experienced and that projected by the Revenue Estimating Conference follows. Iowa allows individuals to deduct 100% of Federal income taxes they pay from their income prior to calculating their Iowa income tax liability. This is commonly referred to as "federal deductibility." During the 2000's, Congress enacted many tax reduction provisions that reduced Federal income taxes owed. While those actions reduced the amount of Federal taxes individuals pay, they have resulted in less Federal tax to deduct from Iowa income and, therefore, higher state income taxes. Those Federal income tax reductions are set to expire at the end of December. Without action to extend or modify the provisions, federal taxes will go up and, consequently, state income taxes owed will go down. This is not a foregone conclusion because Congress could change the outcome in the session following the election or in the immediate days after the new Congress convenes in January. The October REC had to make assumptions as to what would happen to those expiring provisions and the REC based their assumptions on Federal law as it currently stands. The REC assumed that all Federal income tax provisions with a large impact on Fiscal 2013 revenue will be allowed to expire. What this means to the REC projections for Fiscal 2013 is that, beginning January 2013, the stream of Iowa income tax will be reduced noticeably as Federal individual income taxes increase. The assumed revenue reduction associated with the federal tax changes is \$90 million in Fiscal 2013, with all of that impact falling in the final six months of the fiscal year.

Iowa nonfarm employment was reported at 1,496,900 for the month of September 2012 (not seasonally adjusted), 15,600 higher (1.1%) than September 2011. Iowa's nonfarm employment peaked in October 2008 at 1,526,400, and was 47,700 above the peak prior to the previous recession in January 2001. The current 12-month average reading is now 1,489,000, resulting in an annual average Iowa nonfarm employment level 37,400 below the October 2008 peak.

The Iowa Leading Indicators Index (Index) 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 it 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 held virtually flat from May 2011 through November 2011, signaling the economy was not growing. From December 2011 through September 2012, the Index increased every month except one, signaling the Iowa economy is growing again.

The State of Iowa's economic outlook for Fiscal 2013 is best described as an economy that is currently in recovery mode with growth at an acceptable rate.

Financial Policies

The Governor and General Assembly have statutory responsibility to balance the budget. Spending is limited to 99.0% of adjusted revenues, 95.0% 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

Strategic Initiatives. During 2012, President Allen announced strategic initiatives to protect and strengthen the core mission of the University through the reallocation of resources to support academic priorities and ensure financial growth. The initiatives include: 1) Closure of the Malcolm Price Laboratory School, 2) closure of 23 undergraduate majors, 19 undergraduate minors, 16 graduate programs, and the restructuring of 19 programs, 3) closure of the University Museum, 4) reducing General Educational Fund support of Intercollegiate Athletics, and 5) closure of the Print Services Department.

Strategic Initiatives Funding. The Board of Regents, State of Iowa acknowledged the cumulative effect of successive budget reductions resulted in a widening shortfall of funds at the University of Northern Iowa. Because of the University's higher dependence on state appropriations for its General Educational Fund budget than its sister universities, the reductions resulted in a disproportionate impact on the University. Therefore, the Board requested a special appropriation of \$12 million to be added to the University's base budget, with increases of \$4,000,000 per year for Fiscal 2013, Fiscal 2014, and Fiscal 2015. The General Assembly funded the Fiscal 2013 increase and the Board continues to request \$4,000,000 increases for Fiscal 2014 and Fiscal 2015.

Software Initiatives. The University completed a major student records software initiative in 2012. It acquired and installed the PeopleSoft Student Information System, which is used for admissions, student recruiting, housing, financial aid, student records, academic advising, and student billing. 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. Accruent's FAMIS maintenance management and capital projects software modules also went live in 2012.

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.

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, 2011. 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.

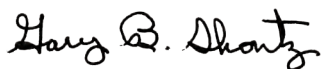
In order to be awarded a Certificate of Achievement, a university must publish an easily readable and efficiently organized annual financial report whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the twentieth 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



Michael Hager
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, 2011

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.



Linda C. Sandison

President

Jeffrey R. Enev

Executive Director

The Governing Board

2011-12

The University of Northern Iowa, together with the State University of Iowa, 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

Craig A. Lang, President
Bruce L. Rastetter, President Pro Tem
Robert Donley, Executive Director

Members of the Board (As of June 30, 2012)

	<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, Ames	April 30, 2017

Officers of the University (As of June 30, 2012)

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
Michael Hager, B.A., M.B.A.

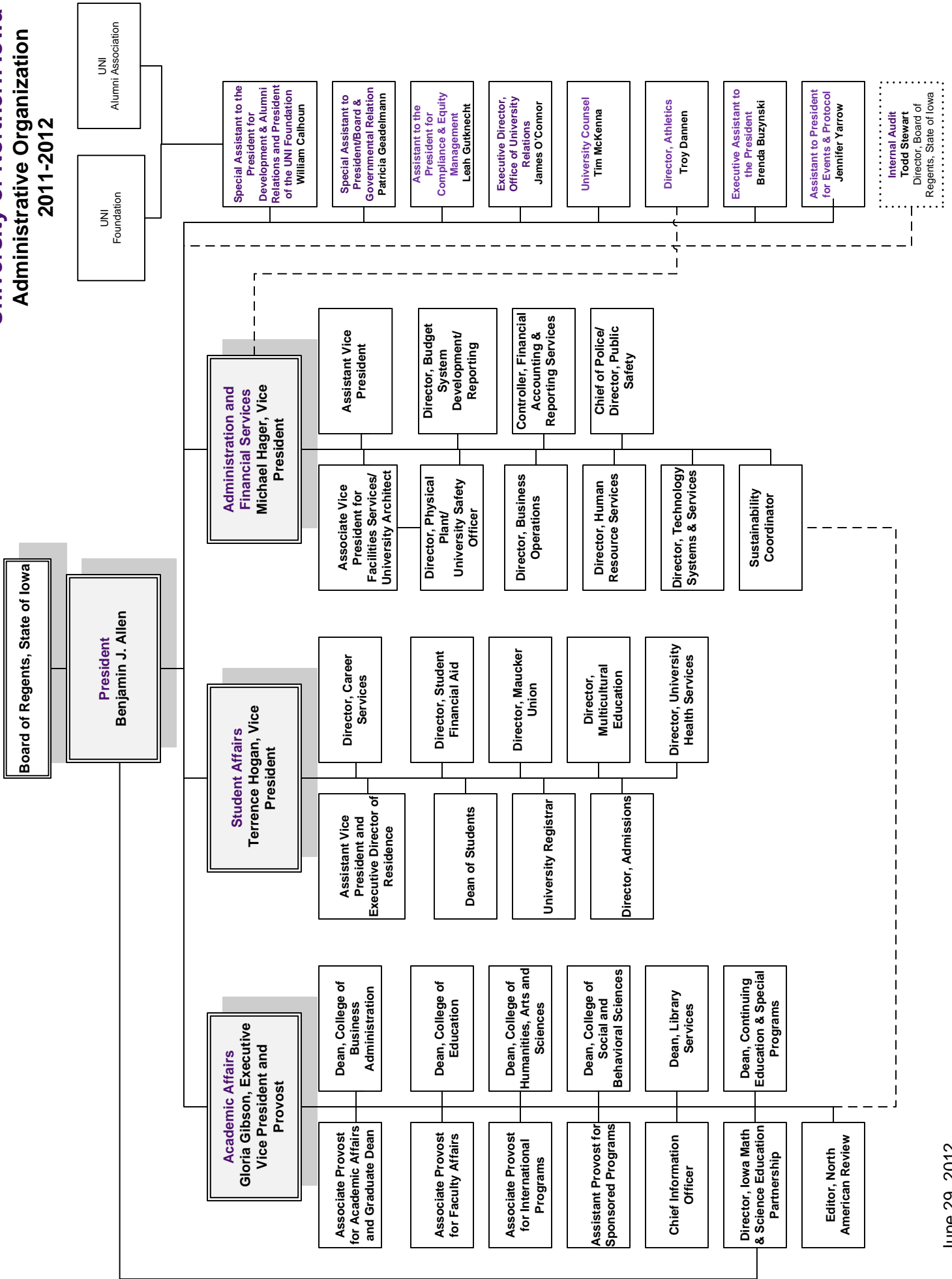
Vice President for Student Affairs
Terrance Hogan, B.S.C., M.A., Ph.D.

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.

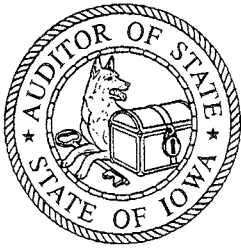
Special Assistant to the President for Board and Governmental Relations
Patricia L. Geadelmann, B.A., M.A., Ed.D.

University of Northern Iowa Administrative Organization 2011-2012





2011-2012
Financial Section



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2012 and 2011. 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, 2012 and 2011, and the changes in its financial position and its cash flows for the years ended June 30, 2012 and 2011 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, 2012 and 2011, 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 15 through 25 and 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary

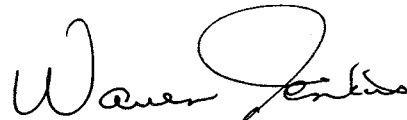
information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

We did not audit the data included in the statistical section and, accordingly, we 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 30, 2012

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

This section of the University of Northern Iowa's comprehensive annual financial report presents management's discussion and analysis of the financial performance of the University for the two years ended June 30, 2012, and 2011. 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.

2012 FINANCIAL HIGHLIGHTS

- The 2012 Session of the Iowa General Assembly provided an appropriation for the primary General Educational Fund in the amount of \$81,113,859 for Fiscal 2013. This is an 8.5 percent increase from the Fiscal 2012 appropriation of \$74,734,586.
- The 2012 Session of the Iowa General Assembly provided an appropriation for the STEM program in the amount of \$4,700,000. This is a \$2,965,344 increase from the Fiscal 2012 appropriation of \$1,734,656.
- 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.
- President Allen announced strategic initiatives to protect and strengthen the core mission of the University through the reallocation of resources to support academic priorities and ensure financial growth. The initiatives include: 1) Closure of the Malcolm Price Laboratory School, 2) Closure of 23 undergraduate majors, 19 undergraduate minors, 16 graduate programs, and the restructuring of 19 programs, 3) Closure of the University Museum, 4) Reducing general educational fund support of Intercollegiate Athletics, and 5) Closure of the Print Services department.
- The Board of Regents, State of Iowa, issued \$24.9 million of Dormitory Revenue Bonds in December 2011 to pay a portion of the costs of constructing and equipping Phase 2 of Panther Village, a new apartment facility. In May 2012, the Board issued \$13.8 million of Dormitory Revenue Bonds to pay a portion of the cost of constructing and equipping an expansion of the Redeker Center and to refund the Series 2002 and 2003 bonds. The current refunding resulted in an economic gain of \$1.2 million.
- The Board of Regents, State of Iowa, issued \$8.4 million of Student Union Revenue Refunding Bonds in August 2011 to refund Student Union Revenue Bonds Series U.N.I. 2002. The advance refunding resulted in an economic gain of \$0.9 million.
- The University's fall 2012 headcount enrollment was 12,273 students, a decrease of 895 students from fall 2011. The decrease was not unexpected due to publicity associated with closing the Malcolm Price Laboratory School and eliminating programs with extremely low enrollments. Other factors were a declining number of Iowa high school graduates, an unusually large graduating class in May 2012, and fierce competition for students.
- The UNI Foundation's contribution revenue decreased from \$20.7 million in Fiscal 2011 to \$12.7 million in Fiscal 2012. Gift revenue was higher than normal in Fiscal 2011 due to a one-time cash gift of \$11 million from Richard O. Jacobson. After adjusting for the one-time gift, gift revenue is \$3.0 million higher in Fiscal 2012 than in Fiscal 2011. The Foundation's investment return decreased from \$12.5 million in Fiscal 2011 to a negative \$1.0 million in Fiscal 2012 due to market conditions in equities. Net assets of the Foundation decreased from \$95.3 million in Fiscal 2011 to \$93.0 million in Fiscal 2012 due to incremental spending for programming and a decline in equity valuations.
- The Foundation provided revenues of \$5.5 million to the University in Fiscal 2012 and \$4.5 million in Fiscal 2011, an increase of \$1.0 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, 2012, the Foundation has raised \$152.8 million, consisting of \$74.5 million of gifts, \$7.7 million of pledges and \$70.6 million of deferred gifts. The "Imagine the Impact" capital campaign will end on December 31, 2012.
- 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 \$2,440,856. The end of year net OPEB obligation was \$4,649,922.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

The actual valuation of the State of Iowa's postretirement medical plan was also updated. University of Northern 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 \$1,454,103 at the beginning of the year and \$1,850,800 at the end of the year. The University's combined net OPEB obligation, then, was \$3,894,959 at the beginning of the year and \$6,500,722 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, 2011. The Certificate has been received twenty 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>2012</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$175,056,999	172,304,948	177,652,145
Capital assets	<u>372,379,169</u>	<u>351,701,317</u>	<u>331,534,837</u>
Total assets	<u>547,436,168</u>	<u>524,006,265</u>	<u>509,186,982</u>
Current liabilities	48,434,837	44,232,209	44,380,946
Noncurrent liabilities	<u>170,686,943</u>	<u>148,223,446</u>	<u>140,271,012</u>
Total liabilities	<u>219,121,780</u>	<u>192,455,655</u>	<u>184,651,958</u>
Net assets:			
Invested in capital assets, net of related debt	225,621,358	226,532,511	219,729,638
Restricted	41,723,364	34,250,533	28,007,491
Unrestricted	<u>60,969,666</u>	<u>70,767,566</u>	<u>76,797,895</u>
Total net assets	<u>\$328,314,388</u>	<u>331,550,610</u>	<u>324,535,024</u>

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Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

The largest portion of the University's net assets (68.7 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 (12.7 percent) includes resources subject to external restrictions. The remaining net assets (18.6 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 \$7.0 million from June 30, 2010 to June 30, 2011 and decreased \$3.2 million from June 30, 2011 to June 30, 2012. Total net assets increased 2.2 percent from June 30, 2010 to June 30, 2011 and decreased 1.0 percent from June 30, 2011 to June 30, 2012.

Foundation			
The Combined Statements of Financial Position			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current assets	\$ 15,788,710	17,587,874	16,472,853
Noncurrent assets	<u>81,230,484</u>	<u>82,681,254</u>	<u>61,573,547</u>
Total assets	<u>97,019,194</u>	<u>100,269,128</u>	<u>78,046,400</u>
Current liabilities	1,148,701	1,735,099	514,766
Noncurrent liabilities	<u>2,843,888</u>	<u>3,246,041</u>	<u>4,899,174</u>
Total liabilities	<u>3,992,589</u>	<u>4,981,140</u>	<u>5,413,940</u>
Net assets:			
Unrestricted	4,201,302	6,223,395	2,703,416
Temporarily restricted	28,995,819	33,258,299	27,219,907
Permanently restricted	<u>59,829,484</u>	<u>55,806,294</u>	<u>42,709,137</u>
Total net assets	<u>\$ 93,026,605</u>	<u>95,287,988</u>	<u>72,632,460</u>

At June 30, 2012, 95.5 percent of the Foundation's net assets were donor restricted, either temporarily or permanently. The fund balances of underwater endowments have been reclassified from permanently restricted net assets to unrestricted net assets in accordance with FASB guidance.

Total net assets of the Foundation increased \$22.7 million from 2010 to 2011 and decreased \$2.3 million from 2011 to 2012. Total liabilities of the Foundation decreased \$0.4 million from 2010 to 2011 and \$1.0 million from 2011 to 2012. The decrease in total liabilities from 2010 to 2011 and from 2011 to 2012 was the result of making time payments on funding contracts for the McLeod Center.

Changes in total net assets presented in the University's Statement of Net Assets are based on the activity presented in the University's 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 and amortization, which allocates the cost of an asset over its expected useful life.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis
Years Ended June 30, 2012 and 2011

University			
The Statement of Revenues, Expenses, and			
Changes in Net Assets			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Tuition and fees, net	\$ 66,242,804	63,415,145	60,664,817
Receipts from other entities	111,978	120,433	111,554
Grants and contracts	39,370,649	42,887,829	42,493,448
Sales, rents and services	8,237,789	7,998,091	7,687,525
Miscellaneous	501,925	992,772	2,868,615
Auxiliary enterprises	<u>58,742,116</u>	<u>56,156,143</u>	<u>55,193,227</u>
Total operating revenues	<u>173,207,261</u>	<u>171,570,413</u>	<u>169,019,186</u>
Operating expenses:			
Instruction	80,291,964	78,570,575	71,168,267
Research	2,951,957	3,106,240	2,507,353
Public service	22,152,465	25,396,214	31,497,042
Academic support	24,855,928	25,413,636	23,894,367
Student services	8,210,073	7,280,432	6,205,098
Institutional support	29,683,285	23,535,960	26,713,928
Operation and maintenance of plant	20,441,078	21,884,211	20,177,365
Scholarships and fellowships	6,470,804	7,150,385	6,760,209
Depreciation/amortization	16,105,032	15,270,614	14,461,097
Loan cancellations and write-offs	288,141	137,397	172,245
Auxiliary enterprises	<u>50,787,350</u>	<u>48,858,614</u>	<u>48,447,239</u>
Total operating expenses	<u>262,238,077</u>	<u>256,604,278</u>	<u>252,004,210</u>
Operating loss	<u>(89,030,816)</u>	<u>(85,033,865)</u>	<u>(82,985,024)</u>
Nonoperating revenues (expenses):			
State appropriations	77,765,014	82,683,919	97,861,782
Gifts, grants and contracts	3,701,740	3,179,412	3,332,794
Investment return	1,921,916	3,023,277	2,990,195
Interest expense	(6,258,688)	(5,924,235)	(6,274,646)
Amortization of debt issuance costs	(146,849)	(133,446)	(109,855)
Loss on disposal of capital assets and misc. exp.	<u>(118,360)</u>	<u>-</u>	<u>(6,850)</u>
Net nonoperating revenues	<u>76,864,773</u>	<u>82,828,927</u>	<u>97,793,420</u>
Income/(loss) before other revenues	(12,166,043)	(2,204,938)	14,808,396
State appropriations – capital projects	7,016,578	5,808,082	5,927,801
Capital contributions and grants	<u>1,913,243</u>	<u>3,412,442</u>	<u>5,164,996</u>
Change in net assets	(3,236,222)	7,015,586	25,901,193
Net assets, beginning of year	<u>331,550,610</u>	<u>324,535,024</u>	<u>298,633,831</u>
Net assets, end of year	<u>\$328,314,388</u>	<u>331,550,610</u>	<u>324,535,024</u>

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive change in net assets in 2010 and 2011 and a negative change in 2012. Net assets increased \$7.0 million from June 30, 2010 to June 30, 2011 and decreased \$3.2 million in 2012. The decrease in net assets from June 30, 2011 to June 30, 2012 is attributed to lower state appropriations and beginning 2012 with a general educational fund budget that was \$5.0 million out of balance.

Operating revenue totaled \$173.2 million in 2012, \$171.6 million in 2011, and \$169.0 million in 2010. The increase from 2010 to 2011 was \$2.6 million and \$1.6 million from 2011 to 2012. Net nonoperating revenues totaled \$76.9 million in 2012, \$82.8 million in 2011, and \$97.8 million in 2010. There was a \$15.0 million decrease from 2010 to 2011 and a \$6.0 million decrease from 2011 to 2012. Changes in operating, nonoperating, and other revenue from 2010 to 2011 and 2011 to 2012 follow:

- Tuition and fee income, net of scholarship allowances, increased 4.5 percent, from 2010 to 2011 and 4.5 percent, from 2011 to 2012. The Board of Regents, State of Iowa authorized an increase in the University's resident undergraduate tuition and fees of 4.9 percent, from 2011 to 2012 and 5.6 percent, from 2010 to 2011. Changes in FTE enrollment and scholarships account for the actual revenue increases.
- Operating grants and contracts revenue increased \$0.4 million, or 0.9 percent, from 2010 to 2011 and decreased \$3.5 million, or 8.2 percent, from 2011 to 2012. Revenue is recognized as expenses are incurred and, accordingly, it varies from year to year. Operating grants and contracts revenue decreased in 2012 due to congressionally directed grants and ARRA grants becoming fully expended.
- Auxiliary Enterprise revenue increased \$1.0 million, or 1.7 percent, from 2010 to 2011 and \$2.6 million, or 4.6 percent, from 2011 to 2012.
- State appropriations for operations decreased \$15.2 million, or 15.5 percent, from 2010 to 2011 and \$4.9 million, or 5.9 percent, from 2011 to 2012. The \$15.2 million decrease from 2010 to 2011 was due to the state classifying the ARRA Federal Stimulus Allocation of \$12,376,464 as a state appropriation in Fiscal 2010. State appropriations for operations decreased from \$97.9 million in Fiscal 2010 to \$77.8 million in fiscal 2012, a decrease of \$20.1 million, or 20.5 percent.
- Investment income increased \$0.03 million from 2010 to 2011 and decreased \$1.10 million from 2011 to 2012. 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. Government agencies continue to call virtually all callable securities and replace them with securities bearing lower interest rates.
- Capital appropriations decreased \$0.1 million, or 2.0 percent, from 2010 to 2011 and increased \$1.2 million, or 20.8 percent, from 2011 to 2012. Revenue is recognized as expenses are incurred and, accordingly, it varies from year to year. 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. \$1.0 million of the appropriation was available for expenditure in Fiscal 2012.
- Capital contributions and grants decreased \$1.8 million, or 33.9 percent, from 2010 to 2011 and \$1.5 million, or 43.9 percent, from 2011 to 2012. The decrease is attributed to completion of the Multimodal Transportation Center and other grant-funded capital projects.

Operating expenses totaled \$262.2 million in 2012, \$256.6 million in 2011, and \$252.0 million in 2010. Operating expenses increased 1.8 percent from 2010 to 2011 and 2.2 percent from 2011 to 2012. The low dollar increase in operating expenses from 2010 to 2012 is due to reduced state appropriations. Changes in operating expenses by object from 2010 to 2011 and 2011 to 2012 follow:

- Expenses for personnel services increased \$0.2 million, or 0.1 percent, from 2010 to 2011 and \$14.6 million, or 9.0 percent, from 2011 to 2012. The small increase from 2010 to 2011 and the large increase from 2011 to 2012 are due to the way recharge center labor was handled in the operation and maintenance of plant function in Fiscal 2011.
- Travel expenses increased \$0.06 million, or 0.7 percent, from 2010 to 2011 and decreased \$0.9 million, or 9.9 percent, from 2011 to 2012. Travel expenses decreased in all areas except student services and auxiliary enterprises. The reduction in operating appropriations contributed to this decrease.
- Expenses for supplies decreased \$0.1 million, or 1.1 percent, from 2010 to 2011 and \$1.0 million, or 8.5 percent, from 2011 to 2012. Supplies expenses decreased in all areas except institutional support. The reduction in operating appropriations contributed to this decrease.

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Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

- Expenses for contractual services decreased \$2.4 million, or 16.3 percent, from 2010 to 2011 and increased \$0.8 million, or 6.8 percent, from 2011 to 2012.
- Expenses for equipment and repairs increased \$1.9 million, or 16.5 percent, from 2010 to 2011 and decreased \$5.2 million, or 38.1 percent, from 2011 to 2012. Large dollar decreases occurred in academic support, operation and maintenance of plant and auxiliary enterprises.
- Expenses for scholarships and fellowships increased \$0.4 million, or 4.0 percent, from 2010 to 2011 and decreased \$0.1 million, or 1.2 percent, from 2011 to 2012. The changes in scholarship expense were largely due to changes in enrollment. The University expends 18.5 percent of General Educational Fund tuition revenue on scholarships per its tuition set-aside program.
- Depreciation and amortization expense increased \$0.8 million, or 5.6 percent, from 2010 to 2011, due to placing the Multimodal Transportation Center and renovated spaces in service and \$0.8 million, or 5.4 percent, from 2011 to 2012, largely due to placing the Student Information System in service.

Nonoperating expenses, primarily interest expense, totaled \$6.5 million in 2012, \$6.1 million in 2011, and \$6.4 million in 2010.

Foundation			
The Combined Statements of Activities			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Public support and revenue:			
Contribution revenue	\$12,727,393	20,684,179	14,240,782
Investment return	(1,037,356)	12,549,137	8,114,770
Miscellaneous income	<u>71,944</u>	<u>60,267</u>	<u>413,230</u>
Total revenue and support	11,761,981	33,293,583	22,768,782
Expenses and adjustments	<u>14,023,364</u>	<u>10,638,055</u>	<u>11,847,494</u>
Change in net assets	(2,261,383)	22,655,528	10,921,288
Net assets, beginning of year	<u>95,287,988</u>	<u>72,632,460</u>	<u>61,711,172</u>
Net assets, end of year	<u><u>93,026,605</u></u>	<u><u>95,287,988</u></u>	<u><u>72,632,460</u></u>

Foundation revenue and support was \$11.8 million in 2012, \$33.3 million in 2011, and \$22.8 million in 2010, an increase of \$10.5 million, or 46.2 percent, from 2010 to 2011 and a decrease of \$21.5 million, or 64.7 percent, from 2011 to 2012. Investment income was a negative \$1.0 million in 2012, positive \$12.5 million in 2011, and positive \$8.1 million in 2010. Contributions were higher than normal in 2011 due to an \$11 million cash gift from Richard O. Jacobson. Expenses were \$14.0 million in 2012, \$10.6 million in 2011, and \$11.8 million in 2010.

The Foundation provided revenues to the University in the amount of \$5.5 million in 2012, \$4.5 million in 2011, and \$3.8 million in 2010. The increase in 2011 was due to a \$1.0 million increase in scholarship payments after the value of endowments recovered, while the increase from 2011 to 2012 was due to a \$0.5 million increase in scholarships and an increase in programming costs. Contributions restricted for permanent investment in the Foundation's endowment were \$4.0 million in 2012, \$11.9 million in 2011, and \$2.2 million in 2010. 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.

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 OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

University			
The Statement of Cash Flows			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net cash provided (used) by:			
Operating activities	\$ (80,418,481)	(72,018,893)	(70,310,139)
Noncapital financing activities	83,443,613	85,053,212	100,761,639
Capital and related financing activities	(4,075,247)	(22,597,799)	(22,089,250)
Investing activities	<u>6,983,906</u>	<u>13,026,723</u>	<u>(29,104,226)</u>
Net increase in cash and cash equivalents	5,933,791	3,463,243	(20,741,976)
Cash and cash equivalents, beginning of year	<u>27,693,620</u>	<u>24,230,377</u>	<u>44,972,353</u>
Cash and cash equivalents, end of year	<u>\$ 33,627,411</u>	<u>27,693,620</u>	<u>24,230,377</u>

The largest sources and uses of University cash are operating activities. The following analysis discusses the University's cash flows during Fiscal 2012. Cash provided by operating activities includes revenues from tuition and fees (\$62.3 million), grants and contracts (\$39.9 million), and auxiliary enterprise receipts (\$57.9 million). The largest uses of cash for operating activities includes payments for salaries and benefits (\$148.1 million), payments for goods and services (\$23.7 million), and auxiliary enterprise payments (\$50.9 million). Cash provided by noncapital financing activities includes state appropriations (\$77.7 million). Cash provided by capital and related financing activities includes capital appropriations (\$7.0 million), capital gifts and grants (\$2.0 million), and the proceeds from revenue and refunding bonds (\$49.7 million). Cash used by capital and related financing activities includes the acquisition of capital assets (\$38.6 million) and principal and interest payments on debt (\$24.1 million). Cash provided by investing activities totaled \$7.0 million.

Capital Assets

At June 30, 2012, the University had \$612.5 million of capital assets at cost, accumulated depreciation of \$240.2 million and net capital assets of \$372.4 million. Depreciation and amortization charges totaled \$16.1 million for Fiscal 2012 and \$15.3 million for Fiscal 2011. The intangible asset of software was not amortized until Fiscal 2012 when the software was placed in service. The amortization expense for the software is \$430,289 per year. Details of the capital assets, net of accumulated depreciation are shown below.

University			
Schedule of Capital Assets, Net, at Year-End			
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 4,916,643	4,916,643	4,916,643
Construction in progress	39,059,370	16,165,273	11,353,911
Software in progress	-	<u>8,605,780</u>	<u>4,576,092</u>
Capital assets not depreciated	<u>43,976,013</u>	<u>29,687,696</u>	<u>20,846,646</u>
Land improvements	5,137,564	5,381,894	5,372,442
Infrastructure	26,275,692	26,140,348	26,168,653
Buildings	264,136,404	266,351,855	256,082,617
Equipment	20,186,714	19,163,158	17,648,390
Intangibles-software	8,175,491	-	-
Library materials	<u>4,491,291</u>	<u>4,976,366</u>	<u>5,416,089</u>
Capital assets depreciated	<u>328,403,156</u>	<u>322,013,621</u>	<u>310,688,191</u>
Total capital assets	<u>\$372,379,169</u>	<u>351,701,317</u>	<u>331,534,837</u>

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

The University acquired and installed the PeopleSoft Student Information System, which is used for admissions, student recruiting, housing, financial aid, student records, academic advising, and student billing. 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 was initiated in Fiscal 2012. While the system has been placed in production and amortization was initiated, an extensive list of reports remains to be programmed as of June 30, 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 Bartlett and Sabin Halls, 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. Major residence system projects include construction of Panther Village Phases 1 and 2 and the expansion of Redeker Center. Other Residence System projects include asbestos abatement; improvement of bathrooms and HVAC systems; installation of alarm, sprinkler, and wireless communications systems; and replacement of elevators, roofs, and windows. The ballroom and lower level of the J.W. Maucker Student Union have been renovated. A Multimodal Transportation Center was constructed using a Federal Transit Authority grant and local matching funds. Several lighting and HVAC improvement projects were completed with an ARRA grant and matching funds. The Tallgrass Prairie Center was expanded using federal funds and local matching funds. T12 fluorescent lighting fixtures are being replaced with T8 lighting in six academic buildings using proceeds from a loan from the Iowa Energy Bank. 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, to construct the Messersmith Track Building, to renovate McCollum Science Hall laboratories, and to renovate the West Gym Wrestling Room. 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 2012 and \$1.1 million at the end of 2011.

LONG-TERM DEBT

During Fiscal 2012, the Board of Regents, State of Iowa, on behalf of the University of Northern Iowa, issued two series of revenue bonds and one series of refunding bonds. In August 2011, Student Union Revenue Refunding Bonds Series 2011 were issued in the amount of \$8.4 million. The bonds were used to refund, as an advance refunding, the outstanding principal of the July 1, 2012 through July 1, 2022 maturities of the University's Student Union Revenue Bonds, Series 2002, to fund a deposit to the debt service reserve fund, and to pay the costs of issuance. The advance refunding resulted in an economic gain of \$859,711. In December 2011, Dormitory Revenue Bonds Series 2011 were issued in the amount of \$24.9 million. The bonds were used to pay a portion of the costs of constructing and equipping Phase 2 of Panther Village, to fund a deposit to the debt service reserve fund, and to pay the costs of issuance. In May 2012, Dormitory Revenue Bonds Series 2012 were issued in the amount of \$13.8 million. The bonds were used to pay a portion of the costs of constructing and equipping an expansion to the Redeker Center, refunding, as a current refunding, the outstanding principal of the July 1, 2013 through July 1, 2018 maturities of the University's Dormitory Revenue Refunding Bonds, Series 2002, refunding, as a current refunding, the outstanding principal of the July 1, 2013 through July 1, 2023 maturities of the University's Dormitory Revenue Bonds, Series 2003, to fund a deposit to the debt service reserve fund, and to pay the costs of issuance. The current refunding resulted in an economic gain of \$1,169,626. 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.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

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. State general fund revenue was lower in Fiscal 2009, 2010, and 2011 than it was in Fiscal 2008. State general fund revenue growth turned positive in Fiscal 2011 and it continued to be positive in Fiscal 2012. The Fiscal 2008 high was exceeded for the first time in Fiscal 2012. Fiscal 2012 actual revenue was \$6.311 billion, a 7.0 percent increase over the Fiscal 2011 actual revenue of \$5.899 billion. The October 2012 Revenue Estimating Conference (REC) forecast for Fiscal 2013 revenue was \$6.483 billion, an increase of 2.7% over Fiscal 2012 actual revenue. The REC's forecast for Fiscal 2014 revenue was \$6.724 billion, a 3.7% increase over the Fiscal 2013 estimate.

The 7.0 percent increase in State general fund revenues from Fiscal 2011 to Fiscal 2012 permitted the State to end the year with \$688.1 million in the General Fund, \$446.6 million in the Cash Reserve Fund, and \$148.9 million in the Economic Emergency Fund. The projected Fiscal 2013 year-end balance in the General Fund is \$768 million.

Beginning in January 2013, the Governor and the General Assembly will jointly establish a Fiscal 2014 budget. Spending is limited to 99 percent of adjusted revenues, 95 percent of any new revenue implemented in a fiscal year, and any carryover from the previous year. The Governor and the General Assembly are required to use the revenue estimates agreed to by the December 2012 Revenue Estimating Conference.

State general fund revenue was \$185.2 million, or 10.3 percent, greater in the first four months of Fiscal 2013 than in Fiscal 2012. Increases from Fiscal 2012 to Fiscal 2013 include increased personal income tax, 6.9 percent, sales/use tax, 6.1 percent, corporate income tax, 31.5 percent, and a 14.7 percent decrease in accrued tax refunds. The Iowa Leading Indicators Index in September 2012 reflected an increase for the fifth consecutive month. The Iowa non-farm employment coincident index in September recorded 24-months of employment gains. Iowa's September unemployment rate of 5.2 percent is lower than the nation's rate of 7.8 percent. Iowa's leaders believe these indicators demonstrate the State has come out of the recession and the state economy is now growing at a satisfactory rate.

Iowa's leaders are concerned about the effect of the Budget Control Act of 2011 and the fact that the Administration and Congress have thus far failed to compromise on the "fiscal cliff." Because the State of Iowa has federal deductibility of the full amount of federal income tax paid, there is a concern about the impact of large federal income tax increases on state income tax receipts. The reduction of mandatory and discretionary federal spending is also a concern, because lower payments to the states would reduce the revenues the State needs to provide services to needy Iowans. State officials remain cautiously optimistic the Administration and Congress will compromise on tax increases and sequester matters so the economy does not go back into a recession and so Iowa tax revenues are not greatly reduced.

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, 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.

Funding of the University has been reduced from Fiscal 2009 through 2012 and it increased in Fiscal 2013. The dollar amount of state appropriations per FTE student follows: Fiscal 2009, \$7,156; Fiscal 2010, \$6,673; Fiscal 2011, \$5,483; Fiscal 2012, \$5,130; and Fiscal 2013, \$6,608. 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

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

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 of Northern Iowa is highly dependent on state appropriations since over 90 percent of its students pay in-state tuition. In recognition of the University of Northern Iowa's high dependence on state appropriations and in-state tuition revenue, the Board of Regents approved a special appropriations request for UNI. The request was for a base adjustment of \$4 million each for Fiscal 2013, 2014, and 2015.

For Fiscal 2013, the University received the requested \$4 million base budget adjustment plus the 3.2 percent increase received by the three Regent universities, for a total general educational fund increase of 8.5 percent. The University is very grateful for the Iowa General Assembly's decision to increase the University's base funding. University officials are cautiously optimistic the General Assembly will increase the University's base appropriation for fiscal 2014 and 2015.

In addition to receiving an 8.5 percent increase in the General Educational Fund appropriation for Fiscal 2013, the University received \$4.7 million for STEM (an increase of \$2,965,344), \$175,256 for the Recycling and Reuse Center (flat funding), \$125,307 for the Real Estate Education program (flat funding), \$574,716 for Economic Development for the Institute for Decision Making, Metal Casting Center, and MyEntre.net (flat funding), and \$900,000 to replace UNI's previous funding from the Grow Iowa Values Fund (an increase of \$612,000).

Operating appropriation requests for Fiscal 2014 include a \$2.1 million general educational fund request to lead the nation in pre K-12 education and to enhance undergraduate education and student success, and the previously mentioned \$4 million base adjustment to the general education fund. The University requested \$0.3 million for real estate education and the Recycling and Reuse Technology Transfer Center, and \$1.8 million for economic development consisting of the Institute for Decision Making, Metal Casting Center, MyEntre.net, National Ag-Based Lubricants, and the Regents Innovation Fund. \$4.7 million has been requested for the STEM special initiative.

The decreasing number of Iowa high school graduates is a concern as is the competition for students. The number of Iowa high school graduates has decreased approximately 4 percent over the past two fiscal years. Iowa high schools have been challenged to ensure their graduates are college ready and work ready. 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.

The decrease in the University's enrollment from fall 2011 to fall 2012 is a serious concern. The University's enrollment was 13,168 students in fall 2011 and 12,273 students in fall 2012, a decline of 895 students, or 6.8 percent. That decline nearly eradicated the enrollment growth of 908 students, or 7.4 percent from fall 2006 to fall 2011. The decrease was not unexpected due to publicity associated with closing the Malcolm Price Laboratory School and eliminating programs with extremely low enrollments. Other factors were a declining number of Iowa high school graduates, an unusually large graduating class in May 2012, and fierce competition for students. University officials are using one-time funding to make up for the \$1.7 million net tuition revenue shortfall. The University put a number of new measures in place during summer and fall 2012 to assist in increasing future enrollment.

The federal Budget Control Act of 2011 is a serious concern. Federal discretionary spending, under current law, will be lowered beginning in January 2013 to remove \$1.2 trillion of spending over the following ten years. The resultant mandatory cuts to higher education would be serious. Discretionary programs would be cut by 8.2 percent and mandatory programs would be cut 7.6 percent. The Pell Grant program is exempt from cuts in Fiscal 2013, but it may be reduced in future years. According to a September 14, 2012 report from the Office of Management and Budget, the Supplemental Educational Opportunity Grant program, Federal Work-Study program, TRIO program, and the GEAR UP programs would all cut 8.2 percent and the loan origination fee on unsubsidized student loans would be increased. In addition, National Science Foundation, National Institutes for Health, and National Endowment for the Humanities funding would be cut 7.6 percent of mandatory spending and 8.2 percent of discretionary spending.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended June 30, 2012 and 2011

The Board of Regents, State of Iowa met in September 2012 and directed the universities to not raise undergraduate resident tuition for Fiscal 2014. At its October 2012 meeting, it discussed the conditional tuition and mandatory fees for Fiscal 2014 that it expects to approve at the December 2012 meeting. A zero percent undergraduate resident tuition increase is anticipated for UNI for Fiscal 2014. Mandatory fees would be increased \$50. The increase for undergraduate tuition and mandatory fees would be 0.65 percent. Tuition and mandatory fees for nonresident undergraduate students would be 2.75 percent. The increase for graduate resident students would be 0.57 percent, while the increase for graduate non-resident students would be 2.74 percent. The Board of Regents is committed to working with the Governor and the General Assembly to secure increased appropriations. Based on funding actions of the General Assembly, tuition rates may be adjusted subsequent to the 2013 legislative session.

The Board will negotiate salaries and certain fringe benefits with the United Faculty that will be effective in Fiscal 2014 and 2015. Likewise, the State of Iowa will negotiate salaries and certain fringe benefits for AFSCME employees. The Board normally expects to extend similar salary increases to non-unionized employees. Because a State salary funding bill has not existed for several years, it is probable the University will be required to fund the salary and benefit cost increases. None-the-less, the Board has requested to have Regents salary increases included in the State's salary funding bill, should one exist.

University officials are monitoring the fiscal situation very closely. Officials are currently working through a number of budgeting scenarios utilizing state appropriation, federal funding, and tuition increase assumptions for the revenue budget and 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 request for a \$2.1 million increase plus 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, state and federal funding, and cost increase 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 remained below the October 2008 high point until Fiscal 2012. State revenues are increasing due to increases in personal income tax, sales/use tax and corporate income tax collections and decreases in tax refund accruals during the first four months of Fiscal 2013. As of September 2012, the Iowa Leading Indicators Index has been positive for five consecutive months and the Iowa non-farm employment coincident index in September recorded 24-months of employment gains. State general fund receipts and other economic indicators signal the Iowa economy is recovering and growth now appears to be at an acceptable rate. The Board of Regents, State of Iowa has recommended a \$2.1 million increase to UNI's appropriation to enhance the University's pre K-12 mission and to enhance undergraduate education and student success. In addition, the Board has recommended a \$4 million increase in UNI's base funding. University officials are cautiously optimistic the Governor will recommend support of the funding requests and the General Assembly will fund those requests. Fulfilling the mentioned funding requests will assist in dealing with the University's challenges.

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.



2011-2012 Financial Statements

UNIVERSITY OF NORTHERN IOWA
Statement of Net Assets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents-Note B	\$ 33,627,411	27,693,620
Investments-Note B	65,832,320	47,096,207
Accounts receivable, net-Note C	8,440,549	7,100,449
Loans receivable, net-Note E	2,019,802	2,066,871
Interest receivable	535,991	648,459
Due from governmental agencies-Note F	6,879,090	6,892,794
Prepaid expenses-Note G	3,805,718	3,814,881
Inventories-Note H	4,707,261	4,368,483
Other current assets	203,966	92,500
Total Current Assets	126,052,108	99,774,264
Noncurrent Assets		
Investments-Note B	38,592,309	61,992,250
Accounts receivable, net-Note C	-	282,102
Loans receivable, net-Note E	8,079,207	8,267,485
Prepaid expenses-Note G	244,103	83,413
Debt issuance costs-Note V	2,089,272	1,905,434
Capital assets, Nondepreciable-Note I	43,976,013	29,687,696
Capital assets, Depreciable-Note I	568,996,574	547,993,301
Accumulated depreciation/amortization-Note I	(240,593,418)	(225,979,680)
Total Noncurrent Assets	421,384,060	424,232,001
Total Assets	547,436,168	524,006,265
LIABILITIES		
Current Liabilities		
Accounts payable	9,780,940	14,634,362
Salaries and wages payable-Note J	764,757	650,735
Compensated absences payable-Note K	5,004,600	5,293,800
Unpaid claims liability-Note U	1,733,112	1,610,522
Unearned revenue-Note G	4,089,166	4,369,437
Accrued interest payable	3,578,529	3,143,013
Long-term debt-Note N	19,044,171	11,234,240
Deposits	4,439,562	3,296,100
Total Current Liabilities	48,434,837	44,232,209
Noncurrent Liabilities		
Accounts payable	2,187,170	3,583,081
Compensated absences payable-Note K	5,424,858	5,292,724
Refundable advances on student loans-Note Q	9,254,876	9,554,301
Long-term debt-Note N	147,319,317	125,898,381
Net OPEB liability-Note P	6,500,722	3,894,959
Total Noncurrent Liabilities	170,686,943	148,223,446
Total Liabilities	219,121,780	192,455,655
NET ASSETS		
Invested in capital assets, net of related debt	225,621,358	226,532,511
Restricted		
Nonexpendable		
Scholarships and fellowships	615,895	615,895
Expendable		
Scholarships and fellowships	333,111	389,104
Loans	2,876,167	2,978,851
Capital projects	13,184,418	5,706,625
Debt service	24,351,398	24,203,865
Other	362,375	356,193
Unrestricted	60,969,666	70,767,566
Total Net Assets	\$ 328,314,388	331,550,610

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Financial Position
as of June 30, 2012 and 2011

ASSETS

	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 69,442	129,200
Investments	13,113,082	14,753,728
Pledges receivable, net-Note D	2,265,840	2,604,916
Other receivables	246,305	24,576
Other	94,041	75,454
	15,788,710	17,587,874
Total Current Assets		
Noncurrent Assets:		
Pledges receivable, less current portion	5,074,850	5,365,903
Long-term investments	73,857,152	74,917,126
Life insurance cash value	1,312,784	1,259,585
Building and equipment, net	879,066	971,898
Other	106,632	166,742
	81,230,484	82,681,254
Total Noncurrent Assets		
Total Assets	\$ 97,019,194	100,269,128

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable, accrued expenses and other liabilities	\$ 400,612	689,536
Pledges payable-Note M	294,800	587,281
Annuities payable	277,735	285,474
Annuity trusts payable	103,676	103,676
Unitrusts payable	71,878	69,132
	1,148,701	1,735,099
Total Current Liabilities		
Noncurrent Liabilities:		
Pledges payable, less current portion	-	282,102
Annuities payable, less current portion	1,566,157	1,649,922
Annuity trusts payable, less current portion	825,169	851,410
Unitrusts payable, less current portion	452,562	462,607
	2,843,888	3,246,041
Total Noncurrent Liabilities		
Total Liabilities	3,992,589	4,981,140
Net Assets:		
Unrestricted	4,201,302	6,223,395
Temporarily restricted-Note T	28,995,819	33,258,299
Permanently restricted-Note T	59,829,484	55,806,294
	93,026,605	95,287,988
Total Net Assets		
Total Liabilities and Net Assets	\$ 97,019,194	100,269,128

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, 2012 and 2011

	2012	2011
REVENUES		
Operating Revenues		
Tuition and fees (net of scholarship allowances of \$25,482,683 for 2012, \$24,139,088 for 2011)	\$ 66,242,804	63,415,145
Receipts from other entities	111,978	120,433
Grants and contracts	39,370,649	42,887,829
Sales, rents and services	8,237,789	7,998,091
Miscellaneous	501,925	992,772
Auxiliary enterprises	58,742,116	56,156,143
Total Operating Revenues	173,207,261	171,570,413
EXPENSES		
Operating Expenses		
Instruction	80,291,964	78,570,575
Research	2,951,957	3,106,240
Public service	22,152,465	25,396,214
Academic support	24,855,928	25,413,636
Student services	8,210,073	7,280,432
Institutional support	29,683,285	23,535,960
Operation and maintenance of plant	20,441,078	21,884,211
Scholarships and fellowships	6,470,804	7,150,385
Depreciation/amortization	16,105,032	15,270,614
Loan cancellations and write-offs	288,141	137,397
Auxiliary enterprises	50,787,350	48,858,614
Total Operating Expenses	262,238,077	256,604,278
Operating (Loss)	(89,030,816)	(85,033,865)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	77,765,014	82,683,919
Gifts, grants and contracts	3,701,740	3,179,412
Investment return	1,921,916	3,023,277
Interest expense	(6,258,688)	(5,924,235)
Amortization of bond issuance costs	(146,849)	(133,446)
Loss on disposal of capital assets	(118,360)	-
Net Nonoperating Revenues	76,864,773	82,828,927
(Loss) Before Other Revenues	(12,166,043)	(2,204,938)
OTHER REVENUES		
Capital appropriations	7,016,578	5,808,082
Capital contributions and grants	1,913,243	3,412,442
Total Other Revenues	8,929,821	9,220,524
Change in Net Assets	(3,236,222)	7,015,586
NET ASSETS		
Net assets, beginning of year	331,550,610	324,535,024
Net assets, end of year	\$ 328,314,388	331,550,610

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Activities
Years Ended June 30, 2012 and 2011

	2012			Total Net Assets
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	
Revenue, support and classifications:				
Contribution revenue	\$ 958,156	7,757,286	4,011,951	12,727,393
Investment return	(499,555)	(594,783)	56,982	(1,037,356)
Miscellaneous income	59,823	12,121	-	71,944
Reclassifications attributed to underwater endowments	(408,563)	408,563	-	-
Donor redesignations	1,528,416	(1,749,286)	220,870	-
Net assets released from restrictions	8,763,305	(8,763,305)	-	-
Total revenue, support and reclassifications	<u>10,401,582</u>	<u>(2,929,404)</u>	<u>4,289,803</u>	<u>11,761,981</u>
Expenses and Adjustments:				
Scholarship expenses	3,879,470	-	-	3,879,470
Programming expenses	5,460,639	-	-	5,460,639
Administrative expenses	916,111	-	-	916,111
Fundraising expenses	2,045,857	-	-	2,045,857
Uncollectible pledges	949	1,311,238	26,672	1,338,859
Depreciation expense	92,833	-	-	92,833
Present value liability actuarial adjustment	27,816	21,838	239,941	289,595
Total expenses and adjustments	<u>12,423,675</u>	<u>1,333,076</u>	<u>266,613</u>	<u>14,023,364</u>
Change in net assets	(2,022,093)	(4,262,480)	4,023,190	(2,261,383)
Net assets, beginning of year	<u>6,223,395</u>	<u>33,258,299</u>	<u>55,806,294</u>	<u>95,287,988</u>
Net assets, end of year	<u>\$ 4,201,302</u>	<u>28,995,819</u>	<u>59,829,484</u>	<u>93,026,605</u>

The notes are an integral part of the financial statements.

2011

Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
1,283,291	7,504,509	11,896,379	20,684,179
5,447,496	6,274,679	826,962	12,549,137
49,074	11,193	-	60,267
(552,298)	552,298	-	-
1,200,274	(1,828,463)	628,189	-
6,278,519	(6,278,519)	-	-
<u>13,706,356</u>	<u>6,235,697</u>	<u>13,351,530</u>	<u>33,293,583</u>
3,335,349	-	-	3,335,349
3,893,134	-	-	3,893,134
886,108	-	-	886,108
1,958,881	-	-	1,958,881
11,673	161,786	16,249	189,708
93,151	-	-	93,151
<u>8,081</u>	<u>35,519</u>	<u>238,124</u>	<u>281,724</u>
<u>10,186,377</u>	<u>197,305</u>	<u>254,373</u>	<u>10,638,055</u>
3,519,979	6,038,392	13,097,157	22,655,528
<u>2,703,416</u>	<u>27,219,907</u>	<u>42,709,137</u>	<u>72,632,460</u>
<u>6,223,395</u>	<u>33,258,299</u>	<u>55,806,294</u>	<u>95,287,988</u>

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 62,317,071	63,798,972
Grants and contracts receipts	39,908,226	43,671,786
Collections of loans from students	2,000,934	1,872,098
Auxiliary enterprise receipts	57,857,569	56,323,025
Payments for salaries and benefits	(148,082,440)	(136,931,011)
Payments for goods and services	(23,676,867)	(27,479,760)
Scholarships	(6,536,536)	(6,910,556)
Loans issued to students	(2,305,042)	(2,000,568)
Auxiliary enterprise payments	(50,863,739)	(49,214,904)
Other operating receipts	11,476,302	8,660,940
Other operating payments	(22,513,959)	(23,808,915)
Net Cash Used by Operating Activities	<u>(80,418,481)</u>	<u>(72,018,893)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	77,719,987	82,548,847
William D. Ford direct lending and plus loans receipts	70,275,229	75,841,139
William D. Ford direct lending and plus loans made	(70,304,236)	(75,899,873)
Agency receipts	4,495,010	2,282,558
Agency payments	(2,635,547)	(2,214,251)
Non capital gifts	3,893,170	2,494,792
Net Cash Provided by Noncapital Financing Activities	<u>83,443,613</u>	<u>85,053,212</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	6,991,873	5,808,082
Capital gifts and grants received	1,959,324	3,418,608
Acquisition of capital assets	(38,593,839)	(33,932,552)
Principal paid on capital debt	(18,149,239)	(11,618,353)
Interest paid on capital debt	(5,999,683)	(6,095,835)
Proceeds from capital debt	49,745,651	20,207,097
Other capital and related financing receipts	301,665	179,809
Other capital and related financing payments	(330,999)	(564,655)
Net Cash Used by Capital and Related Financing Activities	<u>(4,075,247)</u>	<u>(22,597,799)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	1,093,507	1,990,041
Proceeds from sale and maturities of investments	73,894,260	118,777,244
Purchase of investments	(68,003,861)	(107,740,562)
Net Cash Provided by Investing Activities	<u>6,983,906</u>	<u>13,026,723</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,933,791	3,463,243
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>27,693,620</u>	<u>24,230,377</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 33,627,411</u>	<u>27,693,620</u>

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (89,030,816)	(85,033,865)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation/amortization	16,105,032	15,270,614
Increase/(Decrease) in compensated absences	(157,066)	1,162,485
(Increase)/Decrease in accounts receivable	(1,906,035)	(264,625)
(Increase)/Decrease in loans receivable	235,348	(106,123)
(Increase)/Decrease in due from governmental agencies	732,155	507,429
(Increase)/Decrease in inventories	(338,778)	(827,181)
(Increase)/Decrease in prepaid expenses	(78,612)	582,784
(Increase)/Decrease in other assets	111,569	207,036
Increase/(Decrease) in accounts payable	(5,640,295)	(3,895,586)
Increase/(Decrease) in salaries and wages payable	(5,766)	46,616
Increase/(Decrease) in unearned revenue	(288,602)	427,082
Increase/(Decrease) in other liabilities	(156,615)	(95,559)
Net Cash Used By Operating Activities	\$ <u>(80,418,481)</u>	<u>(72,018,893)</u>

Noncash Capital, Financing and Investing Activities:

Equipment with a fair market value of \$104,658 in 2012 and \$80,856 in 2011 was donated to the University.

Bond issuance costs of \$453,332 in 2012 and \$616,610 in 2011 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 \$1,203,425 in 2012 and \$1,440,523 in 2011.

The notes are an integral part of the financial statements.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 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, 2012

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, 2012

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 2012 and 2011, the amount of income allocated from the Treasurer's Temporary Investment Pool was \$2,007,808 and \$1,506,511 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, 2012

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 Prudent 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, 2012

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, 2012

Note B – Cash Deposits and Investments

(1) Cash and cash equivalents:

The bank 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 of cash and cash equivalents at June 30, 2012 and June 30, 2011 were \$33,627,411 and \$27,693,620, respectively. The bank balances at June 30, 2012 and June 30, 2011 were \$24,043,253 and \$13,639,122, respectively. The carrying value at June 30, 2012 and June 30, 2011 also includes cash-on-hand of \$142,505 and \$124,101, and cash equivalents in the form of uninsured and uncollateralized money market funds of \$9,441,653 and \$10,287,383, and Treasury Bills of \$0 and \$3,643,014.

(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, 2012 and 2011 was \$550,529 and \$615,159, respectively. The net appreciation is classified in the Statement of Net Assets as follows:

	<u>2012</u>	<u>2011</u>
Restricted Expendable:		
Scholarships and fellowships	\$ 138,124	151,311
Loans	128,209	137,198
Other-Chair	284,196	326,650
Total	\$ <u>550,529</u>	<u>615,159</u>

The University's investments are recorded at fair value, as determined by quoted market price. At June 30, 2012, the University had the following investments and quality credit ratings by investment type:

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note B – Cash Deposits and Investments (continued)

Invested Assets		Fair Value
Operating Portfolio:		
Fixed Income:		
U.S. Government Securities:		
U.S. Government Treasuries		\$ 25,780,149
U.S. Government Agencies		29,789,092
Short-Term Securities:		
Commercial Paper		999,939
Fixed Income Mutual Funds		<u>26,331,726</u>
Total Fixed Income Securities		<u>82,900,906</u>
Equity and Other Securities:		
Domestic Equity Mutual Funds		4,779,791
International Equity Mutual Funds		954,317
REIT Mutual Funds		3,188,841
Other Securities		<u>211,661</u>
Total Equity and Other Securities		<u>9,134,610</u>
Cash and Cash Equivalents:		
Money Market Fund Shares		<u>4,849,035</u>
Total Cash and Cash Equivalents		<u>4,849,035</u>
	Total Operating Portfolio	<u>96,884,551</u>
Endowment Portfolio (UNI Equity in SUI Endowment Pool):		
Fixed Income:		
U.S. Government Securities:		
U.S. Government Treasuries		525,712
U.S. Government Agencies		919,759
Mortgage-Backed Securities		99,133
Credit:		
Corporate Bonds		324,694
Corporate Asset-Backed		132,387
Private Placements		94,656
Fixed Income Mutual Funds		<u>408,201</u>
Total Fixed Income Securities		<u>2,504,542</u>
Equity and Other Securities:		
Domestic Equity Mutual Funds		2,534,022
International Equity Mutual Funds		1,949,313
REIT Mutual Funds		<u>497,407</u>
Total Equity and Other Securities		<u>4,980,742</u>
Cash and Cash Equivalents:		
Money Market Fund Shares		<u>54,794</u>
Total Cash and Cash Equivalents		<u>54,794</u>
	Total Endowment Portfolio	<u>7,540,078</u>
	Total Invested Assets	<u>\$104,424,629</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2012

Note B – Cash Deposits and Investments (continued)

Credit Risk Concentration

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

Investment	Fair Value	% of Total Operating Portfolio Fixed Income Assets
Federal National Mortgage Association	\$11,790,714	14%
Federal Farm Credit Bank	8,028,970	10%
Federal Home Loan Bank	7,623,235	9%

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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		\$ 25,780,149	2.10
U.S. Government Agencies		29,789,092	3.00
Short-Term Securities:			
Commercial Paper		999,939	0.03
Fixed Income Mutual Funds		<u>26,331,726</u>	5.83
Operating Portfolio-Total Fixed Income Securities		<u>82,900,906</u>	
Operating Portfolio Duration			3.58
Endowment Portfolio:			
Fixed Income:			
U.S. Government Securities:			
U.S. Government Treasuries		525,712	9.34
U.S. Government Agencies		919,759	3.01
Mortgage-Backed Securities		99,133	2.12
Credit:			
Corporate Bonds		324,694	5.26
Corporate Asset-Backed		132,387	0.72
Private Placements		94,656	4.12
Fixed Income Mutual Funds		<u>408,201</u>	3.92
Endowment Portfolio-Total Fixed Income Securities		<u>2,504,542</u>	
Endowment Portfolio Duration			4.66
Total All Portfolios		<u>\$ 85,405,448</u>	

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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	\$26,305,861	-	-	-
U.S. Government Non-Guaranteed				
Federal National Mortgage Association	-	11,790,714	-	-
Federal Farm Credit Bank	-	8,028,970	-	-
Federal Home Loan Bank	-	7,623,235	-	-
Federal Home Loan Mortgage Corporation	-	3,265,932	-	-
Agency Mortgage-Backed Securities	-	69,241	2,701	13,265
Credit				
Corporate Bonds	-	-	38,685	201,643
Corporate Asset-Backed	-	128,273	-	4,114
Private Placements	-	23,079	19,981	13,689
Commercial Paper	-	-	-	-
Fixed Income Mutual Funds	-	<u>18,886,943</u>	<u>702,274</u>	<u>2,063,578</u>
Total Fixed Income Securities	<u>\$26,305,861</u>	<u>49,816,387</u>	<u>763,641</u>	<u>2,296,289</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Below B</u>	<u>A1+P1</u>	<u>NR</u>	<u>Total</u>
-	-	-	-	-	-	26,305,861
-	-	-	-	-	-	11,790,714
-	-	-	-	-	-	8,028,970
-	-	-	-	-	-	7,623,235
-	-	-	-	-	-	3,265,932
13,926	-	-	-	-	-	99,133
84,366	-	-	-	-	-	324,694
-	-	-	-	-	-	132,387
20,785	14,345	-	-	-	2,777	94,656
-	-	-	-	999,939	-	999,939
<u>2,045,157</u>	<u>1,602,993</u>	<u>1,242,438</u>	<u>135,602</u>	<u>-</u>	<u>60,942</u>	<u>26,739,927</u>
<u>2,164,234</u>	<u>1,617,338</u>	<u>1,242,438</u>	<u>135,602</u>	<u>999,939</u>	<u>63,719</u>	<u>85,405,448</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note C – Accounts Receivable

Accounts receivable are summarized as follows:

	<u>2012</u>	<u>2011</u>
Student accounts	\$ 5,446,824	2,137,991
University of Northern Iowa Foundation	386,186	1,107,907
Sponsoring agencies	795,969	1,320,235
Other	<u>1,811,570</u>	<u>2,816,418</u>
Total	<u>\$ 8,440,549</u>	<u>7,382,551</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>2012</u>	<u>2011</u>
In one year or less	\$ 2,349,417	2,692,504
Between one year and five years	3,732,122	4,375,854
More than five years	<u>2,104,687</u>	<u>1,951,481</u>
	8,186,226	9,019,839
Less discounts to net present value	(461,877)	(628,114)
Less allowance for uncollectible pledges	<u>(383,659)</u>	<u>(420,906)</u>
Total	<u>\$ 7,340,690</u>	<u>7,970,819</u>

Pledges receivable at June 30, 2012 and 2011 have the following restrictions:

	<u>2012</u>	<u>2011</u>
Unrestricted:		
Undesignated	\$ 171,412	126,065
Temporarily Restricted:		
Scholarships and department programs	4,049,405	4,412,302
Plant	1,106,140	1,071,662
Permanently Restricted:		
Endowments-Scholarships and department programs	<u>2,013,733</u>	<u>2,360,790</u>
Total	<u>\$ 7,340,690</u>	<u>7,970,819</u>

Note E – Loans Receivable

Loans receivable are summarized as follows:

	<u>2012</u>	<u>2011</u>
Student loans:		
Federal loan programs	\$11,150,468	11,164,701
University loan funds	<u>129,798</u>	<u>82,504</u>
	11,280,266	11,247,205
Less allowance for uncollectible loans	<u>(1,181,257)</u>	<u>(912,849)</u>
Total	<u>\$10,099,009</u>	<u>10,334,356</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2012

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>2012</u>	<u>2011</u>
Federal Government	\$ 2,841,855	4,067,887
State Government	3,984,593	2,712,886
Local Governments	52,642	3,559
Other Governments	-	<u>108,462</u>
Total	<u>\$ 6,879,090</u>	<u>6,892,794</u>

Note G – Prepaid Expenses/Unearned Revenue

Prepaid expenses at June 30, 2012 and 2011 totaled \$4,049,821 and \$3,898,294, respectively, and unearned revenue at June 30, 2012 and 2011 totaled \$4,089,166 and \$4,369,437, respectively. The summer session portion for unearned tuition and fees for 2012 and 2011 was \$1,639,104 and \$773,894, respectively. Students sign housing contracts with the Department of Residence for the following Fall semester. Unearned revenue on housing contracts was \$573,000 and \$634,000 at June 30, 2012 and 2011, respectively. Season ticket sales for the Gallagher-Bluedorn Performing Arts Center Artist Series and for Athletic football games begin in the Spring for the following year. Unearned ticket sale revenues were \$589,329 and \$760,674 at June 30, 2012 and 2011, respectively.

Note H – Inventories

Inventories at June 30, 2012 and 2011, consisting mainly of supplies and merchandise, primarily valued at lower of cost or market (first in, first out), had values of \$4,707,261 and \$4,368,483, respectively.

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note I – Capital Assets

Capital assets activity for the year ended June 30, 2012 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Accumulated Depreciation/ Amortization</u>	<u>Book Value</u>
Land	\$ 4,916,643	-	-	4,916,643	-	4,916,643
Construction in Progress	16,165,273	29,913,437	(7,019,340)	39,059,370	-	39,059,370
Software in Progress	<u>8,605,780</u>	<u>-</u>	<u>(8,605,780)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, Nondepreciable	<u>29,687,696</u>	<u>29,913,437</u>	<u>(15,625,120)</u>	<u>43,976,013</u>	<u>-</u>	<u>43,976,013</u>
Land Improvements	13,491,883	199,145	-	13,691,028	(8,553,464)	5,137,564
Infrastructure	37,040,940	1,057,201	-	38,098,141	(11,822,449)	26,275,692
Buildings	410,710,373	7,422,716	(125,000)	418,008,089	(153,871,685)	264,136,404
Equipment	51,625,299	4,699,099	(984,196)	55,340,202	(35,153,488)	20,186,714
Intangibles	-	8,605,780	-	8,605,780	(430,289)	8,175,491
Library Materials	<u>35,124,806</u>	<u>670,109</u>	<u>(541,581)</u>	<u>35,253,334</u>	<u>(30,762,043)</u>	<u>4,491,291</u>
Capital Assets, Depreciable	<u>547,993,301</u>	<u>22,654,050</u>	<u>(1,650,777)</u>	<u>568,996,574</u>	<u>(240,593,418)</u>	<u>328,403,156</u>
Total Capital Assets	<u>\$577,680,997</u>	<u>52,567,487</u>	<u>(17,275,897)</u>	<u>612,972,587</u>	<u>(240,593,418)</u>	<u>372,379,169</u>

Depreciation and amortization activity for the year ended June 30, 2012 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 8,109,989	443,475	-	8,553,464
Infrastructure	10,900,592	921,857	-	11,822,449
Buildings	144,358,518	9,524,884	(11,717)	153,871,685
Equipment	32,462,141	3,629,343	(937,996)	35,153,488
Intangibles	-	430,289	-	430,289
Library Materials	<u>30,148,440</u>	<u>1,155,184</u>	<u>(541,581)</u>	<u>30,762,043</u>
Total	<u>\$225,979,680</u>	<u>16,105,032</u>	<u>(1,491,294)</u>	<u>240,593,418</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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, 2012

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, 2012 and 2011 were \$764,757 and \$650,735, 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Amount of accrued compensated absences at beginning of year	\$10,586,524	9,424,039
Amount of compensated absences accrued during the fiscal year	6,842,801	8,705,083
Payments on compensated absences during the fiscal year	<u>(6,999,867)</u>	<u>(7,542,598)</u>
Amount of accrued compensated absences at end of year	<u>\$10,429,458</u>	<u>10,586,524</u>

As of June 30, 2012 and 2011, the current liabilities for compensated absences payable were \$5,004,600 and \$5,293,800, 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 all earnings. The Board of Regents, State of Iowa approved a temporary reduction of the University required contribution from November 2009 through June 2011. During the period of the temporary deduction, the University, through the fifth year of employment, was required to contribute 5 1/3% of the first \$4,800 of earnings and 9% on earnings above \$4,800 in fiscal year 2011. Upon completion of five years of service, the University was required to contribute 10% in fiscal year 2012 on all earnings. During fiscal years 2012 and 2011, the University's required and actual contribution amounted to \$11,264,094 and \$9,858,033, respectively. During fiscal years 2012 and 2011, the employees' required and actual contribution amounted to \$5,328,211 and \$5,173,519, respectively.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note L – Retirement Programs (continued)

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 5.38% of their annual covered earnings and the University was required to contribute 8.07% of annual covered earnings for the year ended June 30, 2012. For the years ended June 30, 2011, and 2010, plan members were required to contribute 4.5% and 4.3%, respectively, of the annual covered earnings and the University was required to contribute 6.95% and 6.65%, respectively, of annual covered earnings. Contribution requirements are established by State statute. The University's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$1,046,545, \$769,421 and \$614,811, 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, 2012 and 2011, \$16,705,200 and \$16,117,919, respectively, of the \$17,000,000 was paid to the University.

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>2012</u>	<u>2011</u>
In one year or less	\$ 294,800	587,281
Between one year and five years	<u>-</u>	<u>294,800</u>
	294,800	882,081
Less discounts to net present value	<u>-</u>	<u>(12,698)</u>
Total	<u>\$ 294,800</u>	<u>869,383</u>

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University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note N – Long-Term Debt

Long-term debt on June 30, 2012, consisted of the following:

	Interest Rates %	Maturity Date	Original Value	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Academic Bldg. Revenue Bonds:								
Series 1994-Refunding	4.50 – 6.00	2015	\$ 2,180,000	840,000	-	150,000	690,000	160,000
Series 1994	5.00 – 8.25	2015	9,201,461	1,236,903	-	191,706	1,045,197	313,112
Series 1996-Refunding	4.55 – 6.00	2013	7,600,000	1,855,000	-	580,000	1,275,000	620,000
Series 2002-Refunding	4.00 – 5.50	2015	4,890,000	2,215,000	-	405,000	1,810,000	420,000
Series 2003-Refunding	3.00 – 3.80	2015	8,465,000	4,310,000	-	790,000	3,520,000	830,000
Series 2003A-Refunding	2.00 – 3.40	2012	4,225,000	990,000	-	495,000	495,000	495,000
Series 2005-Refunding	5.75 – 6.20	2020	5,110,000	3,610,000	-	505,000	3,105,000	295,000
Series 2005	2.90 – 4.25	2027	12,800,000	12,400,000	-	525,000	11,875,000	545,000
Series 2007	4.00 – 4.25	2027	8,000,000	7,700,000	-	100,000	7,600,000	100,000
Series 2008	4.00 – 5.00	2035	12,000,000	12,000,000	-	25,000	11,975,000	50,000
Series 2009	3.00 – 5.00	2035	13,860,000	13,860,000	-	-	13,860,000	-
Residence System Bonds:								
Series 2002-Refunding	3.00 – 4.50	2018	9,535,000	4,955,000	-	525,000	4,430,000	4,430,000
Series 2003	3.50 – 4.75	2023	9,210,000	7,010,000	-	420,000	6,590,000	6,590,000
Series 2010-Refunding	2.00 – 3.13	2020	4,255,000	4,255,000	-	355,000	3,900,000	395,000
Series 2010A	3.25 – 5.00	2030	16,790,000	16,790,000	-	600,000	16,190,000	610,000
Series 2010B-Refunding	2.50 – 4.00	2021	10,160,000	10,160,000	-	-	10,160,000	900,000
Series 2011	2.00 – 4.00	2033	24,870,000	-	24,870,000	-	24,870,000	-
Series 2012	1.00 – 2.75	2023	13,810,000	-	13,810,000	-	13,810,000	-
Field House Bonds:								
Series 2001	3.75 – 4.75	2022	5,625,000	3,885,000	-	3,885,000	-	-
Series 2004	2.50 – 4.40	2024	10,000,000	6,195,000	-	345,000	5,850,000	355,000
Series 2005-Refunding	3.00 – 4.20	2022	7,465,000	5,780,000	-	385,000	5,395,000	400,000
Series 2011-Refunding	2.00 – 3.50	2022	3,685,000	3,610,000	-	-	3,610,000	285,000
Student Union Bonds:								
Series 2002	1.80 – 5.00	2022	12,755,000	8,915,000	-	8,915,000	-	-
Series 2011-Refunding	2.00 – 3.00	2022	8,425,000	-	8,425,000	-	8,425,000	755,000
Student Health System Bonds:								
Series 2004	3.00 – 4.40	2024	3,875,000	2,975,000	-	165,000	2,810,000	170,000
Premiums-Reoffering:								
Residence - Series 2011			-	-	506,805	13,698	493,107	23,481
Total Bonds Payable			<u>228,791,461</u>	<u>135,546,903</u>	<u>47,611,805</u>	<u>19,375,404</u>	<u>163,783,304</u>	<u>18,741,593</u>
Notes Payable:								
City of Cedar Falls	0.00	2027	500,000	455,000	-	15,000	440,000	15,000
Wells Fargo	4.25	2016	2,150,000	1,130,718	-	207,534	923,184	216,448
Iowa Finance Authority	1.25	2024	1,217,000	-	1,217,000	-	1,217,000	94,611
Total Notes Payable			<u>3,867,000</u>	<u>1,585,718</u>	<u>1,217,000</u>	<u>222,534</u>	<u>2,580,184</u>	<u>326,059</u>
Total Long-Term Debt Payable			<u>\$232,658,461</u>	<u>137,132,621</u>	<u>48,828,805</u>	<u>19,597,938</u>	<u>166,363,488</u>	<u>19,067,652</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note N – Long-Term Debt (continued)

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

	Interest Rates %	Maturity Date	Original Value	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
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>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>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, 2012

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 <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 18,741,593	6,194,936	24,936,529
2014	8,557,703	5,346,449	13,904,152
2015	10,084,606	5,456,435	15,541,041
2016	10,185,217	5,733,619	15,918,836
2017	9,088,481	4,233,261	13,321,742
2018-2022	48,547,405	16,773,299	65,320,704
2023-2027	30,122,405	9,332,869	39,455,274
2028-2032	18,707,405	4,285,756	22,993,161
2033-2037	<u>9,748,489</u>	<u>850,550</u>	<u>10,599,039</u>
Total	<u>\$163,783,304</u>	<u>58,207,174</u>	<u>221,990,478</u>

The changes in Bonds Payable for fiscal years 2012 and 2011 are detailed below:

	<u>2012</u>	<u>2011</u>
Bonds payable beginning of year	\$135,546,903	126,833,532
Bonds retired during the fiscal year	(19,375,404)	(21,846,629)
Bonds issued during the fiscal year	<u>47,611,805</u>	<u>30,560,000</u>
Bonds payable end of year	<u>\$163,783,304</u>	<u>135,546,903</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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.

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. At the point of the interest rate change, both Wells Fargo and the University reclassified the agreement as a note payable. The principal balance was \$923,184 as of June 30, 2012.

At its March 21, 2012 meeting, the Board of Regents, State of Iowa authorized the University to enter into a loan agreement with the Iowa Department of Administrative Services to finance energy management improvements in six academic buildings. The note principal of \$1,217,000 will be repaid in 24 semi-annual payments ending on June 30, 2024. The nominal interest rate is 1.25% consisting of a 1.00% interest rate and a 0.25% annual servicing fee.

Note O – Advance and Current Refundings

As of August 1, 2011, the University issued \$8,425,000 of Student Union Revenue Refunding Bonds, Series 2011 with an average interest cost of 2.868%. The bonds were issued in the form of a full net advance refunding to refund the July 1, 2012 through July 1, 2022 maturities of Student Union Revenue Bonds, Series 2002. Outstanding Series 2002 bonds totaled \$8,350,000 and the interest rates ranged between 4.35% and 5.00%.

Aggregate debt service payments are reduced \$1,143,048 over the next ten years.

The net proceeds of \$8,476,642 and \$269,701 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 Student Union Revenue Bonds, Series 2002 were called on July 1, 2012. The advance refunding resulted in an economic gain of \$859,711.

As of May 1, 2012, the University issued \$13,810,000 of Dormitory Revenue Bonds, Series 2012 with an average interest rate of 1.996%. The bonds were issued in the form of a current refunding to refund the July 1, 2013 through July 1, 2018 maturities of Dormitory Revenue Bonds, Series 2002 and the July 1, 2013 through July 1, 2023 maturities of Series 2003. The bonds also included \$4,900,000 to fund a construction project. Outstanding Series 2002 bonds totaled \$4,430,000 and the interest rates

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note O – Advance and Current Refundings (continued)

ranged between 3.50% and 4.50%, and the outstanding Series 2003 bonds totaled \$6,590,000 and the interest rates ranged between 4.00% and 4.75%.

Aggregate debt service payments are reduced \$2,597,457 over the next ten years.

The net proceeds from the current refunding of \$11,254,778 and \$2,437,719 in University funds were deposited in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The Dormitory Revenue Bonds, Series 2002 and 2003 were called on July 1, 2012. The current refunding resulted in an economic gain of \$1,169,626.

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 1,346 active and 967 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, 2012, the amount actually contributed to the plan and changes in the University’s net OPEB obligation:

Annual required contribution	\$ 3,322,000
Interest on net OPEB obligation	110,000
Adjustment to annual required contribution	<u>(93,000)</u>
Annual OPEB cost (expense)	3,339,000
Contributions made	<u>(1,129,934)</u>
Increase in net OPEB obligation	2,209,066
Net OPEB obligation beginning of year	<u>2,440,856</u>
Net OPEB obligation end of year	<u>\$ 4,649,922</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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

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, 2012.

For fiscal year 2012, the University contributed \$1,129,934 to the medical plan. Plan members receiving benefits contributed \$1.9 million, or 63% 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>
6/30/2010	\$2,302,000	70.3%	\$1,600,000
6/30/2011	2,295,000	63.4	2,440,856
6/30/2012	3,339,000	33.8	4,649,922

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$37.7 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$37.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$137.8 million, and the ratio of the UAAL to the covered payroll was 27.4%. As of June 30, 2012, 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 for the retiree health plan, 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, 2011 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%. 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%.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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

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, 2010 to reflect the University's experienced retirement age of 62 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$810 per month for retirees age 69 or less and \$377 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's 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 \$377,973,000 for the State of Iowa at June 30, 2012. The University's allocation of the 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, 2012. 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 \$1,850,800 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 \$4,649,922 for its retiree benefit plan and a liability of \$1,850,800 for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of \$6,500,722.

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 over the lifetime of the Perkins Loan program is \$9,254,876 and \$9,554,301 at June 30, 2012 and 2011, respectively.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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>2012</u>	<u>2011</u>
Restricted-Nonexpendable	\$ <u>615,895</u>	<u>615,895</u>
Restricted-Expendable:		
Scholarships	\$ 138,124	151,311
Loans	128,209	137,198
Other-Chair	<u>284,196</u>	<u>326,650</u>
Total	<u>\$ 550,529</u>	<u>615,159</u>

Note S – Related Party Organization

The University of Northern Iowa Alumni Association is a related party organization to the University 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.

Significant Alumni Association financial data as of and for the years ended June 30, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Total Assets	\$ 972,664	895,830
Total Liabilities	123,637	160,165
Total Equity	849,027	780,458
Due from the University	21,503	-
Due to the University	-	21,747
Total Support and Revenues	374,560	516,474
Total Expenses	305,991	287,723

The University of Northern Iowa Alumni Association restated its Fiscal 2011 financial statements due to a change in accounting principle. The Association retrospectively reclassified 100 percent of receipts from life memberships as contributions rather than as exchange transactions.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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 during the years ended June 30, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Program activities:		
Scholarships and department programs	\$ 8,590,013	6,163,745
Plant	<u>173,292</u>	<u>114,774</u>
Total Temporarily Restricted Net Assets	\$ <u>8,763,305</u>	<u>6,278,519</u>

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Program activities:		
Scholarships and department programs	\$ 27,705,239	31,807,242
Plant	760,939	813,179
Charitable gift annuities	19,821	114,726
Charitable remainder unitrusts	<u>509,820</u>	<u>523,152</u>
Total Temporarily Restricted Net Assets	\$ <u>28,995,819</u>	<u>33,258,299</u>

Permanently restricted net assets as of June 30, 2012 and 2011 are restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Endowment	\$ 57,316,355	53,336,132
Charitable gift annuities	152,363	358,539
Charitable remainder trust annuities	189,338	272,452
Charitable remainder unitrusts	1,018,979	1,058,891
Life insurance fund	809,587	780,280
Beneficial interest in trust	<u>342,862</u>	<u>-</u>
Total Permanently Restricted Net Assets	\$ <u>59,829,484</u>	<u>55,806,294</u>

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, Gallagher-Bluedorn Performing Arts Center, Multimodal Transportation Center, and the radio towers. The University self-funds business income losses for other buildings.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note U – Risk Management (continued)

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

Extra Expense. The University purchased \$12,900,000 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 \$50,000 to \$100,000 per occurrence.

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.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note U – Risk Management (continued)

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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Amount of claims and contingent liabilities accrued beginning of year	\$ 1,610,522	1,757,248
Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	18,186,018	16,615,644
Payments on claims during the fiscal year	<u>(18,063,428)</u>	<u>(16,762,370)</u>
Amount of claims liabilities end of year	<u>\$ 1,733,112</u>	<u>1,610,522</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 \$25 to \$36 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.

Note V – Debt Issuance Costs

Debt issuance costs at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Debt issuance costs	\$ 3,120,520	2,789,833
Less accumulated amortization	<u>(1,031,248)</u>	<u>(884,399)</u>
Net debt issuance costs	<u>\$ 2,089,272</u>	<u>1,905,434</u>

Amortization expense for fiscal years 2012 and 2011 was \$146,849 and \$133,446, respectively.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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, 2012 and June 30, 2017, 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, 2012:

Year ending <u>June 30,</u>	<u>Amount</u>
2013	\$ 450,996
2014	425,563
2015	340,912
2016	210,199
2017	40,605
Total	<u>\$ 1,468,275</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, 2012 and 2011, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$885,964 and \$1,003,079, respectively.

Note X – Retirement Incentive Programs and Termination Benefits
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 had attained the age of 57 and whose age plus years of service equaled 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, 2012

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, 2012 and 2011, the present value of future benefits was \$3,785,463 and \$5,104,952, respectively. The liabilities are included in Accounts Payable in the Statement of Net Assets. The interest rate utilized to calculate the present value was 0.11% at June 30, 2012 and 0.12% at June 30, 2011. During fiscal year 2012, benefit payments for 117 participants totaled \$1,567,698. During fiscal year 2011, benefit payments for 117 participants totaled \$1,454,144.

Early Separation Incentive Program 2012

On March 5, 2012, the Board of Regents approved an Early Separation Incentive Program. The 2012 Program was a one-time program which expired on April 30, 2012. Eligibility for participation was limited to faculty members holding a tenured appointment in a program area identified for closure or restructuring by the University. Employees participating in the program were required to resign or retire by June 29, 2012.

The program included the following benefits:

- 1) Payment of one year of salary based upon the employee's appointment salary on the date of retirement or resignation.
- 2) Cash payment equal to the value of eighteen months of COBRA premiums for health and dental insurance.
- 3) Payment of accrued sick leave, not to exceed \$2,000.

All contracts were fulfilled and funded during fiscal year 2012 and payments for 8 participants totaled \$881,933.

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 \$615,158 and \$697,332 at June 30, 2012 and 2011, respectively. The income received by the University from this trust was \$29,791 in fiscal year 2012 and \$26,642 in fiscal year 2011.

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, 2012 are as follows:

Construction commitments beginning of year	\$ 11,484,066
Increases in commitments	26,523,883
Payments and decreases in commitments	<u>(27,212,448)</u>
Construction commitments end of year	<u>\$ 10,795,501</u>

There were no material claims or contingencies as of June 30, 2012.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

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 constructing, 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, 2012

Note AA – Segment Reporting (continued)
Academic Buildings

Condensed Statement of Net Assets	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 9,634,540	10,440,433
Capital assets	68,469,794	70,537,698
Other noncurrent assets	<u>3,506,973</u>	<u>4,701,552</u>
Total assets	<u>81,611,307</u>	<u>85,679,683</u>
Liabilities:		
Current liabilities	5,743,251	5,928,682
Noncurrent liabilities	<u>53,422,084</u>	<u>57,250,196</u>
Total liabilities	<u>59,165,335</u>	<u>63,178,878</u>
Net assets:		
Invested in capital assets, net of related debt	15,116,109	14,017,075
Restricted, expendable	6,631,843	7,732,065
Unrestricted	<u>698,020</u>	<u>751,665</u>
Total net assets	<u>\$ 22,445,972</u>	<u>22,500,805</u>

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

Operating revenues	\$ 71,117,119	67,950,247
Depreciation expense	<u>(2,714,037)</u>	<u>(2,568,185)</u>
Net operating income (loss)	68,403,082	65,382,062
Nonoperating revenues (expenses)	2,706,474	2,795,541
Transfers from (to) University funds	<u>(71,164,389)</u>	<u>(67,891,178)</u>
Change in net assets	(54,833)	286,425
Net assets, beginning of year	<u>22,500,805</u>	<u>22,214,380</u>
Net assets, end of year	<u>\$ 22,445,972</u>	<u>22,500,805</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 71,091,127	67,786,273
Net cash provided (used) by capital and related financing activities	(73,134,228)	(73,602,865)
Net cash provided (used) by investing activities	<u>1,174,685</u>	<u>5,862,041</u>
Net increase (decrease) in cash	(868,416)	45,449
Cash and cash equivalents, beginning of year	<u>6,657,448</u>	<u>6,611,999</u>
Cash and cash equivalents, end of year	<u>\$ 5,789,032</u>	<u>6,657,448</u>

Debt Service Coverage

Debt service coverage – required	1.25	1.25
Debt service coverage – actual	12.44	11.09

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 6,905,283	6,709,993
Net operating income *	71,117,119	67,950,247
Annual debt service/net operating income (%)	9.7%	9.9%

As of June 30, 2012, revenue pledged for future principal and interest payments was \$88,089,465.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note AA – Segment Reporting (continued)
Residence System

Condensed Statement of Net Assets	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 41,058,927	24,735,728
Capital assets	74,339,519	49,753,751
Other noncurrent assets	<u>8,569,987</u>	<u>5,213,950</u>
Total assets	<u>123,968,433</u>	<u>79,703,429</u>
Liabilities:		
Current liabilities	17,289,724	6,285,937
Noncurrent liabilities	<u>67,971,424</u>	<u>41,744,435</u>
Total liabilities	<u>85,261,148</u>	<u>48,030,372</u>
Net assets:		
Invested in capital assets, net of related debt	7,314,519	8,483,751
Restricted, expendable	25,680,215	17,161,675
Unrestricted	<u>5,712,551</u>	<u>6,027,631</u>
Total net assets	<u>\$ 38,707,285</u>	<u>31,673,057</u>

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

Operating revenues	\$ 37,980,570	36,952,259
Depreciation expense	(1,622,911)	(1,409,417)
Other operating expenses	<u>(27,929,173)</u>	<u>(26,375,598)</u>
Net operating income (loss)	8,428,486	9,167,244
Nonoperating revenues (expenses)	<u>(1,394,258)</u>	<u>(1,146,432)</u>
Change in net assets	7,034,228	8,020,812
Net assets, beginning of year	<u>31,673,057</u>	<u>23,652,245</u>
Net assets, end of year	<u>\$ 38,707,285</u>	<u>31,673,057</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 9,428,723	10,260,274
Net cash provided (used) by capital and related financing activities	8,929,947	(6,731,833)
Net cash provided (used) by investing activities	<u>(3,199,896)</u>	<u>(6,076,880)</u>
Net increase (decrease) in cash	15,158,774	(2,548,439)
Cash and cash equivalents, beginning of year	<u>15,791,098</u>	<u>18,339,537</u>
Cash and cash equivalents, end of year	<u>\$ 30,949,872</u>	<u>15,791,098</u>

Debt Service Coverage

Debt service coverage – required	1.35	1.35
Debt service coverage – actual	2.08	2.60

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 3,423,382	3,122,137
Net operating income *	12,702,399	12,604,389
Annual debt service/net operating income (%)	26.9%	24.8%

As of June 30, 2012, revenue pledged for future principal and interest payments was \$90,906,188.

* 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, 2012

Note AA – Segment Reporting (continued)
Field House System

Condensed Statement of Net Assets	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 4,272,228	8,224,283
Capital assets	35,426,812	35,998,217
Other noncurrent assets	<u>7,736,470</u>	<u>7,940,436</u>
Total assets	<u>47,435,510</u>	<u>52,162,936</u>
Liabilities:		
Current liabilities	1,431,174	5,040,973
Noncurrent liabilities	<u>14,266,739</u>	<u>15,329,554</u>
Total liabilities	<u>15,697,913</u>	<u>20,370,527</u>
Net assets:		
Invested in capital assets, net of related debt	21,186,812	20,703,217
Restricted, expendable	2,567,215	3,118,658
Unrestricted	<u>7,983,570</u>	<u>7,970,534</u>
Total net assets	<u>\$ 31,737,597</u>	<u>31,792,409</u>

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

Operating revenues	\$ 4,185,815	3,807,403
Depreciation expense	(1,418,843)	(1,386,882)
Other operating expenses	<u>(2,731,818)</u>	<u>(2,413,347)</u>
Net operating income (loss)	35,154	7,174
Nonoperating revenues (expenses)	<u>(89,966)</u>	<u>(446,685)</u>
Change in net assets	(54,812)	(439,511)
Net assets, beginning of year	<u>31,792,409</u>	<u>32,231,920</u>
Net assets, end of year	<u>\$ 31,737,597</u>	<u>31,792,409</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 1,449,594	1,421,954
Net cash provided (used) by capital and related financing activities	(5,481,642)	816,706
Net cash provided (used) by investing activities	<u>228,606</u>	<u>819,203</u>
Net increase (decrease) in cash	(3,803,442)	3,057,863
Cash and cash equivalents, beginning of year	<u>6,622,068</u>	<u>3,564,205</u>
Cash and cash equivalents, end of year	<u>\$ 2,818,626</u>	<u>6,622,068</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	5.81	5.88

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 1,597,203	1,638,533
Net operating revenue *	1,626,364	1,932,817
Annual debt service/net operating income (%)	98.2%	84.8%

As of June 30, 2012, revenue pledged for future principal and interest payments was \$18,893,449.

* 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, 2012

Note AA – Segment Reporting (continued)
Student Union

Condensed Statement of Net Assets	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 1,438,399	3,192,809
Capital assets	13,833,412	12,844,347
Other noncurrent assets	<u>2,361,158</u>	<u>1,757,712</u>
Total assets	<u>17,632,969</u>	<u>17,794,868</u>
Liabilities:		
Current liabilities	1,021,233	892,614
Noncurrent liabilities	<u>7,705,234</u>	<u>8,376,759</u>
Total liabilities	<u>8,726,467</u>	<u>9,269,373</u>
Net assets:		
Invested in capital assets, net of related debt	6,163,411	4,494,348
Restricted, expendable	842,500	1,008,750
Unrestricted	<u>1,900,591</u>	<u>3,022,397</u>
Total net assets	<u>\$ 8,906,502</u>	<u>8,525,495</u>

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

Operating revenues	\$ 1,826,133	1,769,590
Depreciation expense	(423,541)	(416,111)
Other operating expenses	<u>(1,091,502)</u>	<u>(1,018,348)</u>
Net operating income (loss)	311,090	335,131
Nonoperating revenues (expenses)	(533,653)	(375,129)
Transfers from (to) University funds	<u>603,570</u>	<u>598,286</u>
Change in net assets	381,007	558,288
Net assets, beginning of year	<u>8,525,495</u>	<u>7,967,207</u>
Net assets, end of year	<u>\$ 8,906,502</u>	<u>8,525,495</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ 663,583	710,669
Net cash provided (used) by capital and related financing activities	(1,717,111)	(719,880)
Net cash provided (used) by investing activities	<u>723,231</u>	<u>70,864</u>
Net increase (decrease) in cash	(330,297)	61,653
Cash and cash equivalents, beginning of year	<u>1,684,729</u>	<u>1,623,076</u>
Cash and cash equivalents, end of year	<u>\$ 1,354,432</u>	<u>1,684,729</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	3.43	4.36

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 956,965	993,195
Net operating revenue *	1,321,340	1,392,145
Annual debt service/net operating income (%)	72.4%	71.3%

As of June 30, 2012, revenue pledged for future principal and interest payments was \$9,880,515.

* 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, 2012

Note AA – Segment Reporting (continued)
Student Health System

Condensed Statement of Net Assets	<u>2012</u>	<u>2011</u>
Assets:		
Current assets	\$ 922,087	1,739,053
Capital assets	3,438,977	3,563,143
Other noncurrent assets	<u>1,645,491</u>	<u>1,052,307</u>
Total assets	<u>6,006,555</u>	<u>6,354,503</u>
Liabilities:		
Current liabilities	331,244	313,864
Noncurrent liabilities	<u>2,707,628</u>	<u>2,872,311</u>
Total liabilities	<u>3,038,872</u>	<u>3,186,175</u>
Net assets:		
Invested in capital assets, net of related debt	798,978	753,143
Restricted, expendable	289,980	289,980
Unrestricted	<u>1,878,725</u>	<u>2,125,205</u>
Total net assets	<u>\$ 2,967,683</u>	<u>3,168,328</u>

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

Operating revenues	\$ 3,254,159	3,199,159
Depreciation expense	(139,341)	(133,229)
Other operating expenses	<u>(3,422,338)</u>	<u>(3,120,064)</u>
Net operating income (loss)	(307,520)	(54,134)
Nonoperating revenues (expenses)	(90,594)	(79,556)
Transfers from (to) University funds	<u>197,469</u>	<u>292,865</u>
Change in net assets	(200,645)	159,175
Net assets, beginning of year	<u>3,168,328</u>	<u>3,009,153</u>
Net assets, end of year	<u>\$ 2,967,683</u>	<u>3,168,328</u>

Condensed Statement of Cash Flows

Net cash provided (used) by operating activities	\$ (173,208)	34,518
Net cash provided (used) by capital and related financing activities	(121,017)	(117,037)
Net cash provided (used) by investing activities	<u>43,468</u>	<u>41,897</u>
Net increase (decrease) in cash	(250,757)	(40,622)
Cash and cash equivalents, beginning of year	<u>692,076</u>	<u>732,698</u>
Cash and cash equivalents, end of year	<u>\$ 441,319</u>	<u>692,076</u>

Debt Service Coverage

Debt service coverage – required	1.20	1.20
Debt service coverage – actual	7.45	8.98

Proportion of Revenue Pledged

Annual debt service (principal & interest)	\$ 281,624	281,574
Net operating revenue *	228,685	469,739
Annual debt service/net operating income (%)	123.1%	59.9%

As of June 30, 2012, revenue pledged for future principal and interest payments was \$3,640,861.

* 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, 2012

Note AB – Operating Expenses by Function

Operating expenses by natural classification for the year ended June 30, 2012 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	\$ 75,101,280	1,327,476	652,416	1,194,375	422,621
Research	1,955,058	70,458	145,934	624,803	89,430
Public Service	11,582,226	3,584,522	1,097,007	3,101,570	354,919
Academic Support	19,850,453	553,213	672,815	405,777	2,439,674
Student Services	5,589,439	437,373	255,179	900,285	54,539
Institutional Support	23,097,491	229,067	430,485	3,142,056	339,741
Operation and Maintenance of Plant	10,888,179	19,868	225,276	304,069	3,507,710
Scholarships and Fellowships	619,676	715	127	112,999	-
Depreciation	-	-	-	-	-
Loan Cancellations and Write-Offs	-	-	-	48,110	-
Auxiliary Enterprises	<u>27,898,376</u>	<u>2,100,511</u>	<u>6,820,728</u>	<u>3,249,604</u>	<u>1,264,154</u>
Total Operating Expenses	<u>\$176,582,178</u>	<u>8,323,203</u>	<u>10,299,967</u>	<u>13,083,648</u>	<u>8,472,788</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	497,743	72,393	1,023,660	-	\$ 80,291,964
Research	27,480	23,530	15,264	-	2,951,957
Public Service	1,605,143	620,477	206,601	-	22,152,465
Academic Support	292,683	470,854	170,459	-	24,855,928
Student Services	406,675	563,456	3,127	-	8,210,073
Institutional Support	1,313,357	1,103,942	27,146	-	29,683,285
Operation and Maintenance of Plant	5,200,644	295,332	-	-	20,441,078
Scholarships and Fellowships	140	-	5,737,147	-	6,470,804
Depreciation	-	-	-	16,105,032	16,105,032
Loan Cancellations and Write-Offs	539,456	(299,425)	-	-	288,141
Auxiliary Enterprises	<u>4,696,565</u>	<u>1,190,599</u>	<u>3,566,813</u>	-	<u>50,787,350</u>
Total Operating Expenses	<u>14,579,886</u>	<u>4,041,158</u>	<u>10,750,217</u>	<u>16,105,032</u>	<u>\$262,238,077</u>

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2012

Note AB – Operating Expenses by Function

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

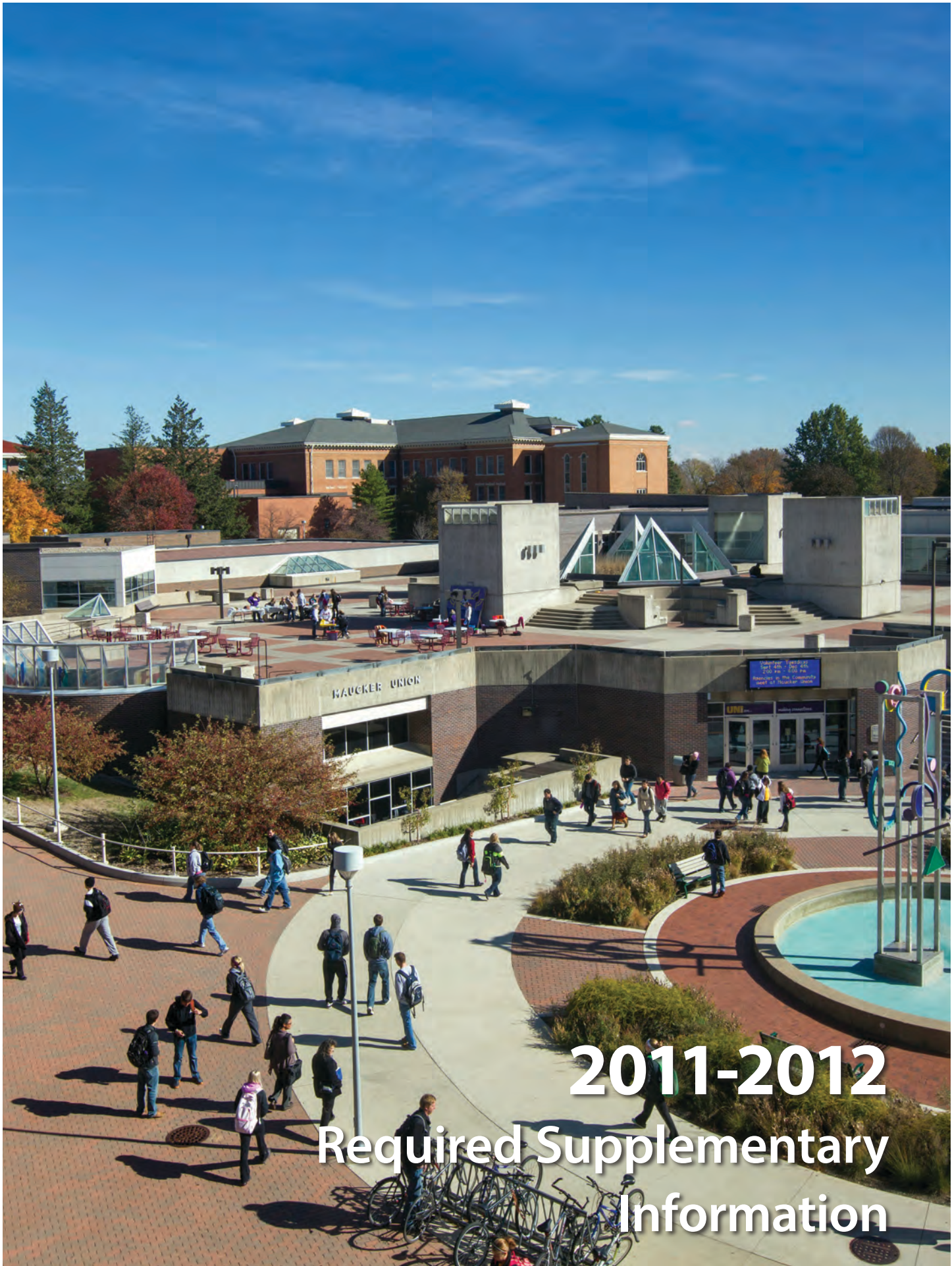
	<u>Personnel Services</u>	<u>Travel</u>	<u>Supplies</u>	<u>Contractual Services</u>	<u>Equipment and Repairs</u>
Operating Expenses:					
Instruction	\$ 72,295,166	1,601,014	743,900	1,366,365	459,430
Research	2,058,020	101,531	156,894	589,231	50,177
Public Service	12,323,865	4,462,955	1,464,679	4,206,754	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, 2012

Note AC – Subsequent Event

Subsequent to June 30, 2012, a company of a major donor to the UNI Foundation declared bankruptcy. The donor's pledge receivable of \$500,000 was written off as of June 30, 2012. As of November 21, 2012, the Foundation has not been contacted by the bankruptcy trustee regarding past contributions received by the Foundation from the company. As of November 21, 2012, there was not enough information to assess the likelihood of a contingent liability for return of contributions in excess of \$1,500,000 related to this event. As a result, a contingent liability has not been recorded on the Foundation's financial statements. Writing off the donor's pledge receivable has reduced the unrestricted funds available to the University's Intercollegiate Athletics department.

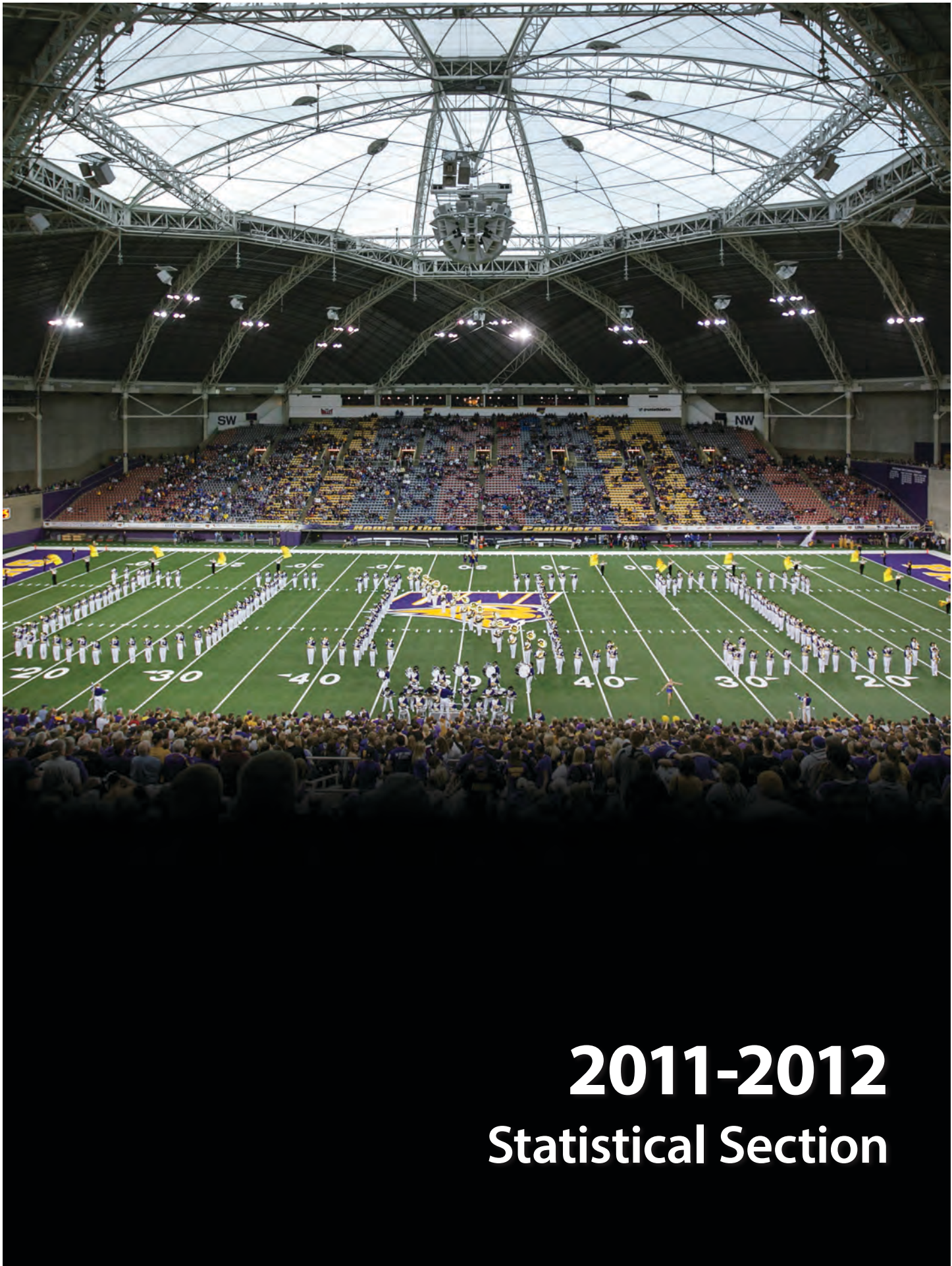


2011-2012 Required Supplementary Information

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
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
2012	07/01/11	-	37,697	37,697	0.0	137,768	27.4

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.



2011-2012 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.	79-82
Revenue Capacity These schedules provide information on the University's most significant revenue sources, tuition and fees, and state appropriations.	83-84
Debt Capacity These schedules present the University's bonded debt obligation and the revenue bond coverage.	85-87
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.	88-89
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.	90-96

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Higher Education Price Index	6.964	6.850	6.694	6.637	6.406	6.183	5.983	5.689	5.499	5.254
Normalized HEPI	1.325	1.304	1.274	1.263	1.219	1.177	1.139	1.083	1.047	1.000
Full Year FTE	11,379	11,431	11,391	11,141	10,979	10,783	10,969	11,351	11,477	11,959

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 2012 Updates

Source: Research Associates of Washington; HEPI Index; 2003 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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
CHANGE IN NET ASSETS										
Total Revenues - Schedule 3	\$ 265,525	269,678	284,297	278,283	256,846	255,306	239,105	231,310	239,576	225,894
Total Expenses - Schedule 4	268,762	262,662	258,396	266,862	242,840	227,663	226,703	217,262	217,447	211,236
Change in Net Assets	(3,237)	7,016	25,901	11,421	14,006	27,643	12,402	14,048	22,129	14,658
Net Assets - July 1	331,551	324,535	298,634	287,213	273,207	245,564	233,162	219,114	196,985	182,327
Net Assets - June 30	\$ 328,314	331,551	324,535	298,634	287,213	273,207	245,564	233,162	219,114	196,985
NET ASSETS BY CLASSIFICATION										
Invested in capital assets, net of related debt	\$ 225,622	226,533	219,730	205,107	194,237	180,720	158,553	145,911	136,015	136,364
Restricted										
Nonexpendable										
Scholarships and fellowships	615	615	615	615	615	615	615	615	615	615
Expendable										
Scholarships and fellowships	333	389	408	274	340	391	371	338	319	416
Loans	2,876	2,979	2,901	2,817	2,996	2,976	2,962	2,940	2,834	2,622
Capital projects	13,185	5,707	102	429	4,576	14,936	17,828	23,682	15,670	3,783
Debt service	24,351	24,204	22,813	23,780	20,912	19,719	27,548	20,389	23,683	16,832
Other	362	356	1,168	318	846	1,034	635	740	1,224	919
Unrestricted	60,970	70,768	76,798	65,294	62,691	52,816	37,052	38,547	38,754	35,434
Net Assets - June 30	\$ 328,314	331,551	324,535	298,634	287,213	273,207	245,564	233,162	219,114	196,985

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING										
Gross Tuition & Fees	\$ 91,726	87,554	81,867	77,260	73,394	70,721	65,855	65,569	62,130	54,886
Less: Scholarship Allowance	25,483	24,139	21,202	17,226	15,871	14,290	13,351	13,689	13,052	12,054
Net Tuition & Fees	66,243	63,415	60,665	60,034	57,523	56,431	52,504	51,880	49,078	42,832
Receipts from other entities	112	120	111	242	144	86	100	83	991	852
Grants and contracts	39,370	42,888	42,493	36,708	32,073	30,863	29,100	30,744	29,123	27,839
Sales, rents and services	8,238	7,998	7,688	5,775	7,421	6,192	8,476	7,313	6,822	6,519
Miscellaneous	502	993	2,869	608	720	805	772	785	2,280	2,176
Auxiliary enterprises	58,742	56,156	55,193	54,859	50,177	47,559	41,967	38,524	36,857	36,928
Total Operating Income	173,207	171,570	169,019	158,226	148,058	141,936	132,919	129,329	125,151	117,146
NONOPERATING										
State appropriations	77,765	82,684	97,862	101,686	95,364	86,531	83,585	79,128	79,256	83,107
Investment return	1,922	3,023	2,990	(611)	1,687	5,247	2,694	2,154	1,665	2,791
Gifts, grants and contracts	3,701	3,180	3,333	3,385	2,601	2,954	2,433	2,386	2,213	1,492
Total Nonoperating Revenue	83,388	88,887	104,185	104,460	99,652	94,732	88,712	83,668	83,134	87,390
CAPITAL AND OTHER REVENUES										
Capital appropriations	7,017	5,808	5,928	5,752	5,018	8,650	6,188	14,307	15,440	20,412
Capital contributions and grants	1,913	3,413	5,165	9,845	4,118	9,988	4,311	4,006	15,851	946
Casualty reimbursement	-	-	-	-	-	-	3,170 #	-	-	-
Extraordinary gain on asset impairment	-	-	-	-	-	-	3,805 #	-	-	-
Total Capital and Other Revenues	8,930	9,221	11,093	15,597	9,136	18,638	17,474	18,313	31,291	21,358
Total Revenues	\$ 265,525	269,678	284,297	278,283	256,846	255,306	239,105	231,310	239,576	225,894
Constant Dollar Revenues	\$ 200,396	206,808	223,153	220,335	210,702	216,912	209,925	213,583	228,821	225,894
Revenues per FTE (Actual)	\$ 23,335	23,592	24,958	24,978	23,394	23,677	21,798	20,378	20,874	18,889
Constant Dollar Revenues per FTE (Actual)	\$ 17,611	18,092	19,590	19,777	19,191	20,116	19,138	18,816	19,937	18,889

Gilchrist arson October 16, 2005.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OPERATING EXPENSES BY FUNCTION										
Instruction	\$ 80,292	78,571	71,168	76,485	72,605	68,768	67,145	64,418	64,082	62,067
Research	2,952	3,106	2,507	1,793	2,455	3,232	1,428	2,518	2,568	2,513
Public service	22,153	25,396	31,497	31,097	24,185	23,488	22,589	22,165	19,978	18,382
Academic support	24,856	25,414	23,895	22,730	22,050	19,771	19,904	19,401	19,794	20,659
Student services	8,210	7,280	6,205	7,077	6,558	6,278	5,973	6,460	6,130	6,067
Institutional support	29,683	23,536	26,714	29,348	20,231	19,163	23,311	23,562	22,828	22,716
Operation and maintenance of plant	20,441	21,884	20,178	22,186	21,396	20,687	20,576	16,740	20,471	19,717
Scholarships and fellowships	6,471	7,150	6,760	5,712	4,884	4,495	4,861	5,454	6,415	6,563
Depreciation	16,105	15,271	14,461	13,975	13,292	12,517	11,469	12,646	12,833	12,512
Loan cancellations and write-offs	288	137	172	514	252	279	277	471	479	484
Auxiliary enterprises	50,787	48,859	48,447	50,078	49,043	43,779	41,066	38,220	36,486	34,275
Total Operating Expenses	262,238	256,604	252,004	260,995	236,951	222,457	218,599	212,055	212,064	205,955
NONOPERATING EXPENSES										
Interest expense	6,259	5,924	6,275	5,743	5,765	5,014	5,010	5,141	5,179	5,180
Amortization expense	147	134	110	102	94	77	91	66	107	101
Miscellaneous expense	118	-	7	22	30	115	3,003 *	-	97	-
Total Nonoperating Expenses	6,524	6,058	6,392	5,867	5,889	5,206	8,104	5,207	5,383	5,281
Total Expenses	\$ 268,762	262,662	258,396	266,862	242,840	227,663	226,703	217,262	217,447	211,236
Constant Dollar Expenses	\$ 202,839	201,428	202,823	211,292	199,212	193,427	199,037	200,611	207,686	211,236
Expenses per FTE (Actual)	\$ 23,619	22,978	22,684	23,953	22,119	21,113	20,668	19,140	18,946	17,663
Constant Dollar Expenses per FTE (Actual)	\$ 17,826	17,621	17,805	18,965	18,145	17,938	18,146	17,673	18,096	17,663

* 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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
TUITION & FEES										
Total Tuition & Fees	\$ 91,726	87,554	81,867	77,260	73,394	70,721	65,855	65,569	62,130	54,886
Less: Other Funds Unrestricted	9,465	9,578	8,895	8,781	8,298	7,565	6,496	6,743	6,600	6,087
Unrestricted Scholarships & Fellowships	13,920	12,745	12,183	10,541	9,851	9,324	9,438	9,415	8,937	8,078
Net Tuition & Fees	\$ 68,341	65,231	60,789	57,938	55,245	53,832	49,921	49,411	46,593	40,721
Constant Dollar Net Tuition & Fees										
	\$ 51,578	50,024	47,715	45,873	45,320	45,737	43,829	45,624	44,501	40,721
Tuition & Fees per FTE Student (Actual)										
	\$ 6,006	5,706	5,337	5,200	5,032	4,992	4,551	4,353	4,060	3,405
Constant Dollar Tuition & Fees per FTE Student (Actual)										
	\$ 4,533	4,376	4,189	4,118	4,128	4,242	3,996	4,019	3,877	3,405
TUITION & FEES RATES										
Resident Undergraduate	\$ 7,350	7,008	6,636	6,376	6,190	6,112	5,602	5,387	4,916	4,118
Non-resident Undergraduate	16,106	15,348	14,900	14,596	14,282	14,028	13,214	12,705	11,874	10,426
Resident Graduate	8,418	8,026	7,596	7,298	7,084	6,962	6,420	6,173	5,612	4,814
Non-resident Graduate	17,352	16,534	16,052	15,726	15,392	15,100	14,244	13,697	12,686	11,238
FULL ROOM & BOARD RATE	\$ 7,426	7,140	6,980	6,790	6,280	5,740	5,519	5,261	5,018	4,640
TOTAL COST OF ATTENDANCE										
Resident Undergraduate	\$ 14,776	14,148	13,616	13,166	12,470	11,852	11,121	10,648	9,934	8,758
Non-resident Undergraduate	23,532	22,488	21,880	21,386	20,562	19,768	18,733	17,966	16,892	15,066
CONSTANT DOLLAR TUITION & FEE RATES										
Resident Undergraduate	\$ 5,547	5,374	5,209	5,048	5,078	5,193	4,918	4,974	4,695	4,118
Non-resident Undergraduate	12,155	11,770	11,695	11,557	11,716	11,918	11,601	11,731	11,341	10,426
Resident Graduate	6,353	6,155	5,962	5,778	5,811	5,915	5,637	5,700	5,360	4,814
Non-resident Graduate	13,096	12,679	12,600	12,451	12,627	12,829	12,506	12,647	12,117	11,238
CONSTANT DOLLAR FULL ROOM & BOARD RATE										
	\$ 5,605	5,475	5,479	5,376	5,152	4,877	4,845	4,858	4,793	4,640
CONSTANT DOLLAR COST OF ATTENDANCE										
Resident Undergraduate	\$ 11,152	10,849	10,688	10,424	10,230	10,070	9,763	9,832	9,488	8,758
Non-resident Undergraduate	17,760	17,245	17,174	16,933	16,868	16,795	16,446	16,589	16,134	15,066

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
STATE APPROPRIATIONS										
Total	\$ 77,765	82,684	97,862	101,686	95,364	86,531	83,585	79,128	79,256	83,107
Less: Non-General Funds	420	956	1,023	993	1,606	1,544	677	723	677	291
Net State Appropriations	\$ 77,345	81,728	96,839	100,693	93,758	84,987	82,908	78,405	78,579	82,816
Constant Dollar Unrestricted State Appropriations	\$ 58,374	62,675	76,012	79,725	76,914	72,206	72,790	72,396	75,052	82,816
State Appropriations per FTE Student (Actual)	\$ 6,797	7,150	8,501	9,038	8,540	7,882	7,558	6,907	6,847	6,925
Constant Dollar State Appropriations per FTE Student (Actual)	\$ 5,130	5,483	6,673	7,156	7,006	6,696	6,636	6,378	6,539	6,925
CAPITAL APPROPRIATIONS	\$ 7,017	5,808	5,928	5,752	5,018	8,650	6,188	14,307	15,440	20,412
Constant Dollar Restricted Capital Appropriations	\$ 5,296	4,454	4,653	4,554	4,116	7,349	5,433	13,211	14,747	20,412
Capital Appropriations per FTE Student (Actual)	\$ 617	508	520	516	457	802	564	1,260	1,345	1,707
Constant Dollar Capital Appropriations per FTE Student (Actual)	\$ 465	390	408	409	375	682	495	1,164	1,285	1,707

University of Northern Iowa
Schedule 7

OUTSTANDING DEBT PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Bonded Debt										
Academic Building Revenue Bonds \$	57,250	61,017	64,419	67,704	57,066	47,854	42,738	37,890	35,707	46,963
Residence System Bonds	80,443	43,170	33,005	30,590	32,355	34,040	35,655	36,935	37,960	39,570
Field House Bonds	14,855	19,470	16,815	17,735	18,630	20,190	21,640	30,340	23,325	13,760
Student Union Bonds	8,425	8,915	9,460	9,980	10,480	10,965	11,430	11,885	12,325	12,755
Student Health Center Bonds	2,810	2,975	3,135	3,290	3,440	3,585	3,730	3,875	3,875	-
Total Bonded Debt	163,783	135,547	126,834	129,299	121,971	116,634	115,193	120,925	113,192	113,048
Notes Payable										
City of Cedar Falls	440	455	470	485	500	500	500	500	-	-
Wells Fargo	923	-	-	-	-	-	-	-	-	-
Iowa Finance Authority	1,217	-	-	-	-	-	-	-	-	-
Total Notes Payable	2,580	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	\$ 166,363	137,133	128,736	131,405	124,270	119,816	115,693	121,425	113,192	113,048
Constant Dollar										
Outstanding Debt	\$ 125,557	105,163	101,049	104,042	101,944	101,798	101,574	112,119	108,111	113,048
Outstanding Debt										
per FTE Student (Actual)	\$ 14,620	11,997	11,302	11,795	11,319	11,112	10,547	10,697	9,863	9,453
Constant Dollar Debt										
per FTE Student (Actual)	\$ 11,034	9,200	8,871	9,339	9,285	9,441	9,260	9,877	9,420	9,453

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
2012	80,776	6,493	12.44
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

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
2012	38,512	25,809	12,703	6,116	2.08
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

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	
2012	4,230	2,603	1,627	7,652	1,055	542	1,597	5.81
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

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	
2012	2,410	1,089	1,321	1,961	755	202	957	3.43
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

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	
2012	3,476	3,248	228	1,872	170	112	282	7.45
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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Total Personal Income (expressed in millions)	\$ 126,032	116,152	113,166	112,302	104,651	99,112	95,858	90,289	85,506	83,051
Population (expressed in thousands)	3,062	3,046	3,008	3,003	2,988	2,982	2,966	2,954	2,944	2,937
Per Capita Personal Income (expressed in dollars)	\$ 41,156	38,084	37,623	37,402	35,023	33,236	32,315	30,560	29,043	28,240
Unemployment Percentage	5.3%	6.0%	6.0%	4.1%	3.8%	3.7%	4.6%	4.5%	4.5%	4.0%
Constant Dollar										
Per Capita Personal Income	\$ 31,061	29,206	29,531	29,614	28,731	28,238	28,371	28,218	27,739	28,240
Net UNI Appropriations (expressed in thousands)	\$ 81,728	96,839	100,693	93,758	84,987	82,908	78,405	78,579	82,816	84,830
UNI Appropriations per Capita	\$ 26.69	31.79	33.48	31.22	28.44	27.80	26.43	26.60	28.13	28.88
Constant Dollar										
UNI Appropriations per Capita	\$ 20.14	24.38	26.28	24.72	23.33	23.62	23.21	24.56	26.87	28.88

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 and Company	Machinery Manufacturing
4	Principal Life Insurance Company	Insurance/Finance
5	Tyson Fresh Meats, Inc.	Food Manufacturing
6	Rockwell Collins, Inc.	Equipment Manufacturing
7	Fareway Stores, Inc.	Retail Food
8	Pella Corporation	Wood Products Manufacturing
9	Central Iowa Hospital Corporation	Health Services
10	Maytag Corporation	Appliance Manufacturing

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 Seven Fiscal Years

STAFF POSITIONS (Full Time)

	2011	2010	2009	2008	2007	2006	2005
Executive/Managerial							
Institutional Officials	13	13	15	15	16	15	15
Academic Administrators	46	50	57	53	50	44	47
Professional & Scientific	35	35	40	42	37	35	34
Faculty							
Professor	177	174	176	166	163	165	160
Associate Professor	207	205	202	204	209	209	205
Assistant Professor	123	119	121	127	122	133	143
Instructor	45	48	47	53	51	50	48
Faculty-Term/Renewable Term							
Professor	0	0	1	1	1	1	1
Associate Professor	0	0	0	0	0	0	1
Assistant Professor	3	2	1	2	1	0	0
Instructor	60	39	38	37	38	41	49
Professional/Scientific	603	578	577	570	541	530	523
Secretarial/Clerical							
Merit Supervisory	18	42	42	43	45	46	46
Merit Confidential	16	4	4	5	5	7	9
Merit AFSCME	230	210	226	227	230	229	232
Technical-AFSCME	22	24	27	30	31	31	33
Skilled Crafts-AFSCME							
Merit AFSCME	55	55	56	59	58	64	64
Merit Supervisory	0	0	4	4	4	4	4
Service/Maintenance							
Merit AFSCME	214	219	223	223	218	213	215
Merit Supervisory	27	25	26	29	27	26	22
Total	1,894	1,842	1,883	1,890	1,847	1,843	1,851

Note: Staff counts are as of September. The data starts in 2005 when the new human resources system was implemented.

FACULTY POSITIONS (FTE)

Total Faculty	692.0	710.0	690.0	691.3	711.3	684.3	740.4
Percent Tenured	57.5%	56.0%	56.2%	57.7%	54.1%	56.6%	58.6%
Students per Faculty Member	17.0	16.0	17.0	16.7	16.0	16.5	14.8

University of Northern Iowa
 Schedule 12

ENROLLMENT AND FRESHMAN CLASS DATA

For the Last Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ENROLLMENT (Fall Headcount)										
Undergraduate - Lower	4,713	4,780	4,841	4,865	4,719	4,427	4,433	4,363	4,619	5,112
Undergraduate - Upper	6,695	6,611	6,453	6,182	6,291	6,275	6,519	6,857	7,155	7,170
Graduate - Masters	1,236	1,289	1,300	1,369	1,157	1,113	1,112	1,100	1,173	1,163
Graduate - Advanced	524	521	486	492	442	445	449	504	494	481
Total	13,168	13,201	13,080	12,908	12,609	12,260	12,513	12,824	13,441	13,926
Residents	11,915	11,978	11,896	11,562	11,444	11,129	11,400	11,793	12,356	12,781
Nonresidents	1,253	1,223	1,184	1,346	1,165	1,131	1,113	1,031	1,085	1,145
ENROLLMENT (FTE)										
Full Year FTE	11,379	11,431	11,391	11,141	10,979	10,783	10,969	11,351	11,477	11,959
Fall FTE	11,681	11,681	11,571	11,365	11,107	10,835	11,016	11,006	11,424	11,879
ADMISSIONS (Freshmen)										
Applications	4,322	4,666	4,092	4,133	4,584	4,722	4,585	4,360	4,216	4,350
Accepted	3,350	3,607	3,411	3,505	3,841	3,759	3,572	3,422	3,360	3,518
Acceptance Ratio	77.5%	77.3%	83.4%	84.8%	83.8%	79.6%	77.9%	78.5%	79.7%	80.9%
Enrolled	1,704	1,942	1,978	1,946	2,015	1,991	1,768	1,737	1,700	1,785
Enrollment Ratio	50.9%	53.8%	58.0%	55.5%	52.5%	53.0%	49.5%	50.8%	50.6%	50.7%
Average ACT Score	23.1	23.3	23.1	23.0	22.9	23.0	23.0	22.8	22.9	22.9
Percent in Upper 30% of High School Class	57.2%	56.2%	51.5%	52.3%	50.6%	53.8%	57.5%	56.7%	57.3%	58.4%
Percent in Upper 10% of High School Class	20.0%	18.5%	17.3%	16.9%	16.6%	17.6%	18.2%	19.0%	19.1%	19.2%

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
DEGREES GRANTED (Summary)										
Baccalaureate	2,440	2,198	2,347	2,268	2,221	2,259	2,423	2,669	2,584	2,592
Masters	572	509	561	467	474	471	485	494	434	405
Specialists	10	5	6	6	9	10	7	3	11	9
Doctorates	12	13	20	10	16	8	18	10	10	12
Total	3,034	2,725	2,934	2,751	2,720	2,748	2,933	3,176	3,039	3,018
DEGREES GRANTED (Detail)										
Doctor of Industrial Technology	1	1	2	1	1	-	3	1	2	2
Doctor of Education	11	12	18	9	15	8	15	9	8	10
Specialist in Education	10	5	6	6	9	10	7	3	11	9
Professional Science Master's	17	17	19	19	5	-	-	-	-	-
Master of Arts in Education	121	105	147	99	119	129	103	147	127	114
Master of Arts	284	255	243	204	208	231	237	206	198	215
Master of Business Administration	27	31	40	42	42	35	62	52	21	5
Master of Music	26	10	24	14	22	13	12	19	11	12
Master of Public Policy	11	10	4	10	16	11	5	6	11	8
Master of Science	21	19	15	16	10	10	20	21	13	17
Master of Accounting	25	21	29	36	23	11	19	13	23	7
Master of Social Work	40	41	40	27	29	31	27	30	30	27
Bachelor of Arts Teaching	548	415	500	433	442	453	-	-	-	-
Bachelor of Arts	1,745	1,664	1,701	1,715	1,679	1,695	2,272	2,514	2,463	2,449
Bachelor of Fine Arts	11	6	8	3	8	8	15	9	8	7
Bachelor of Music	22	15	27	22	14	19	19	22	23	24
Bachelor of Science	98	84	84	76	64	64	93	90	74	84
Bachelor of Technology	-	-	-	-	-	-	-	-	-	1
Bachelor of Liberal Studies	16	14	27	19	14	20	24	34	16	27
Total	3,034	2,725	2,934	2,751	2,720	2,748	2,933	3,176	3,039	3,018

University of Northern Iowa
Schedule 14
COST PER FULL TIME EQUIVALENT (FTE) STUDENT
For the Last Ten Years
(Expressed in Thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Educational Fund Expenditures	\$ 149,953	146,885	149,001	156,951	143,263	136,384	132,257	128,373	125,409	122,788
Less Separately Budgeted Expenditures:										
Research	651	506	504	656	628	581	487	499	480	471
Public Service	2,632	3,232	4,798	6,048	1,905	1,616	1,611	2,207	1,834	1,449
Scholarships/Fellowships	13,920	12,745	12,183	10,547	9,845	9,324	9,438	9,415	8,937	8,078
General Educational Fund Instructional Expenditures	\$ 132,750	130,402	131,516	139,700	130,885	124,863	120,721	116,252	114,158	112,790
Cost per FTE Student (Actual)	\$ 11,666	11,408	11,546	12,539	11,921	11,580	11,006	10,242	9,947	9,431
Constant Dollar Cost per FTE Student (Actual)	\$ 8,805	8,748	9,062	9,928	9,780	9,838	9,663	9,457	9,500	9,431

University of Northern Iowa
 Schedule 15

SCHOLARSHIPS & FELLOWSHIPS PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years
 (Expressed in Thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
SCHOLARSHIPS & FELLOWSHIPS										
Unrestricted	\$ 13,920	12,745	12,183	10,541	9,851	9,324	9,438	9,415	8,937	8,078
Restricted	18,034	18,544	15,779	12,397	10,904	9,461	8,774	9,728	10,545	10,539
Total	\$ 31,954	31,289	27,962	22,938	20,755	18,785	18,212	19,143	19,482	18,617

CONSTANT DOLLAR SCHOLARSHIPS & FELLOWSHIPS										
Unrestricted	\$ 10,506	9,774	9,563	8,346	8,081	7,922	8,286	8,693	8,536	8,078
Restricted	13,611	14,221	12,385	9,816	8,945	8,038	7,703	8,982	10,072	10,539
Total	\$ 24,117	23,995	21,948	18,162	17,026	15,960	15,989	17,675	18,608	18,617

SCHOLARSHIPS & FELLOWSHIPS PER FTE STUDENT (Actual)										
Unrestricted	\$ 1,223	1,115	1,070	946	897	865	860	829	779	675
Restricted	1,585	1,622	1,385	1,113	993	877	800	857	919	881
Total	\$ 2,808	2,737	2,455	2,059	1,890	1,742	1,660	1,686	1,698	1,556

CONSTANT DOLLAR SCHOLARSHIPS & FELLOWSHIPS PER FTE STUDENT (Actual)										
Unrestricted	\$ 923	855	840	749	736	735	755	765	744	675
Restricted	1,196	1,244	1,087	881	815	745	702	791	878	881
Total	\$ 2,119	2,099	1,927	1,630	1,551	1,480	1,457	1,556	1,622	1,556

University of Northern Iowa
Schedule 16

**CAPITAL ASSETS BY MAJOR CLASS LESS
ACCUMULATED DEPRECIATION**

For the Last Ten Years

(Expressed in Thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Land	\$ 4,917	4,917	4,917	4,917	4,580	4,305	4,235	4,235	4,235	4,203
Construction in Progress	39,059	16,165	11,354	23,590	13,423	19,461	24,979	34,727	23,534	31,709
Software in Progress	-	8,606	4,576	-	-	-	-	-	-	-
Capital Assets Not Depreciated	<u>43,976</u>	<u>29,688</u>	<u>20,847</u>	<u>28,507</u>	<u>18,003</u>	<u>23,766</u>	<u>29,214</u>	<u>38,962</u>	<u>27,769</u>	<u>35,912</u>
Land Improvements	13,691	13,492	13,056	12,499	12,447	12,250	12,233	12,132	11,132	11,861
Infrastructure	38,098	37,041	36,167	27,523	27,403	27,043	27,040	14,070	13,455	13,456
Buildings	418,008	410,710	391,501	368,086	355,148	326,437	292,846	273,898	263,732	237,998
Equipment	55,340	51,625	48,217	45,193	43,812	41,060	37,655	50,222	48,672	46,902
Intangibles	8,176	-	-	-	-	-	-	-	-	-
Library Materials	35,253	35,125	34,807	34,844	33,969	33,075	32,158	31,165	30,289	28,801
Capital Assets Depreciated	<u>568,566</u>	<u>547,993</u>	<u>523,748</u>	<u>488,145</u>	<u>472,779</u>	<u>439,865</u>	<u>401,932</u>	<u>381,487</u>	<u>367,280</u>	<u>339,018</u>
Total Capital Assets	<u>612,542</u>	<u>577,681</u>	<u>544,595</u>	<u>516,652</u>	<u>490,782</u>	<u>463,631</u>	<u>431,146</u>	<u>420,449</u>	<u>395,049</u>	<u>374,930</u>
Less: Accumulated Depreciation	<u>240,163</u>	<u>225,980</u>	<u>213,060</u>	<u>201,521</u>	<u>190,294</u>	<u>178,466</u>	<u>168,232</u>	<u>169,102</u>	<u>158,890</u>	<u>147,984</u>
Net Book Value	<u>\$ 372,379</u>	<u>351,701</u>	<u>331,535</u>	<u>315,131</u>	<u>300,488</u>	<u>285,165</u>	<u>262,914</u>	<u>251,347</u>	<u>236,159</u>	<u>226,946</u>

ACCUMULATED DEPRECIATION

Land Improvements	\$ 8,554	8,110	7,683	7,264	6,844	6,413	5,992	5,551	5,379	4,999
Infrastructure	11,822	10,901	9,999	9,293	8,605	7,901	7,159	6,712	6,295	5,886
Buildings	153,872	144,359	135,418	126,498	117,918	109,819	102,524	96,216	89,662	83,363
Equipment	35,153	32,462	30,569	29,581	29,326	27,986	27,451	36,807	35,066	32,611
Library Materials	30,762	30,148	29,391	28,885	27,601	26,347	25,106	23,816	22,488	21,125
Total Accumulated Depreciation	<u>\$ 240,163</u>	<u>225,980</u>	<u>213,060</u>	<u>201,521</u>	<u>190,294</u>	<u>178,466</u>	<u>168,232</u>	<u>169,102</u>	<u>158,890</u>	<u>147,984</u>

University of Northern Iowa

Schedule 17

ENROLLMENT PROJECTIONS (Headcount Basis)

For the Next Ten Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Undergraduate - Lower	4,404	4,588	4,624	4,639	4,671	4,721	4,774	4,826	4,879	4,932
Undergraduate - Upper	6,393	6,453	6,652	6,873	7,019	7,100	7,151	7,199	7,246	7,294
Unclassified - Special	141	140	140	140	140	140	140	140	140	140
Graduate	1,477	1,398	1,353	1,327	1,313	1,305	1,300	1,297	1,296	1,295
Total	12,415	12,579	12,769	12,979	13,143	13,266	13,365	13,462	13,561	13,661

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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The following person has been designated to handle inquiries regarding the non-discrimination policies and serves as the University Title IX Officer: Leah Gutknecht, Assistant to the President for Compliance and Equity Management, Office of Compliance and Equity Management, 117 Gilchrist Hall, UNI, Cedar Falls, IA 50614-0028, 319-273-2846, leah.gutknecht@uni.edu.



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