



# University of Northern Iowa

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

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# 2003-2004 Comprehensive Annual Financial Report

For the years ended June 30, 2004 and 2003



**University of  
Northern  
Iowa**

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A public university  
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State of Iowa

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**2003-2004**  
**Comprehensive**  
**Annual**  
**Financial Report**

For the years ended June 30, 2004 and 2003

# Table of Contents

	<b>Page</b>
<b>Introductory</b>	
Letter of Transmittal.....	2-5
Certificate of Achievement.....	6
The Governing Board.....	7
Administrative Organizational Chart.....	8
<b>Financial</b>	
<b>Independent Auditor’s Report</b> .....	10-11
<b>Management’s Discussion and Analysis</b> .....	12-20
<b>Financial Statements</b>	
University Statement of Net Assets.....	22
Foundation Combined Statements of Financial Position.....	23
University Statement of Revenues, Expenses, and Changes in Net Assets.....	24
Foundation Combined Statements of Activities.....	25
University Statement of Cash Flows.....	26-27
Notes to Financial Statements.....	28-55
<b>Statistical</b>	<b>Schedule</b>
<b>Financial</b>	
Revenue per Full Time Equivalent Student.....	1.....59
Cost per Full Time Equivalent Student.....	2.....60
Scholarships & Fellowships per Full Time Equivalent Student.....	3.....61
Cost of Attendance.....	4.....62
Revenue Bond Coverage.....	5.....63-64
<b>Nonfinancial</b>	
Selected Nonfinancial Data.....	6.....65
Degrees Granted.....	7.....66
Enrollment Projections.....	8.....67
<b>Acknowledgements</b> .....	68



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2003-2004

Introductory

Section



December 1, 2004

To President Koob,  
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, 2004. 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.

The report is presented in three sections as follows:

- The **Introductory Section** includes this transmittal letter, the Government Finance Officers Association (GFOA) Certificate of Achievement for the fiscal year 2003 Comprehensive Annual Financial Report, a listing of the governing board, and the University's organizational chart.
- The **Financial Section** includes the independent auditor's report on the Financial Statements, Management's Discussion and Analysis (MD&A), the Financial Statements, and Notes to Financial Statements. This transmittal letter is intended to be read with the MD&A.
- The **Statistical Section** includes selected financial and nonfinancial data. The information is presented for the last ten years to facilitate the interpretation and analysis of trends affecting the financial health of the University. The Higher Education Price Index (HEPI) has been used to convert certain financial data to constant dollars. This conversion eliminates the effect of inflation and facilitates the determination of financial trends.

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.

## **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 128 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 12,824 students and 2,144 employees. Ninety-two percent of the students are from the State of Iowa. Typically, the student body represents every county in Iowa, 48 states, and 75 foreign countries. More than 90 percent of UNI's freshmen rank in the top 50 percent of their high school class, with about 60 percent ranking in the top 30 percent.

The University offers over 100 undergraduate majors, and graduate programs at the Master's, Specialist, and Doctoral levels. Building on its traditional strength in teacher education, the University of Northern Iowa offers nationally recognized programs in its colleges of Business Administration, Humanities and Fine Arts, Education, Natural Sciences, Social and Behavioral Sciences, and Graduate College.

The University is accredited by the North Central Association of Colleges and Universities. 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.

For the year ended June 30, 2004, the University adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the related entity. Based on these criteria, the University has determined that the University of Northern Iowa Foundation is indeed a component unit of the University. Consequently, the financial statements now include the accounts of the Foundation as a discretely presented component unit.

## MAJOR INITIATIVES

Major initiatives of the University of Northern Iowa are guided by the University's strategic plan. The University's strategic plan, "Focused on Excellence," has eight goals:

1. Provide intellectually stimulating and challenging experiences for students that broaden and deepen their perspective and awareness.
2. Support creative and intellectually rigorous teaching and scholarship.
3. Expand the involvement of the University in addressing creative local, state, national, and global needs that also enrich the educational experiences offered by the University.
4. Strengthen a University culture characterized by diversity, collegiality, and mutual respect.
5. Foster a supportive living, learning, and working environment with services and programs that promote individual well being and organizational effectiveness.
6. Enhance the quality, diversity, and number of human resources available to meet the needs of the University.
7. Continue to improve the capital, physical, and informational resources at the University.
8. Establish strong, mutual beneficial relationships with external constituencies.

Progress toward strategic plan goals and objectives is measured through "performance indicators," or quantitative measures against an established baseline for each goal. Periodic updates of this progress are presented to the Board of Regents, State of Iowa.

## FINANCIAL INFORMATION

**Internal Control Structure.** 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 that assets are safeguarded against loss from unauthorized use or disposition, and that 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. 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.

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

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

**Debt Administration.** Revenue bonds were issued in the amount of \$18.1 million during the year. Field House revenue bonds were issued to assist in financing the construction of the McLeod Center. Student Health System revenue bonds were issued to construct an addition to the Student Health Center Building and to renovate the existing Student Health Center building. Academic Building Revenue Refunding Bonds were issued to refund bonds issued in 1993 to take advantage of lower interest rates.

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

## **OTHER INFORMATION**

**Independent Audit.** State law, federal guidelines, and certain bond indentures require that 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 audit annually 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, Chapter 11 of the Code of Iowa 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 structure of 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 the 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 and the Board of Regents, State of Iowa.

**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, 2003. 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 twelfth consecutive year the University of Northern Iowa has received this 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 University Marketing and Public 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 that 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



Thomas G. Schellhardt  
Vice President for Administration  
and Finance



# 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, 2003

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.



President

Executive Director

# **The Governing Board**

## **2003-04**

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

### **Board of Regents, State of Iowa**

#### **Officers of the Board**

John D. Forsyth, President  
Gregory S. Nichols, Executive Director

#### **Members of the Board (As of June 30, 2004)**

	<u>Term Expires</u>
David G. Neil, La Porte City	April 30, 2005
Owen J. Newlin, Des Moines	April 30, 2005
Dr. Deborah A. Turner, Des Moines	April 30, 2005
Dr. Amir I. Arbisser, Davenport	April 30, 2007
Mary Ellen Becker, Oskaloosa	April 30, 2007
Sue Erickson Nieland, Sioux City	April 30, 2007
Robert N. Downer, Iowa City	April 30, 2009
John D. Forsyth, Des Moines	April 30, 2009
Jenny L. Rokes, Cedar Falls	April 30, 2009

#### **Officers of the University (As of June 30, 2004)**

**President of the University**  
Robert D. Koob, B.A., Ph. D.

**Vice President and Provost**  
Aaron M. Podolefsky, B.A., M.A., Ph. D.

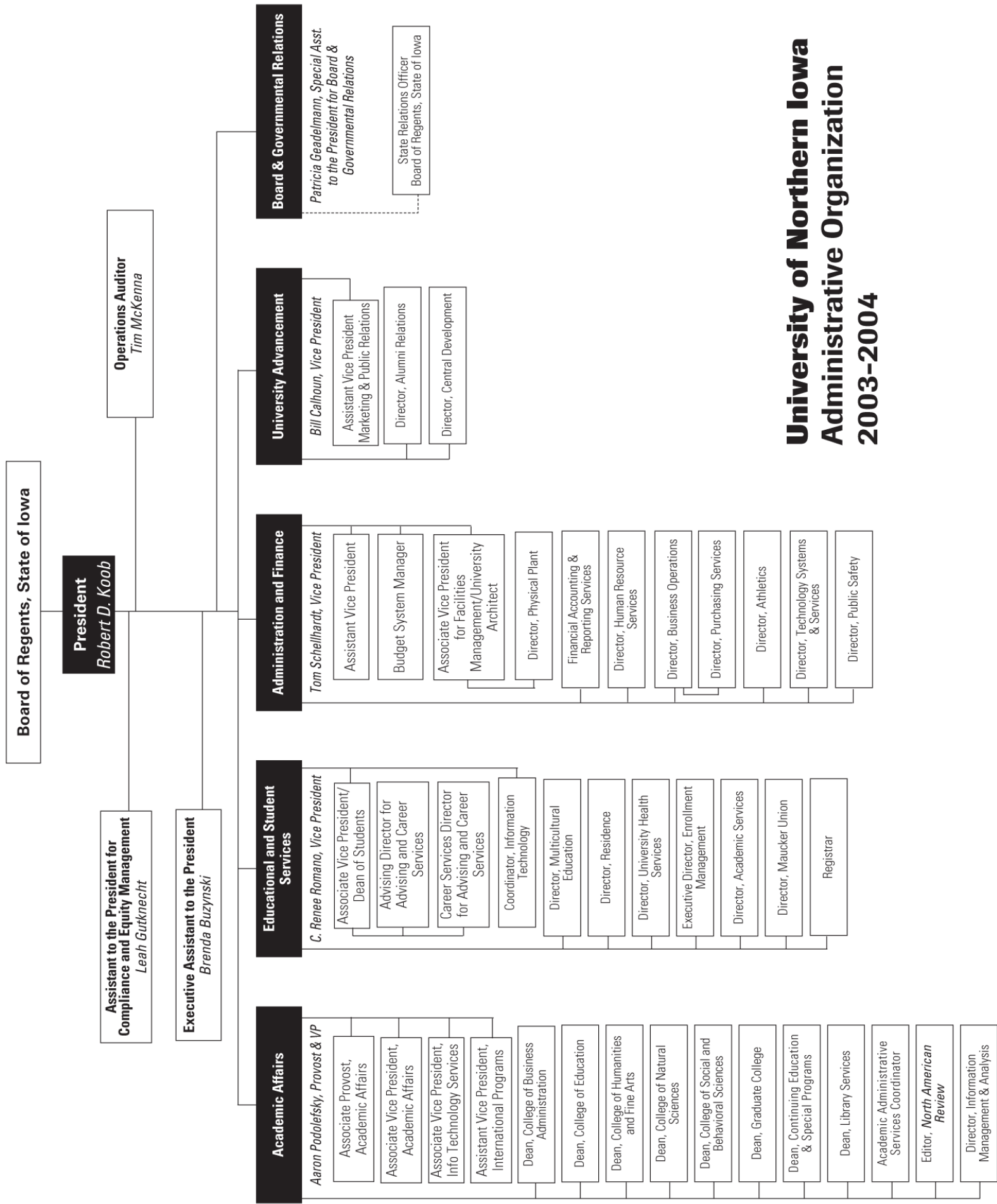
**Vice President for Administration and Finance**  
Thomas G. Schellhardt, B.S., M.S.

**Vice President for Educational and Student Services**  
C. Renee Romano, B.A., M.S. Ed., Ph. D.

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

**Vice President for University Advancement**  
William D. Calhoun, Jr., B.A., M.A.

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



# University of Northern Iowa Administrative Organization 2003-2004



# **University of Northern Iowa**

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A public university  
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Board of Regents,  
State of Iowa

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# 2003-2004

# Financial Section



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

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

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, of the University of Northern Iowa, Cedar Falls, Iowa, and its discretely presented component unit as of and for the years ended June 30, 2004 and 2003. 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 component unit of the University as 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 reports thereon have been furnished to us, and our opinion insofar as it relates to the component unit is based on those reports of the other auditor.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 reports of the other auditor provide a reasonable basis for our opinions.

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, 2004 and 2003, and the changes in its financial position and its cash flows for the years ended June 30, 2004 and 2003, in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audits and the reports 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 at June 30, 2004 and 2003, and the respective changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

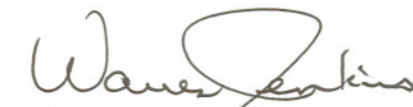
As described in note A to the financial statements, during the year ended June 30, 2004, the University of Northern Iowa adopted Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units.

Management's Discussion and Analysis on pages 12 through 20 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

The 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 grants 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 read in conjunction with this report in considering the results of our audits.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 1, 2004

# UNIVERSITY OF NORTHERN IOWA

## Management's Discussion and Analysis

### Years Ended 2004 and 2003

This section of the University of Northern Iowa comprehensive annual financial report presents management's discussion and analysis of the financial performance of the University for the two years ended June 30, 2004 and 2003. 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. For the first time, we are also presenting financial information about the University of Northern Iowa Foundation (the Foundation), as required by Statement No. 39 of the Governmental Accounting Standards Board. 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.

#### FINANCIAL HIGHLIGHTS

- Fiscal conditions of the State of Iowa did not permit the State to transfer the full operating appropriation that was appropriated by the General Assembly. Due to a revenue shortfall, the Governor reduced appropriations on November 1, 2003. When fiscal conditions improved late in the fiscal year, he reinstated a portion of the reduction.
- State support of capital projects continued to be strong. The Iowa General Assembly granted the Board of Regents, State of Iowa permission to issue Academic Building Revenue Bonds in 2005 and 2007 for renovations. The Regents will sell bonds for Science Buildings Renovation in 2005 and for Russell Hall Renovation in 2007.
- Peak University enrollment was 14,070 in Fall 2001. A series of double-digit tuition increases has caused the University's enrollment to decline to 13,926 in 2002, 13,441 in 2003, and 12,824 in 2004. The overall decline was 1,246 students, a decrease of 8.9 percent.
- The University received permission from the Regents to construct the McLeod Center, a multi-purpose arena to be constructed immediately south of the UNI-Dome. C. H. Johnson Consulting, Inc. issued an opinion the McLeod Center can be financially self-sufficient. The Foundation successfully raised \$17,000,000 for the project. Because a number of the pledges to the Foundation are payable over a period of years, it was necessary to sell revenue bonds for cash flow purposes. Revenue bonds were sold in the amount of \$10,000,000 to assist with financing the construction of the McLeod Center in February 2004. Bids were received for the project in October 2004. When the bids were opened, they were substantially over budget. The Foundation agreed to provide an additional \$2,660,000 to fund the additional cost. Construction began in November 2004, with completion anticipated in Fall 2006.
- Revenue bonds were issued in the amount of \$3,875,000 to renovate and add an addition to the Health Clinic building.
- One series of Academic Building Revenue Bonds was refinanced to take advantage of lower interest rates, saving money for Iowa taxpayers.
- The University continued to prepare for the January 1, 2005 implementation of Oracle human resources and payroll software.
- 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, 2003. The Certificate has been received 12 years in a row.
- The Foundation had a stellar financial year, with the strengthening equity markets resulting in substantial increase in investment income. Investment income increased from \$0.7 million in 2003 to \$8.6 million in 2004. Gift income increased from \$7.6 million in 2003 to \$10.0 million in 2004. Net assets of the Foundation decreased from \$65.1 million to \$61.5 million due to recording the McLeod Center funding contract with the Board of Regents, State of Iowa as a liability on its Statement of Financial Position.
- The Foundation exceeded its \$100 million goal for the "Students First" capital campaign during the year ended June 30, 2004. The campaign will continue through June 2005.

# UNIVERSITY OF NORTHERN IOWA

## Management's Discussion and Analysis Years Ended 2004 and 2003

### 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 non-current 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.

<b>University</b>			
<b>The Statement of Net Assets</b>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$132,224,995	121,665,670	117,351,443
Capital assets	<u>236,158,853</u>	<u>226,945,335</u>	<u>209,106,959</u>
Total assets	<u>368,383,848</u>	<u>348,611,005</u>	<u>326,458,402</u>
Current liabilities	26,119,883	36,464,444	29,808,117
Noncurrent liabilities	<u>123,149,569</u>	<u>115,162,043</u>	<u>114,322,941</u>
Total liabilities	<u>149,269,452</u>	<u>151,626,487</u>	<u>144,131,058</u>
Net assets:			
Invested in capital assets, net of related debt	136,014,735	136,364,186	119,586,289
Restricted	44,346,227	25,186,725	26,295,528
Unrestricted	<u>38,753,434</u>	<u>35,433,607</u>	<u>36,445,527</u>
Total net assets	<u>\$219,114,396</u>	<u>196,984,518</u>	<u>182,327,344</u>

The largest portion of the University's net assets (62.1 percent) is the Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Invested in Capital Assets is liquidated with sources other than capital assets. The restricted portion of the net assets (20.2 percent) includes resources subject to external restrictions. The remaining net assets (17.7 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 by \$15 million from 2002 to 2003 and by \$22 million from 2003 to 2004. Increases in total net assets, then, were 8 percent from 2002 to 2003 and 11 percent from 2003 to 2004.



**UNIVERSITY OF NORTHERN IOWA**  
Management's Discussion and Analysis  
Years Ended 2004 and 2003

<b>Foundation</b>			
<b>The Combined Statements of Financial Position</b>			
	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>
Current assets	\$78,527,541	66,834,975	65,867,411
Noncurrent assets	<u>1,748,588</u>	<u>1,862,621</u>	<u>1,962,974</u>
Total assets	<u>80,276,129</u>	<u>68,697,596</u>	<u>67,830,385</u>
Current liabilities	1,469,007	32,442	245,712
Noncurrent liabilities	<u>17,298,023</u>	<u>3,569,838</u>	<u>3,839,774</u>
Total liabilities	<u>18,767,030</u>	<u>3,602,280</u>	<u>4,085,486</u>
Net assets:			
Unrestricted	6,415,456	4,501,017	4,588,436
Temporarily restricted	26,289,848	34,012,333	34,858,102
Permanently restricted	<u>28,803,795</u>	<u>26,581,966</u>	<u>24,298,361</u>
Total net assets	<u>\$61,509,099</u>	<u>65,095,316</u>	<u>63,744,899</u>

The largest portion of the Foundation's net assets (89.6 percent) is donor restricted. The unrestricted portion of the Foundation's net assets (10.4 percent) includes resources that are free of external restrictions. Unrestricted net assets can be used to meet the Foundations operating obligations as they come due.

Total net assets of the Foundation increased by 1.4 million from 2002 to 2003 and decreased by \$3.6 million from 2003 to 2004. Total liabilities of the Foundation decreased by \$0.5 million from 2002 to 2003 and increased by \$15.2 million from 2003 to 2004. The increase in total liabilities and the decrease in total net assets from 2003 to 2004 were the result of providing a funding contract to the University for \$17,000,000 for the construction of the McLeod Center.

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

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

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

# UNIVERSITY OF NORTHERN IOWA

## Management's Discussion and Analysis Years Ended 2004 and 2003

<b>University</b>			
<b>The Statement of Revenues, Expenses, and</b>			
<b>Changes in Net Assets</b>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Operating revenue:</b>			
Tuition and fees	\$ 49,078,469	42,832,005	37,334,266
Receipts from other entities	991,345	852,445	2,823,088
Grants and contracts	29,123,374	27,838,504	28,149,689
Sales, rents and services	6,821,839	6,518,849	5,350,853
Miscellaneous	2,279,986	2,176,483	811,011
Auxiliary	<u>36,856,387</u>	<u>36,927,912</u>	<u>34,576,672</u>
Total operating revenue	<u>125,151,400</u>	<u>117,146,198</u>	<u>109,045,579</u>
<b>Operating expenses:</b>			
Instruction	64,082,106	62,067,503	58,352,384
Research	2,567,947	2,512,582	2,961,228
Public service	19,978,192	18,381,946	20,394,259
Academic support	19,793,658	20,658,691	20,845,767
Student services	6,130,096	6,067,391	5,914,409
Institutional support	22,827,463	22,716,306	20,211,312
Operation and maintenance of plant	20,471,446	19,716,928	25,292,575
Scholarships and fellowships	6,414,569	6,562,983	5,922,198
Depreciation	12,833,136	12,511,725	12,631,002
Loan cancellations and write-offs	479,003	484,390	790,100
Auxiliary enterprises	<u>36,486,127</u>	<u>34,275,029</u>	<u>33,382,483</u>
Total operating expenses	<u>212,063,743</u>	<u>205,955,474</u>	<u>206,697,717</u>
Operating loss	<u>(86,912,343)</u>	<u>(88,809,276)</u>	<u>(97,652,138)</u>
<b>Nonoperating revenues (expenses)</b>			
State appropriations	79,256,054	83,106,612	85,102,778
Investment income	869,417	2,847,144	1,774,856
Gifts, grants and contracts	2,212,714	1,492,118	2,782,051
Interest expense	(5,179,283)	(5,179,863)	(4,503,738)
Principal demutualization	-	-	12,816,904
Principal demutualization-remitted	-	-	(5,936,000)
Amortization expense	<u>(204,602)</u>	<u>(101,239)</u>	<u>(53,935)</u>
Net nonoperating revenues	<u>76,954,300</u>	<u>82,164,772</u>	<u>91,982,916</u>
Loss before other revenues	(9,958,043)	(6,644,504)	(5,669,222)
State appropriations – capital projects	15,439,528	20,411,720	16,542,463
Capital contributions and grants	15,850,868	945,584	484,788
Other revenue (expense)	<u>797,525</u>	<u>(55,626)</u>	<u>-</u>
Change in net assets	22,129,878	14,657,174	11,358,029
Net assets, beginning of year	<u>196,984,518</u>	<u>182,327,344</u>	<u>170,969,315</u>
Net assets, end of year	<u>\$219,114,396</u>	<u>196,984,518</u>	<u>182,327,344</u>

**UNIVERSITY OF NORTHERN IOWA**  
Management's Discussion and Analysis  
Years Ended 2004 and 2003

The Statement of Revenues, Expenses, and Changes in Net Assets reflects three positive years. Net assets increased by \$14.7 million from 2002 to 2003 and by \$22.1 million from 2003 to 2004.

In fiscal year 2004, operating revenue totaled \$125.2 million in 2004, \$117.1 million in 2003, and \$109.0 million in 2002. The increase from 2002 to 2003 was \$8.1 million and from 2003 to 2004 it was \$8.0 million. Net nonoperating revenue totaled \$77.0 million in 2004, \$82.1 million in 2003, and \$92.0 million in 2002. There was a \$5.2 million decrease from 2003 to 2004 and a \$9.8 million decrease from 2002 to 2003. Changes in operating and nonoperating revenue from 2003 to 2004 follow:

- State appropriations for salaries, support, and maintenance decreased by \$3.9 million, or 4.6 percent, due to cuts in appropriations.
- Tuition and fee income increased \$6.2 million, or 14.6 percent, due to a 19.4 percent increase in undergraduate tuition and mandatory fees approved by the Board of Regents, State of Iowa.
- Grants and contracts revenue increased by \$1.3 million, or 4.6 percent.
- Sales and services of educational activities increased by \$0.3 million, or 4.6 percent.
- State appropriations for capital projects decreased by \$5.0 million, or 24.4 percent.

Operating expenses totaled \$212.0 million in 2004, \$206.0 million in 2003, and \$206.7 million in 2002. Operating expenses that reflect significant changes from 2003 to 2004 follow:

- Travel expense increased by \$0.3 million, or 4.3 percent.
- Expenditures for contractual services decreased by \$0.6 million, or 8.5 percent.
- Expenditures for equipment and repairs increased by \$2.0 million, or 19.9 percent.
- Expenditures for claims and miscellaneous increased by \$0.7 million, or 4.9 percent.

Significant changes in operating expenses by function for 2003 to 2004 follow:

- Instructional expenditures increased by \$2.0 million, or 3.2 percent. The increase was due to salary increases awarded in collective bargaining agreements.
- Public service expenditures increased by \$1.6 million, or 8.7 percent.
- Academic support expenditures decreased by \$0.9 million, or 4.2 percent.
- Operation and maintenance of plant expenditures increased by \$0.8 million, or 3.8 percent.
- Auxiliary enterprise expenditures increased by \$2.2 million, or 6.5 percent.

<b>Foundation</b>			
<b>The Combined Statement of Activities</b>			
	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>
Public support and revenue:			
Gifts and contributions	\$10,028,353	7,632,693	14,223,301
Investment income	8,607,496	684,738	(3,778,443)
Other operating revenues	<u>85,885</u>	<u>111,165</u>	<u>65,843</u>
Total public support and revenue	18,721,734	8,428,596	10,510,701
Expenses	<u>22,307,951</u>	<u>7,078,179</u>	<u>7,573,072</u>
Change in net assets	(3,586,217)	1,350,417	2,937,629
Net assets, beginning of year	<u>65,095,316</u>	<u>63,744,899</u>	<u>60,807,270</u>
Net assets, end of year	<u>\$61,509,099</u>	<u>65,095,316</u>	<u>63,744,899</u>

**UNIVERSITY OF NORTHERN IOWA**  
**Management's Discussion and Analysis**  
**Years Ended 2004 and 2003**

Foundation public support and revenue was \$18.7 million in 2004, \$8.4 million in 2003, and \$10.5 in 2002, a decrease of 19.8 percent from 2002 to 2003 and an increase of 122.1 percent from 2003 to 2004. Investment income was \$8.6 million in 2004, \$0.7 million in 2003, and \$(3.8) million in 2002. The increase from 2003 to 2004 is largely due to the recovery of the equity market. Gifts and contributions were \$10.0 million in 2004, \$7.6 million in 2003, and \$14.2 million in 2002. Operating expenses were \$22.3 million in 2004, \$7.1 million in 2003, and \$7.6 million in 2002.

The Foundation provided revenues to the University in the amount of \$18.1 million in 2004 and \$2.7 million in 2003. The increase is attributed to recording the \$17.0 million dollar funding contract between the Foundation and the Board of Regents, State of Iowa for the construction of the McLeod Center. Contributions restricted for permanent investment in the Foundation's endowment were \$1.7 million in 2004 and \$2.1 million in 2003.

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 users to 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 financing, and investing activities.

<b>University</b>			
<b>The Statement of Cash Flows</b>			
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
Cash provided (used) by:			
Operating activities	\$(76,304,549)	(76,399,911)	(90,718,491)
Noncapital financing activities	81,203,495	81,309,643	93,690,893
Capital and related financing activities	1,935,214	(8,441,396)	11,876,502
Investing activities	<u>(962,176)</u>	<u>159,940</u>	<u>(16,184,020)</u>
Net increase (decrease) in cash and cash equivalents	5,871,984	(3,371,724)	(1,335,116)
Cash and cash equivalents, beginning of year, as restated	<u>3,163,373</u>	<u>6,535,097</u>	<u>7,870,213</u>
Cash and cash equivalents, end of year	<u>\$ 9,035,357</u>	<u>3,163,373</u>	<u>6,535,097</u>

The largest sources of University cash are provided for operating activities. Cash provided for operating activities includes revenues from tuition and fees (\$48.9 million), grants and contracts (\$28.3 million), and auxiliary enterprise receipts (\$36.8 million). The largest uses of cash for operating activities includes payments for salaries and benefits (\$119.7 million), payments for goods and services (\$17.5 million), and auxiliary enterprise payments (\$38.6 million). Cash provided by noncapital financing activities includes state appropriations (\$79.1 million). Cash received from capital and related financing activities represents capital appropriations (\$12.0 million), and the proceeds from the issuance of revenue bonds (\$13.6 million). Cash used by capital and related financing activities includes principal and interest payments on debt (\$2.3 million) and the acquisition of capital assets (\$22.4 million). Cash used by investing activities was \$1.0 million.

Capital Assets

At June 30, 2004, the University had \$236.2 million invested in capital assets, net of accumulated depreciation of \$158.9 million. Depreciation charges totaled \$12.8 million for the 2004 fiscal year. Details for the capital assets net of accumulated depreciation, are shown below.

# UNIVERSITY OF NORTHERN IOWA

## Management's Discussion and Analysis Years Ended 2004 and 2003

<b>University</b>			
<b>Schedule of Capital Assets, Net, at Year-End</b>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Land	\$ 4,235,050	4,202,550	3,935,092
Construction in progress	<u>23,533,538</u>	<u>31,709,157</u>	<u>6,673,417</u>
Capital assets not depreciated	<u>27,768,588</u>	<u>35,911,707</u>	<u>10,608,509</u>
Land improvements	5,752,626	6,861,928	7,138,647
Infrastructure	7,160,512	7,569,406	7,977,456
Buildings	174,070,276	154,634,917	159,642,096
Equipment	13,606,108	14,291,311	15,779,288
Library materials	<u>7,800,743</u>	<u>7,676,066</u>	<u>7,960,963</u>
Capital assets depreciated	<u>208,390,265</u>	<u>191,033,628</u>	<u>198,498,450</u>
Total capital assets	<u>\$236,158,853</u>	<u>226,945,335</u>	<u>209,106,959</u>

State funded capital projects for the fiscal year ended June 30, 2004 and beyond include completion of the McCollum Science Building addition, updating the Steam Distribution System, converting the East Gym into an Innovative Teaching and Technology Center, renovation of science buildings and Russell Hall. Auxiliary Enterprise capital projects include the renovation of Shull Hall, and addition to and renovation of the Student Health Clinic, and construction of the McLeod Center. A Business and Community Services Center will be constructed with grant funds.

The Foundation's capital assets consist of a building and related equipment used for the Early Childhood Education Program. The net carrying value of the building and equipment was \$1.7 million in 2004 and \$1.9 million in 2003.

### **LONG-TERM DEBT**

During the fiscal year ended June 30, 2004, the Board of Regents, State of Iowa, on behalf of the University of Northern Iowa, issued three series of revenue bonds. Field House Revenue Bonds Series 2004 were issued for \$10,000,000 to assist with the construction of the McLeod Center. Student Health System Revenue Bonds Series 2004 were issued for \$3,875,000 to construct an addition to the Student Health Clinic Building and to renovate the Student Health Clinic Building. Also during the year, Academic Building Revenue Refunding Bonds were issued for \$4,225,000 to refund bonds issued in 1993 to take advantage of lower interest rates. Revenue bonds of \$17,955,536 were retired during the year.

Detailed information about the University's long-term debt is presented in Notes O and U of the Notes to Financial Statements.

### **CREDIT RATINGS**

Moody's Investors Service continued its "A2" credit rating of the University. The Standard and Poor's credit rating of the University remains an "A." The highest achievable ratings are "Aaa" and "AAA", respectively. The University's capacity to meet its financial obligations is considered strong based upon these ratings.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic position of the University of Northern Iowa is closely tied to that of the State of Iowa. The University relies heavily on state appropriations. Funding from the State is fundamental to sustaining quality educational services since state appropriations normally provide for base operating dollars, salary increases, and strategic initiatives.

**UNIVERSITY OF NORTHERN IOWA**  
 Management's Discussion and Analysis  
 Years Ended 2004 and 2003

As a result of on-going economic pressures affecting the State, appropriations peaked in fiscal year 2001 at \$91.8 million. Appropriations declined in the three fiscal years that followed and stand at \$78.6 million as of this writing. Operating appropriations, then, have declined a total of \$13.3 million, or 14.4 percent, since the peak in fiscal year 2001. During the same period of time, the State negotiated employee salary increases through the collective bargaining process, but the State did not fund them.

To partially counterbalance declining state appropriations and increasing salaries, the Board of Regents, State of Iowa increased undergraduate tuition and mandatory fees by 19.7 percent for fiscal year 2003, 19.4 percent for fiscal year 2004, and 9.6 percent for fiscal year 2005. The Board of Regents, State of Iowa is committed to holding the tuition and fee increase for undergraduate students for fiscal year 2006 to 4.0 percent provided the Iowa General Assembly appropriates an additional \$40 million dollars to the Regents. As of the 2004-2005 fiscal year, the University of Northern Iowa's resident undergraduate tuition and mandatory fee rate were slightly above and its nonresident rate was under its peer group average.

University enrollment peaked in Fall 2001 at 14,070. Due to large tuition increases, it declined to 13,441 in Fall 2003 and further declined to 12,824 in Fall 2004. The total decline was 1,246 students, or 8.9 percent. A recapitulation of state appropriations to the University, tuition and fee rates, and student headcount follows:

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY2004</u>	<u>FY2005</u>
State Appropriation- Operating	\$91,829,144	\$84,828,889	\$82,815,878	\$78,556,299	\$78,377,656
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Mandatory Tuition and Fees, per Head	\$3,130	\$3,440	\$4,118	\$4,916	\$5,387
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Fall Head Count	13,774	14,070	13,926	13,441	12,824

University officials anticipate the 2004-2005 fiscal year will be much like the 2003-2004 fiscal year. Officials will closely monitor the University operating budget and resize the University to match available resources.

As a result of reductions in state appropriations, the University is placing greater emphasis on fundraising. The UNI Foundation continues its Students First capital campaign. This campaign, with an overall goal of raising \$100 million, seeks to strengthen the University's operating support, build its endowment, and construct needed facilities. Scholarship funding is the major component of the capital campaign.

In spite of recent economic hardships resulting from reductions in state appropriations, the University is in a strong financial position. Like many state-assisted universities, the University faces the following financial challenges:

- Increased reliance on tuition and fees has placed additional reliance on student financial aid.
- Expenses continue to increase.
- Facilities of the University require constant maintenance and upkeep.
- Technology continues to advance rapidly and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- The reduction in funding has slowed the University's progress in meeting the goals established in its Strategic Plan.

Future challenges will be countered with cost containment and revenue initiatives. The University will protect the quality of the academic programs and attempt to counteract the impact of higher tuition and mandatory fees with student financial aid. At the same time, it will strive to achieve a high level of customer service. While it is not possible to predict the ultimate results, management believes the University's financial condition will remain strong.

# **UNIVERSITY OF NORTHERN IOWA**

Management's Discussion and Analysis  
Years Ended 2004 and 2003

## **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, 125 Gilchrist Hall, Cedar Falls, Iowa 50614-0009 or phone 319-273-3576.



# University of Northern Iowa

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

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# 2003-2004

# Financial

# Statements



**UNIVERSITY OF NORTHERN IOWA**  
**Statement of Net Assets**  
**June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents-Notes B and Z	\$ 9,035,357	3,163,373
Investments-Notes B and Z	24,540,588	26,344,758
Deposits with bond paying agents-Note C	46,093	16,575,557
Accounts receivable, net-Note D	4,607,552	2,983,185
Loans receivable, net-Note F	2,335,509	2,244,657
Interest receivable	424,756	636,015
Due from governmental agencies-Note G	16,248,916	11,063,843
Prepaid expenses-Note H	2,731,150	4,153,656
Inventories-Note I	1,092,349	1,487,428
Debt issuance costs-Note U	1,019,836	852,295
Other assets	91,000	91,000
<b>Total Current Assets</b>	<b>62,173,106</b>	<b>69,595,767</b>
Noncurrent Assets		
Investments-Note B	46,984,060	43,048,379
Accounts receivable, net-Note D	13,719,672	-
Loans receivable, net-Note F	9,342,036	8,978,629
Prepaid expenses-Note H	6,121	42,895
Capital assets-Note J	395,049,051	374,929,491
Accumulated depreciation-Note J	(158,890,198)	(147,984,156)
<b>Total Noncurrent Assets</b>	<b>306,210,742</b>	<b>279,015,238</b>
<b>Total Assets</b>	<b>368,383,848</b>	<b>348,611,005</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	7,906,758	10,513,459
Salaries and wages payable-Note K	394,986	435,179
Compensated absences payable-Note L	4,101,446	3,080,914
Unpaid claims-Note T	1,494,338	1,434,521
Deferred revenue-Note H	3,051,215	3,419,984
Accrued interest payable	2,992,343	2,780,022
Long-term debt-Note O	4,862,128	13,795,536
Deposits	1,311,728	924,613
Other current liabilities	4,941	80,216
<b>Total Current Liabilities</b>	<b>26,119,883</b>	<b>36,464,444</b>
Noncurrent Liabilities		
Accounts payable	1,964,719	2,233,327
Compensated absences payable-Note L	2,872,547	3,739,128
Refundable advances on student loans-Note P	9,982,249	9,937,406
Long-term debt-Note O	108,330,054	99,252,182
<b>Total Noncurrent Liabilities</b>	<b>123,149,569</b>	<b>115,162,043</b>
<b>Total Liabilities</b>	<b>149,269,452</b>	<b>151,626,487</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	136,014,735	136,364,186
Restricted		
Nonexpendable		
Scholarships and fellowships	615,895	615,895
Expendable		
Scholarships and fellowships	319,227	416,299
Loans	2,833,939	2,621,274
Capital projects	15,669,752	3,782,274
Debt service	23,683,332	16,831,707
Other	1,224,082	919,276
Unrestricted	38,753,434	35,433,607
<b>Total Net Assets</b>	<b>\$ 219,114,396</b>	<b>196,984,518</b>

The notes are an integral part of the financial statements.

**UNIVERSITY OF NORTHERN IOWA FOUNDATION**  
**Combined Statements of Financial Position**  
**June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,923,559	2,964,991
Investments-Note B	23,563,805	10,540,121
Pledges receivable, net-Note E	4,156,365	5,437,548
Interest receivable	109,357	88,718
Other receivables	16,205	95,696
Prepaid expenses	23,776	12,471
<b>Total Current Assets</b>	29,793,067	19,139,545
Pledges receivable, less current portion-Note E	7,655,402	7,438,832
Long-term investments-Note B	38,843,465	37,774,134
Life insurance cash value	715,746	671,086
Donated assets	1,519,861	1,811,378
Building and equipment, net	1,748,588	1,862,621
<b>Total Assets</b>	\$ 80,276,129	68,697,596
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 167,383	30,893
Pledge payable, current-Note N	1,300,098	-
Deposits held in custody for others	1,526	1,549
<b>Total Current Liabilities</b>	1,469,007	32,442
Pledge payable, less current portion-Note N	13,719,672	-
Annuities and annuity trusts payable	2,901,786	2,791,603
Unitrusts payable	676,565	744,325
Present value of retained life estate	-	33,910
<b>Total Liabilities</b>	18,767,030	3,602,280
Net Assets		
Unrestricted:		
Designated	3,130,080	1,403,941
Plant	1,748,588	1,862,621
Undesignated	1,536,788	1,234,455
<b>Total Unrestricted</b>	6,415,456	4,501,017
Temporarily Restricted	26,289,848	34,012,333
Permanently Restricted	28,803,795	26,581,966
<b>Total Net Assets</b>	61,509,099	65,095,316
<b>Total Liabilities and Net Assets</b>	\$ 80,276,129	68,697,596

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, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition & fees (net of scholarship allowances of \$13,052,007 for 2004, \$12,053,890 for 2003)	\$ 49,078,469	42,832,005
Receipts from other entities	991,345	852,445
Grants and contracts	29,123,374	27,838,504
Sales, rents and services	6,821,839	6,518,849
Miscellaneous	2,279,986	2,176,483
Auxiliary enterprises	36,856,387	36,927,912
<b>Total Operating Revenues</b>	125,151,400	117,146,198
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction	64,082,106	62,067,503
Research	2,567,947	2,512,582
Public service	19,978,192	18,381,946
Academic support	19,793,658	20,658,691
Student services	6,130,096	6,067,391
Institutional support	22,827,463	22,716,306
Operation and maintenance of plant	20,471,446	19,716,928
Scholarships and fellowships	6,414,569	6,562,983
Depreciation	12,833,136	12,511,725
Loan cancellations and write-offs	479,003	484,390
Auxiliary enterprises	36,486,127	34,275,029
<b>Total Operating Expenses</b>	212,063,743	205,955,474
<b>Operating (Loss)</b>	(86,912,343)	(88,809,276)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	79,256,054	83,106,612
Investment income	869,417	2,847,144
Gifts, grants and contracts	2,212,714	1,492,118
Interest expense	(5,179,283)	(5,179,863)
Amortization expense	(107,545)	(101,239)
Miscellaneous expense	(97,057)	-
<b>Net Nonoperating Revenues (Expenses)</b>	76,954,300	82,164,772
<b>(Loss) Before Other Revenues</b>	(9,958,043)	(6,644,504)
<b>OTHER REVENUES</b>		
Capital appropriations	15,439,528	20,411,720
Capital contributions and grants	15,850,868	945,584
Other revenue (expense)	797,525	(55,626)
<b>Total Other Revenues</b>	32,087,921	21,301,678
<b>Change in Net Assets</b>	22,129,878	14,657,174
<b>NET ASSETS</b>		
<b>Net assets, beginning of year</b>	196,984,518	182,327,344
<b>Net assets, end of year</b>	\$ 219,114,396	196,984,518

The notes are an integral part of the financial statements.

**UNIVERSITY OF NORTHERN IOWA FOUNDATION**  
**Combined Statements of Activities**  
**Years Ended June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>Public Support, Revenues and Reclassifications</b>		
Contributions:		
Cash and cash equivalents	\$ 8,188,089	6,745,083
Property	176,415	271,227
Annuities, unitrusts and annuity trusts	312,657	331,198
Grants	1,351,192	285,185
Investment income	8,607,496	684,738
Miscellaneous income	85,885	111,165
<b>Total Public Support, Revenue     and Reclassifications</b>	<b>18,721,734</b>	<b>8,428,596</b>
<b>Expenses and Adjustments</b>		
Program:		
Scholarships	1,894,749	2,039,455
Designated projects	18,042,239	2,804,550
Administrative	797,808	747,153
Fundraising	1,122,612	1,143,988
Bad debt adjustments	(102,310)	(40,715)
Depreciation	121,364	118,996
Annuities payable actuarial liability adjustment	466,780	376,869
Unitrusts payable actuarial liability adjustment	(1,381)	(99,876)
Retained life estate present value adjustment	(33,910)	(12,241)
<b>Total Expenses and Adjustments</b>	<b>22,307,951</b>	<b>7,078,179</b>
<b>Change in Net Assets</b>	<b>(3,586,217)</b>	<b>1,350,417</b>
<b>Net Assets, beginning of year</b>	<b>65,095,316</b>	<b>63,744,899</b>
<b>Net Assets, end of year</b>	<b>\$ 61,509,099</b>	<b>65,095,316</b>

The notes are an integral part of the financial statements.

**UNIVERSITY OF NORTHERN IOWA**  
**Statement of Cash Flows**  
**Years Ended June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 48,866,270	43,140,187
Grants and contracts receipts	28,270,022	28,796,456
Collections of loans from students	3,577,690	3,172,484
Auxiliary enterprise receipts	36,768,246	37,452,330
Payments for salaries and benefits	(119,689,705)	(115,981,441)
Payments for goods and services	(17,517,284)	(17,023,600)
Scholarships	(6,053,779)	(6,264,074)
Loans issued to students	(4,031,949)	(4,700,091)
Auxiliary enterprise payments	(38,619,799)	(36,683,292)
Other operating receipts (payments)	(7,874,261)	(8,308,870)
<b>Net Cash Used by Operating Activities</b>	<b>(76,304,549)</b>	<b>(76,399,911)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
State appropriations	79,077,411	83,019,303
William D. Ford direct lending and plus loans receipts	54,241,090	49,060,797
William D. Ford direct lending and plus loans made	(54,350,312)	(50,055,968)
Agency receipts	10,427,902	10,821,536
Agency payments	(10,076,573)	(12,252,000)
Non-capital gifts	1,883,977	715,975
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>81,203,495</b>	<b>81,309,643</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations received	11,967,894	21,918,090
Capital gifts and grants received	832,050	983,549
Acquisition of capital assets	(22,392,971)	(30,801,445)
Proceeds from sale of capital assets	39,480	1,725
Principal paid on capital debt	(45,925)	(18,373,635)
Interest paid on capital debt	(2,217,299)	(4,580,766)
Proceeds from capital debt	13,575,830	27,210,000
Other capital and related financing receipts (payments)	176,155	(4,798,914)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>1,935,214</b>	<b>(8,441,396)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends on investments	1,668,404	2,246,469
Proceeds from sale and maturities of investments	52,333,492	77,186,062
Purchase of investments	(54,964,072)	(79,272,591)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(962,176)</b>	<b>159,940</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>5,871,984</b>	<b>(3,371,724)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,163,373</b>	<b>6,535,097</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 9,035,357</b>	<b>3,163,373</b>

**UNIVERSITY OF NORTHERN IOWA**  
**Statement of Cash Flows**  
**Years Ended June 30, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (86,912,343)	(88,809,276)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	12,833,136	12,511,725
Increase in compensated absences	257,040	289,880
(Increase) in accounts receivable	(334,347)	417,550
(Increase) in loans receivable	(454,259)	(1,527,607)
(Increase) in due from governmental agencies	(993,272)	636,680
Decrease in inventories	395,079	696,445
Decrease in prepaid expenses	329,918	(2,098,181)
(Increase) in other assets	(66,457)	(14,194)
(Decrease) in accounts payable	(1,045,826)	525,078
(Decrease) in deferred revenue	(368,769)	830,912
Increase in other liabilities	55,551	141,077
	<u>\$ (76,304,549)</u>	<u>(76,399,911)</u>
<b>Net Cash Used By Operating Activities</b>		

**Noncash Capital, Financing and Investing Activities:**

Equipment with a fair market value of \$116,550 was donated to the University during 2004.

Musical instruments with a fair market value of \$9,300 were donated to the University during 2003.

\$4,190,000 of capital debt was refinanced with the issuance of the \$4,225,000 Academic Building Revenue Refunding Bonds, Series UNI 2003A.

Bond issuance costs of \$171,113 deducted from the bond proceeds were capitalized and will be amortized over the debt repayment period.

A net unrealized loss decreased the fair market value of the University's investments \$436,132 in 2004.

A net unrealized gain increased the fair market value of the University's investments \$772,298 in 2003.

The notes are an integral part of the financial statements.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004

**Note A – Organization and Summary of Significant Accounting Policies**

**Organization and Basis of Presentation**

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

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

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

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

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

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

**Restricted:**

**Nonexpendable** – Net assets subject to externally imposed stipulations that they be 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, 2004

**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 has been 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.

**Blended Component Unit**

The University's only blended component unit is The Friends of KHKE/KUNI, an Iowa non-profit corporation governed by a self-appointed 18-member board. The Friends of KHKE/KUNI is included in the University's financial statements because of the significance of the operational and financial relationship with the University. A copy of Friends' financial statements may be obtained by contacting the Broadcasting Services department at the University of Northern Iowa.

**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 available to the University in support of its programs. Although the University does not control the Foundation or the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests 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 Corporations 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 that are not controlled by the University, such as the UNI Alumni Association, are not included in the University's financial statements.



**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

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

**Encumbrances**

The University utilizes encumbrance accounting for budgetary compliance purposes. Each June 30<sup>th</sup>, the University is required to expend or encumber any cash balances remaining from the appropriations it receives for operating purposes, reverting any unencumbered funds. According to Section 8.33 of the Code of Iowa, the University is permitted to carry encumbrances for specialized equipment and building repairs forward to the next fiscal year. The cash balance of \$645,622 was fully committed with purchase orders and contracts, including items recognized as accounts payable totaling \$7,143.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid 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 acquired and classified as gift revenue are recorded at fair market value or appraised value as of the date of the gift.

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 2004 and 2003, the amount of income allocated from the Treasurer's Temporary Investment Pool was \$315,807 and \$1,812,782, respectively.

**Investments (Foundation)**

The Foundation has adopted SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, to present more fairly the realizability of its assets. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the combined statements of financial position. Unrealized gains and losses are included in the change in net assets.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS** (continued)  
June 30, 2004

**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.

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

The following thresholds are used to define capital assets:

Infrastructure	\$10,000
Land, Buildings, and Improvements	\$25,000
Equipment	\$ 2,000

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.

**Deferred Revenue**

Deferred revenue consists of revenue received in advance of an event, such as student tuition 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.

**Endowment Appreciation**

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

Distributions are made from the endowments to the entities that 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.

**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. Revenues and expenditures for the summer sessions are recorded in the appropriate fiscal year. Designated tuition and mandatory student fees are allocated based on the load study distributions supplied by the University Registrar. Residence System revenues and expenditures for the noted summer sessions are also recorded in the appropriate fiscal year.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

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

**Inventories**

Inventories, consisting mainly of supplies and merchandise, 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 on 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 Activities include state appropriations, gifts, and investment income.

**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 for fiscal year 2003 were reclassified at June 30, 2004 to conform to current year reporting requirements. During fiscal year 2003, certain cash and cash equivalents were included in investments of the University of Northern Iowa.

**Note B – Cash Deposits and Investments**

(1) Cash and deposits with bond paying agents:

The deposits of the University, except for a small amount from its component unit, 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 amount and bank balances at June 30, 2004, were \$9,035,357 and \$13,115,109, respectively. Of the \$13,115,109 bank balance, \$24,849 was uninsured or uncollateralized. The carrying amount includes cash-on-hand of \$104,830.

Deposits with bond paying agents consist of carrying values and bank balances of \$46,093 on deposit with the trust department of the Bank of New York. The bond paying agent cash at the Bank of New York is fully insured.

The deposits with the Bank of New York were covered by federal depository insurance.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note B – Cash Deposits and Investments (continued)**

(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, commercial paper, repurchase agreements, investments authorized for the Iowa Public Employees Retirement System in Section 97B.7 of the Code of Iowa, an open-end management investment company organized in trust form registered with the S.E.C. under the Investment Company Act of 1940, and the Common Fund for Non-Profit Corporations. The University's endowment portfolio may be invested in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock. The University's endowments are pooled with the State University of Iowa's endowments to achieve economies of scale.

The University's investments at June 30, 2004 are categorized below by credit risk. As defined by GASB Statement No. 3, the three types of credit risk are:

Category 1 -Insured or registered securities, with securities held by the University or its agent in the University's name.

Category 2 -Uninsured and unregistered securities, with securities held by the counterparty's trust department or agent in the University's name.

Category 3 -Uninsured and unregistered securities, with securities held by the counterparty or by its trust department or agent, but not in the University's name.

	Category		Fair Value	
	1	2	2004	2003
U.S. Government Securities	\$ 10,215,987	10,122,534	\$ 20,338,521	22,586,997
U.S. Government Agency Securities	12,012,055	16,862,116	28,874,171	27,653,976
Common Stock	1,075,083	-	1,075,083	904,805
Municipal Bonds	79,299	-	79,299	25,168
Asset Backed Securities	4,897,694	-	4,897,694	3,801,747
Certificates of Deposit	1,180,288	-	1,180,288	1,161,667
Corporate Notes and Bonds	92,197	4,815,443	4,907,640	3,589,058
	<u>\$ 29,552,603</u>	<u>31,800,093</u>	<u>61,352,696</u>	<u>59,723,418</u>
Endowment Funds at State University of Iowa			<u>10,171,952</u>	<u>9,669,719</u>
Total Investments			<u>\$ 71,524,648</u>	<u>69,393,137</u>

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note B – Cash Deposits and Investments (continued)**

Investments are managed by the Foundation Treasurer and external managers in accordance with Board policy. They are stated at fair value as of June 30 each year. A summary of the securities held at June 30, 2004 and 2003 follows:

	<u>Fair Value</u>	
	<u>2004</u>	<u>2003</u>
Current Investments:		
Annuity Funds	\$ 6,183,799	3,668,256
Certificates of Deposit	551,125	438,737
U.S. Government Securities	3,675,060	348,282
Corporate Notes	6,214,146	5,983,540
Annuity Contracts	146,534	101,306
Equities	<u>6,793,141</u>	<u>-</u>
Total Current Investments	<u>23,563,805</u>	<u>10,540,121</u>
Long-term Investments:		
Limited Partnerships	407,465	481,838
Equities	<u>38,436,000</u>	<u>37,292,296</u>
Total Long-Term Investments	<u>38,843,465</u>	<u>37,774,134</u>
Total Investments	<u>\$ 62,407,270</u>	<u>48,314,255</u>

**Note C – Deposits with Bond Paying Agents**

As of June 30, 2004 and June 30, 2003, cash and investments were on deposit with various paying agents for the purpose of paying current obligations on bond principal and interest as follows:

	<u>2004</u>	<u>2003</u>
Academic Building revenue bonding authority:		
Bond principal payable	\$ -	11,290,536
Bond interest payable	<u>-</u>	<u>1,201,118</u>
	<u>-</u>	<u>12,491,654</u>
Residence System:		
Bond principal payable	-	1,395,000
Bond interest payable	-	961,088
Unredeemed bonds from prior periods	30,000	245,000
Unredeemed interest coupons from prior periods	<u>16,093</u>	<u>18,577</u>
	<u>46,093</u>	<u>2,619,665</u>
Field House:		
Bond principal payable	-	435,000
Bond interest payable	<u>-</u>	<u>321,334</u>
	<u>-</u>	<u>756,334</u>
Student Union:		
Bond principal payable	-	430,000
Bond interest payable	<u>-</u>	<u>277,904</u>
	<u>-</u>	<u>707,904</u>
Total	<u>\$ 46,093</u>	<u>16,575,557</u>

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note D – Accounts Receivable**

Accounts receivable is summarized as follows:

	<u>2004</u>	<u>2003</u>
Student accounts	\$ 1,722,393	2,324,556
University of Northern Iowa Foundation	15,019,770	-
Sponsoring agencies	341,162	777,675
Other	<u>1,724,456</u>	<u>294,906</u>
	18,807,781	3,397,137
Less allowance for doubtful accounts	<u>(480,557)</u>	<u>(413,952)</u>
Total	<u>\$ 18,327,224</u>	<u>2,983,185</u>

**Note E – 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 expected to be realized in the following periods:

	<u>2004</u>	<u>2003</u>
In one year or less	\$ 4,315,214	5,693,377
Between one year and five years	7,303,743	6,610,346
More than five years	<u>1,469,091</u>	<u>1,758,705</u>
	13,088,048	14,062,428
Less discounts to net present value	<u>(676,190)</u>	<u>(483,647)</u>
Less allowance for uncollectible pledges	<u>(600,091)</u>	<u>(702,401)</u>
Total	<u>\$ 11,811,767</u>	<u>12,876,380</u>

Pledges receivable at June 30, 2004 and 2003 have the following restrictions:

	<u>2004</u>	<u>2003</u>
Operations	\$ 340,309	321,068
Scholarships	138,898	339,867
Departmental programs	1,562,978	1,709,201
Grants	577,555	20,714
Special purpose	-	237
Endowments	1,111,245	1,560,606
Functioning as endowments	48,502	260,633
Plant	<u>8,032,280</u>	<u>8,664,054</u>
Total	<u>\$ 11,811,767</u>	<u>12,876,380</u>

**Note F – Loans Receivable**

Loans receivable is summarized as follows:

	<u>2004</u>	<u>2003</u>
Student loans:		
Federal loan programs	\$ 12,136,126	11,518,006
University loan funds	<u>133,639</u>	<u>145,279</u>
	12,269,765	11,663,285
Less allowance for uncollectible loans	<u>(592,220)</u>	<u>(439,999)</u>
Total	<u>\$ 11,677,545</u>	<u>11,223,286</u>

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.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note G – Due From Governmental Agencies**

Due from Governmental Agencies is summarized as follows:

	<u>2004</u>	<u>2003</u>
Federal Government	\$ 6,038,651	4,912,874
State Government	9,970,899	6,097,500
Local Government	239,366	49,552
Other	<u>-</u>	<u>3,917</u>
Total	<u>\$16,248,916</u>	<u>11,063,843</u>

**Note H – Prepaid Expense/Deferred Revenue**

Prepaid expenses at June 30, 2004 and 2003 totaled \$2,737,271 and \$4,196,551, respectively, and deferred revenue at June 30, 2004 and 2003 totaled \$3,051,215 and \$3,419,984, respectively. The summer session portion for deferred tuition and fees for 2004 and 2003 was \$802,655 and \$939,419, respectively. Season ticket sales for the Gallagher Bluedorn Performing Arts Center Artist Series begin in the Spring for the following year. Deferred ticket sale revenues were \$476,167 and \$592,540 at June 30, 2004 and 2003, respectively.

**Note I – Inventories**

Inventories at June 30, 2004 and 2003, consisting mainly of supplies and merchandise, primarily valued at lower of cost or market (first in, first out) had values of \$1,092,349 and \$1,487,428 respectively.

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**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS** (continued)  
June 30, 2004

**Note J – Capital Assets**

Capital assets activity for the year ended June 30, 2004 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	\$ 4,202,550	32,500	-	4,235,050	-	4,235,050
Construction in Progress	<u>31,709,157</u>	<u>12,836,140</u>	<u>(21,011,759)</u>	<u>23,533,538</u>	<u>-</u>	<u>23,533,538</u>
Capital Assets Not Depreciated	<u>35,911,707</u>	<u>12,868,640</u>	<u>(21,011,759)</u>	<u>27,768,588</u>	<u>-</u>	<u>27,768,588</u>
Land Improvements	11,861,046	28,844	(758,164)	11,131,726	(5,379,100)	5,752,626
Infrastructure	13,455,549	-	-	13,455,549	(6,295,037)	7,160,512
Buildings	237,998,095	25,734,085	-	263,732,180	(89,661,904)	174,070,276
Equipment	46,901,816	3,611,025	(1,840,417)	48,672,424	(35,066,316)	13,606,108
Library Materials	<u>28,801,278</u>	<u>1,638,620</u>	<u>(151,314)</u>	<u>30,288,584</u>	<u>(22,487,841)</u>	<u>7,800,743</u>
Capital Assets Depreciated	<u>339,017,784</u>	<u>31,012,574</u>	<u>(2,749,895)</u>	<u>367,280,463</u>	<u>(158,890,198)</u>	<u>208,390,265</u>
Total Capital Assets	<u>\$374,929,491</u>	<u>43,881,214</u>	<u>(23,761,654)</u>	<u>395,049,051</u>	<u>(158,890,198)</u>	<u>236,158,853</u>

Depreciation activity for the year ended June 30, 2004 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 4,999,118	379,982	-	5,379,100
Infrastructure	5,886,143	408,894	-	6,295,037
Buildings	83,363,178	6,298,726	-	89,661,904
Equipment	32,610,505	4,231,591	(1,775,780)	35,066,316
Library Materials	<u>21,125,212</u>	<u>1,513,943</u>	<u>(151,314)</u>	<u>22,487,841</u>
Total	<u>\$147,984,156</u>	<u>12,833,136</u>	<u>(1,927,094)</u>	<u>158,890,198</u>



**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS** (continued)  
June 30, 2004

**Note J – Capital Assets** (continued)

Capital assets activity for the year ended June 30, 2003 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	\$ 3,935,092	267,458	-	4,202,550	-	4,202,550
Construction in Progress	<u>6,673,417</u>	<u>25,505,344</u>	<u>(469,604)</u>	<u>31,709,157</u>	<u>-</u>	<u>31,709,157</u>
Capital Assets Not Depreciated	<u>10,608,509</u>	<u>25,772,802</u>	<u>(469,604)</u>	<u>35,911,707</u>	<u>-</u>	<u>35,911,707</u>
Land Improvements	11,745,391	115,655	-	11,861,046	(4,999,118)	6,861,928
Infrastructure	13,455,549	-	-	13,455,549	(5,886,143)	7,569,406
Buildings	237,278,476	719,619	-	237,998,095	(83,363,178)	154,634,917
Equipment	45,163,292	3,016,985	(1,278,461)	46,901,816	(32,610,505)	14,291,311
Library Materials	<u>27,651,125</u>	<u>1,240,640</u>	<u>(90,487)</u>	<u>28,801,278</u>	<u>(21,125,212)</u>	<u>7,676,066</u>
Capital Assets Depreciated	<u>335,293,833</u>	<u>5,092,899</u>	<u>(1,368,948)</u>	<u>339,017,784</u>	<u>(147,984,156)</u>	<u>191,033,628</u>
Total Capital Assets	<u>\$345,902,342</u>	<u>30,865,701</u>	<u>(1,838,552)</u>	<u>374,929,491</u>	<u>(147,984,156)</u>	<u>226,945,335</u>

Depreciation activity for the year ended June 30, 2003 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land Improvements	\$ 4,606,744	392,374	-	4,999,118
Infrastructure	5,478,093	408,050	-	5,886,143
Buildings	77,636,380	5,726,798	-	83,363,178
Equipment	29,384,004	4,458,967	(1,232,466)	32,610,505
Library Materials	<u>19,690,162</u>	<u>1,525,536</u>	<u>(90,486)</u>	<u>21,125,212</u>
Total	<u>\$136,795,383</u>	<u>12,511,725</u>	<u>(1,322,952)</u>	<u>147,984,156</u>

**Note K – Salaries and Wages Payable**

All university employees are paid the last working day of each month. Certain bargaining unit employees and student employees submit time sheets verifying hours worked up to the middle of the month. For these employees, accrued salaries and wages payable at June 30, 2004 and 2003 were \$394,986 and \$435,179, respectively.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note L – 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 employees' 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 fiscal years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Amount of accrued compensated absences at beginning of year	\$ 6,820,042	6,497,383
Claims incurred and liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	5,923,387	4,953,410
Payments on claims during the fiscal year	<u>(5,769,436)</u>	<u>(4,630,751)</u>
Amount of accrued compensated absences at end of year	<u>\$ 6,973,993</u>	<u>6,820,042</u>

The accumulated vacation and sick leave estimated to be paid from the year-end balance during the next twelve months for fiscal years 2004 and 2003 is \$4,101,446 and \$3,080,914, respectively

**Note M – Retirement Programs**

**Teachers Insurance and Annuity Association** - The University of Northern Iowa contributes to the Teachers Insurance and Annuity Association (TIAA) retirement program, a defined contribution plan administered by TIAA. The 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 Board 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 contributes 3 1/3% of the first \$4,800 of earnings and 5% on the balance of earnings through the fifth year of employment. Likewise, the University is required to contribute 6 2/3% of the first \$4,800 of earnings and 10% on earnings above the \$4,800 through the fifth year of employment. Upon completion of five years of service, the participant contributes 5% and the University 10% on all earnings. During fiscal years 2004 and 2003, the University's required and actual contributions amounted to \$9,129,734 and \$8,922,395, respectively. Employees' required and actual contributions amounted to \$4,680,161 and \$4,609,297 for the same two fiscal periods.

**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.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note M – Retirement Programs (continued)**

Plan members are required to contribute 3.7% of their annual covered salary and the University is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by State statute.

The University's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$310,463, \$309,095, and \$299,673, respectively, equal to the annual required contributions.

**Note N – 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, 2004, \$1,057,875 of the \$17,000,000 had been paid to the University.

The unconditional promise to pay is included on the Foundation's combined financial statements as a pledge payable and expense. The remaining payments are scheduled as follows:

	<u>2004</u>	<u>2003</u>
In one year or less	\$ 1,300,098	-
Between one year and five years	12,587,008	-
More than five years	<u>2,055,019</u>	<u>-</u>
	15,942,125	-
Less discounts to net present value	<u>(922,355)</u>	<u>-</u>
Total	<u>\$15,019,770</u>	<u>-</u>

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**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note O – Long-Term Debt**

Long-Term Debt consists of:

	<u>Interest</u> <u>Rates %</u>	<u>Maturity</u> <u>Date</u>	<u>Current</u> <u>Portion</u>	<u>Long-Term</u> <u>Portion</u>	<u>2004</u> <u>Total</u>	<u>2003</u> <u>Total</u>
Academic Bldg. Revenue Bonds:						
Series 1992	5.40 – 6.90	2015	\$ 190,000	-	190,000	3,480,000
Series 1992-Refunding	4.20 – 5.50	2003	-	-	-	465,000
Series 1993	4.15 – 5.65	2015	360,000	-	360,000	5,940,000
Series 1993-Refunding	4.00 – 5.50	2012	-	-	-	4,605,000
Series 1994-Refunding	4.50 – 6.00	2015	110,000	1,620,000	1,730,000	1,800,000
Series 1994	5.00 – 8.25	2015	932,128	4,270,054	5,202,182	5,807,718
Series 1995	5.75 – 7.25	2020	100,000	5,360,000	5,460,000	5,610,000
Series 1996-Refunding	4.55 – 6.00	2013	495,000	4,955,000	5,450,000	5,900,000
Series 2002-Refunding	4.00 – 5.50	2015	300,000	4,325,000	4,625,000	4,890,000
Series 2003-Refunding	3.00 – 3.80	2015	-	8,465,000	8,465,000	8,465,000
Series 2003A-Refunding	2.00 – 3.40	2012	440,000	3,785,000	4,225,000	-
Residence System Bonds:						
Series 1964	3.00 – 5.00	2004	-	-	-	80,000
Series 1967-C	3.75 – 5.00	2004	30,000	-	30,000	165,000
Series 1999	4.05 – 5.55	2020	245,000	6,085,000	6,330,000	6,565,000
Series 2000	5.00 – 6.50	2021	50,000	13,940,000	13,990,000	14,015,000
Series 2002-Refunding	3.00 – 4.50	2018	720,000	7,680,000	8,400,000	9,535,000
Series 2003	3.50 – 4.75	2023	-	9,210,000	9,210,000	9,210,000
Field House Bonds:						
Series 1997	3.90 – 5.15	2022	250,000	7,645,000	7,895,000	8,135,000
Series 2001	3.75 – 4.75	2022	200,000	5,230,000	5,430,000	5,625,000
Series 2004	2.50 – 4.40	2024	-	10,000,000	10,000,000	-
Student Union Bonds:						
Series 2002	1.80 – 5.00	2022	440,000	11,885,000	12,325,000	12,755,000
Student Health Bonds:						
Series 2004	3.00 – 4.40	2024	-	3,875,000	3,875,000	-
Total Bonds Payable			<u>\$ 4,862,128</u>	<u>108,330,054</u>	<u>113,192,182</u>	<u>113,047,718</u>

The above bonds were issued for the following purposes:

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

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

Field House System Revenue Bonds were issued in 1997 for the replacement of the air-supported fabric roof with a self-supported roof. In 2002, additional bonds were issued to make repairs to the roof and the structure of the building. Bonds were issued in 2004 for the construction of the McLeod Center.

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.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note O – Long-Term Debt (continued)**

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

The actual coverage for the Maucker Union Revenue Bonds of 1.05 was less than the required legal coverage of 1.20 for the year ended June 30, 2004. The University is in the process of seeking Board of Regents, State of Iowa approval to increase student activity fee rates.

The bonds mature as follows:

Year Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 4,862,128	5,280,198	10,142,326
2006	6,062,306	4,967,555	11,029,861
2007	6,563,621	4,721,633	11,285,254
2008	6,568,066	4,347,213	10,915,279
2009	6,222,302	4,714,793	10,937,095
2010-2014	33,545,897	17,860,700	51,406,597
2015-2019	28,612,862	10,315,243	38,928,105
2020-2024	19,905,000	2,179,966	22,084,966
Thereafter	850,000	18,700	868,700
Total	<u>\$113,192,182</u>	<u>54,406,001</u>	<u>167,598,183</u>

The changes in Bonds Payable for fiscal years 2004 and 2003 are detailed below:

	<u>2004</u>	<u>2003</u>
Bonds payable beginning of year	\$113,047,718	104,211,353
Bonds retired during the fiscal year	(17,955,536)	(18,373,635)
Bonds issued during the fiscal year	<u>18,100,000</u>	<u>27,210,000</u>
Bonds payable at end of year	<u>\$113,192,182</u>	<u>113,047,718</u>

**Note P – Refundable Advances on Student Loans**

The Perkins Federal Loan program requires a return of Federal Capital Contribution if the United States Government terminates the program. The accumulated Federal Capital Contribution received by the University of Northern Iowa over the lifetime of the Perkins Loan program is \$9,982,249 and \$9,937,406 at June 30, 2004 and 2003, respectively.

**Note Q – Subsequent Events**

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 will transfer \$500,000 received from the Black Hawk County Solid Waste Management Commission 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 installments of \$15,000 per year for twenty years. The loan is interest-free. The University agreed to transfer to the City \$15,000 of its annual rebate from the Black Hawk County Solid Waste Management Commission to make the required payments. The City and the University simultaneously executed a Joint Use 28E Agreement

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note Q – Subsequent Events (continued)**

permitting City use of University facilities, which may include the Wellness and Recreation Center Complex and outdoor athletic field.

On October 29, 2004, an agreement was signed between the Board of Regents, State of Iowa and the University of Northern Iowa Foundation. In the agreement, the Foundation agreed to transfer \$2,660,000 of gift income to the University to assist with the construction of the McLeod Center according to the following schedule: April 25, 2006, \$1,000,000; May 25, 2006, \$1,000,000; and June 25, 2006, \$660,000. This agreement is in addition to the \$17,000,000 gift funding agreement that was signed on February 27, 2004.

In August 2002, Northern University High School applied for a fitness equipment grant from the National School Fitness Foundation, which was awarded in the amount of \$155,787. The grant obligated the NSFF to disburse funds to the University over a thirty-six month time period. On June 1, 2004, NSFF filed for Chapter 11 Bankruptcy in the United States Bankruptcy Court, District of Utah, leaving an unpaid balance of \$77,894 at June 30, 2004. In August 2004, the Court determined it is not feasible to reorganize the NSFF and ordered its property liquidated.

**Note R – Related Party Organization**

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

Significant Alumni Association financial data for the years ended June 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Total Assets	\$ 1,028,257	752,605
Total Liabilities	477,455	298,969
Total Equity	550,802	453,636
Total Support and Revenues	386,919	280,718
Total Expenses	289,753	286,015

**Note S – Component Unit Restricted Net Assets (Foundation)**

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

	<u>2004</u>	<u>2003</u>
Periods After June 30:		
Scholarships	\$ 2,081,052	2,617,559
Department programs	6,475,602	6,741,105
Grants	1,152,703	174,955
Other	748,765	866,064
Term endowments	35,622	35,622
Plant	4,696,501	16,602,717
Annuity restrictions	221,649	250,300
Unitrust restrictions	267,629	198,356
Functioning as endowments	<u>10,610,325</u>	<u>6,525,655</u>
Total Temporarily Restricted Net Assets	\$ <u>26,289,848</u>	<u>34,012,333</u>

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note S – Component Unit Restricted Net Assets (Foundation) (continued)**

Net assets were permanently restricted for the following purposes at June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Endowments	\$ 26,688,031	24,782,798
Annuity and annuity trust endowments	865,684	698,758
Unitrust endowments	1,250,080	1,038,820
Retained life estate	-	61,590
Total Permanently Restricted Net Assets	<u>\$ 28,803,795</u>	<u>26,581,966</u>

**Note T – Risk Management**

It is the policy of the University of Northern Iowa 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 Interruption.** The University self-funds business interruption insurance, with the exception of purchased commercial insurance on the Field House, Residence System and the Performing Arts Center.

**Errors and Omissions.** The University self-funds errors and omissions insurance.

**Fidelity Bond.** The State purchased an employee fidelity bond whereby the first \$100,000 in 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.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
 June 30, 2004

**Note T – Risk Management (continued)**

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, with deductibles ranging from \$10,000 to \$150,000 per occurrence.

The University purchased commercial insurance to cover the collection of the Art Gallery. The University has purchased commercial insurance to cover media perils of libel and slander for the University's two public radio stations, KHKE/KUNI, and the student newspaper, Northern Iowan.

**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 and reimburse the State for the coverage.

**Medical and Dental-Self Insured.** The University self-funds on behalf of its departments for losses related to its professional employees. 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 fiscal years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Amount of claims and contingent liabilities accrued at beginning of year	\$ 1,434,521	1,435,031
Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years	12,078,186	12,499,082
Payments on claims during the fiscal year	<u>(12,018,369)</u>	<u>(12,499,592)</u>
Amount of claims liabilities at end of year	<u>\$ 1,494,338</u>	<u>1,434,521</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 person in an insurance pool. Each Regents' institution is assessed a premium of \$18 to \$22 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.



**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
 June 30, 2004

**Note T – Risk Management (continued)**

**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 U – Debt Issuance Costs**

Debt issuance costs at June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Debt issuance costs	\$1,342,066	1,237,937
Less accumulated amortization	<u>(322,230)</u>	<u>(385,642)</u>
Net debt issuance costs	<u>\$1,019,836</u>	<u>852,295</u>

Amortization expense for fiscal years 2004 and 2003 was \$107,545 and \$101,239, respectively.

**Note V – 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, 2005 and June 30, 2014, 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, 2004:

Year ended <u>June 30,</u>	
2005	\$ 278,953
2006	262,495
2007	253,847
2008	166,010
2009	131,284
2010-2014	<u>244,058</u>
Total	<u>\$1,336,647</u>

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

Rental expense for the years ended June 30, 2004 and 2003, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$765,149 and \$718,945, respectively. One of the tower leases is subject to a 5% increase in future years.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note W – Retirement Incentive Programs and Termination Benefits**

An Early Retirement Program was approved by the Board of Regents, State of Iowa in June, 1986, and modified in July, 1990 and July, 1992. Eligible for participation are faculty, professional-scientific employees, institutional officials and all merit system employees employed by the Board for a period of at least fifteen years and who have attained the age of 57 but are not older than 63. The employee's department head and the appropriate administrative officers must approve the employee's participation. The following benefits are applicable during participation in the Early Retirement Program:

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

The employee may elect to accept the present value of all or part of the incentives as a lump sum payment on the beginning date of participation in the program. The Board establishes the rate of interest used to calculate the present value annually. The rate used for this fiscal year was 0.56%.

University policy requires departments to fully fund the ERIP liability upon signing ERIP contracts. The funded contributions during the fiscal years ended June 30, 2004 and 2003 were \$943,269 and \$1,015,721, respectively. At June 30, 2004 and 2003, the present value of future benefits was \$3,209,610 and \$3,400,498. During fiscal 2004, benefit payments for 115 participants totaled \$1,206,500. During fiscal 2003, benefit payments for 111 participants totaled \$1,290,552.

**Note X – 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 approximately \$611,561 and \$541,485 at June 30, 2004 and 2003, respectively. The income received by the University from this trust was \$9,366 for fiscal year 2004 and \$11,057 for fiscal year 2003.

**Note Y – Other Commitments, Claims, and Contingencies**

Commitments: Changes to the University's outstanding construction contract commitments for Plant construction for the fiscal year ended June 30, 2004 are as follows:

Construction Commitments July 1	\$ 19,224,251
Increases in Commitments	25,671,704
Payments and Decreases in Commitments	(22,965,874)
Construction Commitments June 30	<u>\$ 21,930,081</u>

There were no material claims or contingencies outstanding as of June 30, 2004. Also, there were no known contingent liabilities of a material nature at the date of this report.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note Z – Prior Period Adjustment**

According to authoritative guidance provided by GASB Statement Number 9, short-term liquid investments maturing in 90 days or less from the date of purchase are classified as “cash equivalents.” In prior years, money market mutual funds were erroneously classified as “investments.”

The following adjustments to the 2003 financial statements were made that affect the “current assets” section of the Statement of Net Assets, the “cash flow from investing activities” and the “cash and cash equivalents” sections of the Statement of Cash Flows, and “Note B” of the Notes to Financial Statements.

- In the “cash flow from investing activities” section of the Statement of Cash Flows, the “proceeds from the sale and maturities of investments” decreased from \$663,436,786 to \$77,186,062 and the “purchase of investments” decreased from \$662,543,743 to \$79,272,591. “Net Cash Used by Investing Activities” decreased from \$3,139,512 to \$159,940 and “cash and cash equivalents, end of year” increased from \$159,342 to \$3,163,373.
- In the Statement of Net Assets, “cash and cash equivalents” increased by \$3,004,031, while investments decreased by the same amount.
- Investments maturing in 90-days or less from the date of purchase were removed from the credit risk categorization table located in Note B in the Notes to Financial Statements.

**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. 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 has four segments that meet the reporting requirement of GASB Statement No. 35. The segments are the Residence System, J. W. Maucker Student Union, Field House System, and the Student Health System. The University is required to present the following condensed statements: statement of net assets, statement of revenues, expenses, and changes in net assets, and statement of cash flows for each segment.

Residence System Revenue Bonds were issued for the construction, renovation, and equipping of 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.

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.

Field House Revenue Bonds were issued in 1997 for the replacement of the air-supported fabric roof with a self-supported roof. In 2002, bonds were issued to make repairs to the roof and the structure of the building. In 2004, bonds were issued to construct an arena addition to the Field House. 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.

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS** (continued)  
June 30, 2004

**Note AA – Segment Reporting** (continued)

Student Health System Revenue Bonds were issued in 2004 for the construction, furnishing, and equipping of 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 Clinic. 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, 2004

**Note AA – Segment Reporting (continued)**

**Residence System**

**Condensed Statement of Net Assets**

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 8,924,830	16,700,333
Capital assets	30,346,539	24,274,336
Other noncurrent assets	<u>4,462,835</u>	<u>6,275,626</u>
Total assets	<u>43,734,204</u>	<u>47,250,295</u>
Liabilities:		
Current liabilities	3,947,531	5,089,764
Noncurrent liabilities	<u>36,915,000</u>	<u>37,930,000</u>
Total liabilities	<u>40,862,531</u>	<u>43,019,764</u>
Net assets:		
Invested in capital assets, net of related debt	(5,607,115)	(5,691,486)
Restricted, expendable	<u>8,478,788</u>	<u>9,922,017</u>
Total net assets	<u>\$ 2,871,673</u>	<u>4,230,531</u>

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

Operating revenues:		
Sales and services	\$ 23,696,121	23,413,688
Income from investments	<u>78,586</u>	<u>744,802</u>
Total operating revenues	23,774,707	24,158,490
Operating expenses	18,945,474	18,491,104
Depreciation	<u>1,363,564</u>	<u>1,306,032</u>
Operating income	3,465,669	4,361,354
Nonoperating revenues	18,844	34,138
Nonoperating expenses and losses	<u>12,279,138</u>	<u>5,631,745</u>
Excess of expenses over revenues	(8,794,625)	(1,236,253)
Transfer from other University units	<u>7,435,767</u>	<u>1,222,434</u>
Decrease in net assets	(1,358,858)	(13,819)
Net assets, beginning of year	<u>4,230,531</u>	<u>4,244,350</u>
Net assets, end of year	<u>\$ 2,871,673</u>	<u>4,230,531</u>

**Condensed Statement of Cash Flows**

Net cash flows provided by operating activities	\$ 3,108,464	1,782,798
Net cash flows provided (used) by investing activities	7,447,080	(5,959,286)
Net cash flows provided (used) in capital and related financing activities	<u>(9,928,227)</u>	<u>5,470,141</u>
Net increase in cash and cash equivalents	627,317	1,293,653
Cash and cash equivalents, beginning of year, as restated	<u>5,653,755</u>	<u>4,360,102</u>
Cash and cash equivalents, end of year	<u>\$ 6,281,072</u>	<u>5,653,755</u>

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note AA – Segment Reporting (continued)**

**Student Union**

**Condensed Statement of Net Assets**

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 3,035,422	6,906,818
Capital assets	13,605,621	11,744,173
Other noncurrent assets	<u>1,181,405</u>	<u>1,229,003</u>
Total assets	<u>17,822,448</u>	<u>19,879,994</u>
Liabilities:		
Current liabilities	792,455	2,102,354
Noncurrent liabilities	<u>11,885,000</u>	<u>12,325,000</u>
Total liabilities	<u>12,677,455</u>	<u>14,427,354</u>
Net assets:		
Invested in capital assets, net of related debt	1,924,526	1,697,858
Restricted, expendable	<u>3,220,467</u>	<u>3,754,782</u>
Total net assets	<u>\$ 5,144,993</u>	<u>5,452,640</u>

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

Operating revenues:		
Sales and services	\$ 202,538	177,642
Income from investments	<u>3,584</u>	<u>93,940</u>
Total operating revenues	206,122	271,582
Operating expenses	1,018,525	968,107
Depreciation	<u>373,216</u>	<u>115,102</u>
Operating loss	(1,185,619)	(811,627)
Nonoperating revenues	1,109,468	1,499,804
Nonoperating expenses and losses	<u>2,446,660</u>	<u>9,122,019</u>
Excess of expenses over revenues	(2,522,811)	(8,433,842)
Transfer from other University units	<u>2,215,164</u>	<u>8,953,201</u>
Increase (decrease) in net assets	(307,647)	519,359
Net assets, beginning of year	<u>5,452,640</u>	<u>4,933,281</u>
Net assets, end of year	<u>\$ 5,144,993</u>	<u>5,452,640</u>

**Condensed Statement of Cash Flows**

Net cash flows provided (used) by operating activities	\$ (186,497)	1,631,589
Net cash flows provided by investing activities	3,072,159	7,432,246
Net cash flows used in capital and related financing activities	<u>(2,938,697)</u>	<u>(8,887,126)</u>
Net increase (decrease) in cash and cash equivalents	(53,035)	176,709
Cash and cash equivalents, beginning of year, as restated	<u>3,073,260</u>	<u>2,896,551</u>
Cash and cash equivalents, end of year	<u>\$ 3,020,225</u>	<u>3,073,260</u>

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note AA – Segment Reporting (continued)**

**Field House System**

**Condensed Statement of Net Assets**

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 9,029,696	3,092,645
Capital assets	15,418,576	14,268,255
Other noncurrent assets	<u>21,541,136</u>	<u>1,428,879</u>
Total assets	<u>45,989,408</u>	<u>18,789,779</u>
Liabilities:		
Current liabilities	1,069,037	942,225
Noncurrent liabilities	<u>22,875,000</u>	<u>13,325,000</u>
Total liabilities	<u>23,944,037</u>	<u>14,267,225</u>
Net assets:		
Invested in capital assets, net of related debt	8,096,171	1,186,198
Restricted, expendable	<u>13,949,200</u>	<u>3,336,356</u>
Total net assets	<u>\$ 22,045,371</u>	<u>4,522,554</u>

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

Operating revenues:		
Sales and services	\$ 1,673,478	1,800,761
Income from investments	<u>25,351</u>	<u>182,875</u>
Total operating revenues	1,698,829	1,983,636
Operating expenses	1,449,077	1,660,950
Depreciation	<u>563,032</u>	<u>551,697</u>
Operating loss	(313,280)	(229,011)
Nonoperating revenues	18,645,858	2,626,085
Nonoperating expenses and losses	<u>1,819,129</u>	<u>2,750,752</u>
Excess (deficiency) of expenses over (under) revenues	16,513,449	(353,678)
Transfer from (to) other University units	<u>1,009,368</u>	<u>(23,678)</u>
Increase (decrease) in net assets	17,522,817	(377,356)
Net assets, beginning of year	<u>4,522,554</u>	<u>4,899,910</u>
Net assets, end of year	<u>\$ 22,045,371</u>	<u>4,522,554</u>

**Condensed Statement of Cash Flows**

Net cash flows provided by operating activities	\$ 3,658,890	(869,039)
Net cash flows used by investing activities	(11,737,547)	(365,042)
Net cash flows provided (used) in capital and related financing activities	<u>7,895,157</u>	<u>(812,338)</u>
Net decrease in cash and cash equivalents	(183,500)	(2,046,419)
Cash and cash equivalents, beginning of year as restated	<u>2,233,389</u>	<u>4,279,808</u>
Cash and cash equivalents, end of year	<u>\$ 2,049,889</u>	<u>2,233,389</u>

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS** (continued)  
June 30, 2004

**Note AA – Segment Reporting** (continued)

**Student Health System**

**Condensed Statement of Net Assets**

**2004**

Assets:

Current assets	\$ 3,296,860
Capital assets	437,623
Other noncurrent assets	<u>1,569,918</u>
Total assets	<u>5,304,401</u>

Liabilities:

Current liabilities	260,324
Noncurrent liabilities	<u>3,875,000</u>
Total liabilities	<u>4,135,324</u>

Net assets:

Invested in capital assets, net of related debt	(238,768)
Restricted, expendable	<u>1,407,845</u>
Total net assets	<u>\$ 1,169,077</u>

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

Operating revenues:

Sales and services	\$ 745,520
Income from investments	<u>(7,143)</u>
Total operating revenues	738,377

Operating expenses

	2,295,444
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Depreciation

	<u>13,237</u>
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Operating loss	(1,570,304)
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Nonoperating revenues

	2,757,709
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Nonoperating expenses and losses

	<u>478,135</u>
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Excess of revenues over expenses

	709,270
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Transfer from other University units

	<u>459,807</u>
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Increase in net assets	1,169,077
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Net assets, beginning of year

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Net assets, end of year	<u>\$ 1,169,077</u>
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**Condensed Statement of Cash Flows**

Net cash flows provided by operating activities	\$ 212,853
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Net cash flows used by investing activities	(3,908,507)
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Net cash flows provided by capital and related financing activities	<u>4,488,599</u>
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Net increase in cash and cash equivalents	792,945
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Cash and cash equivalents, beginning of year	-
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Cash and cash equivalents, end of year	<u>\$ 792,945</u>
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**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note BB – Operating Expenses by Function**

Operating expenses by natural classification for the year ended June 30, 2004 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	\$ 60,190,260	881,361	661,001	708,401	373,634
Research	1,432,072	125,095	88,299	719,794	61,559
Public Service	11,350,667	3,583,421	1,328,444	1,369,643	480,871
Academic Support	15,851,183	511,403	466,737	201,073	1,931,819
Student Services	4,811,177	334,611	283,052	271,738	57,390
Institutional Support	17,480,449	237,366	371,089	728,997	239,352
Operation and Maintenance of Plant	8,640,931	84,276	185,943	165,298	7,347,468
Scholarships and Fellowships	989,551	-	-	-	-
Depreciation	-	-	-	-	-
Loan cancellations and write-offs	-	-	-	52,970	125
Auxiliary Enterprises	<u>18,748,267</u>	<u>1,472,062</u>	<u>5,066,711</u>	<u>2,174,681</u>	<u>1,423,064</u>
Total Operating Expenses	<u>\$139,494,557</u>	<u>7,229,595</u>	<u>8,451,276</u>	<u>6,392,595</u>	<u>11,915,282</u>

	<u>Claims and Miscellaneous</u>	<u>Licenses, Permits &amp; Refunds</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
Operating Expenses: (continued)					
Instruction	864,219	95,045	308,185	-	\$ 64,082,106
Research	93,625	(1,527)	49,030	-	2,567,947
Public Service	1,473,613	187,898	203,635	-	19,978,192
Academic Support	444,396	308,868	78,179	-	19,793,658
Student Services	310,070	17,199	44,859	-	6,130,096
Institutional Support	2,812,711	939,313	18,186	-	22,827,463
Operation and Maintenance of Plant	4,022,339	25,191	-	-	20,471,446
Scholarships and Fellowships	-	-	5,425,018	-	6,414,569
Depreciation	-	-	-	12,833,136	12,833,136
Loan cancellations and write-offs	381,064	44,844	-	-	479,003
Auxiliary Enterprises	<u>4,670,450</u>	<u>391,631</u>	<u>2,539,261</u>	-	<u>36,486,127</u>
Total Operating Expenses	<u>15,072,487</u>	<u>2,008,462</u>	<u>8,666,353</u>	<u>12,833,136</u>	<u>\$212,063,743</u>

**University of Northern Iowa**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
June 30, 2004

**Note BB – Operating Expenses by Function**

Operating expenses by natural classification for the year ended June 30, 2003 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	\$ 57,571,835	1,218,699	581,779	774,273	437,948
Research	1,489,979	158,685	198,385	432,988	30,589
Public Service	10,363,406	3,000,477	1,339,228	1,488,548	337,013
Academic Support	16,591,230	593,561	535,417	352,055	1,813,175
Student Services	4,729,299	359,618	293,832	249,026	59,082
Institutional Support	18,004,660	282,764	445,294	934,451	230,393
Operation and Maintenance of Plant	8,789,883	95,270	236,344	478,960	5,906,022
Scholarships and Fellowships	1,005,509	-	-	12	-
Depreciation	-	-	-	-	-
Loan cancellations and write-offs	-	-	-	55,780	-
Auxiliary Enterprises	<u>18,026,156</u>	<u>1,225,329</u>	<u>4,498,669</u>	<u>2,221,550</u>	<u>1,122,315</u>
Total Operating Expenses	<u>\$136,571,957</u>	<u>6,934,403</u>	<u>8,128,948</u>	<u>6,987,643</u>	<u>9,936,537</u>

	<u>Claims and Miscellaneous</u>	<u>Licenses, Permits &amp; Refunds</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total Operating Expenses</u>
Operating Expenses: (continued)					
Instruction	1,008,314	96,693	377,962	-	\$ 62,067,503
Research	160,517	5,765	35,674	-	2,512,582
Public Service	1,460,527	239,397	153,350	-	18,381,946
Academic Support	429,264	258,309	85,680	-	20,658,691
Student Services	342,738	13,748	20,048	-	6,067,391
Institutional Support	1,868,428	914,163	36,153	-	22,716,306
Operation and Maintenance of Plant	4,148,109	62,340	-	-	19,716,928
Scholarships and Fellowships	-	-	5,557,462	-	6,562,983
Depreciation	-	-	-	12,511,725	12,511,725
Loan cancellations and write-offs	317,045	111,565	-	-	484,390
Auxiliary Enterprises	<u>4,632,576</u>	<u>263,624</u>	<u>2,284,810</u>	-	<u>34,275,029</u>
Total Operating Expenses	<u>14,367,518</u>	<u>1,965,604</u>	<u>8,551,139</u>	<u>12,511,725</u>	<u>\$205,955,474</u>





# **University of Northern Iowa**

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State of Iowa

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# 2003-2004

# Statistical Section

Note: 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.

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Higher Education Price Index <sup>#</sup>	3.993	4.109	4.238	4.387	4.492	4.667	4.905	5.107	5.254	5.499
Normalized HEPI	1.000	1.029	1.061	1.099	1.125	1.169	1.228	1.279	1.316	1.377
Full Year FTE	11,166	11,405	11,541	11,577	11,589	11,804	11,947	12,186	11,959	11,477

\* Research Associates of Washington; HEPI Index; 2004 Update

University of Northern Iowa  
Schedule 1  
**REVENUE PER FULL TIME EQUIVALENT (FTE) STUDENT**  
For the Last Ten Years  
(Expressed in Thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>TUITION &amp; FEES</b>										
Total Tuition & Fees	\$ 30,415	32,160	33,398	35,485	37,447	39,829	42,963	47,695	54,886	<b>62,130</b>
Less: Other Funds Unrestricted	3,376	2,512	2,751	3,112	3,563	3,907	4,640	7,767	6,087	<b>6,600</b>
Unrestricted Scholarships & Fellowships	4,232	4,735	5,209	5,489	6,098	6,230	6,415	6,537	8,078	<b>8,937</b>
Net Tuition & Fees	\$ <u>22,807</u>	<u>24,913</u>	<u>25,438</u>	<u>26,884</u>	<u>27,786</u>	<u>29,692</u>	<u>31,908</u>	<u>33,391</u>	<u>40,721</u>	<u><b>46,593</b></u>
Constant Dollar Net Tuition & Fees	\$ 22,807	24,210	23,967	24,470	24,699	25,399	25,984	26,107	30,943	<b>33,837</b>
<b>Tuition &amp; Fees per FTE Student (Actual)</b>	<b>\$ 2,043</b>	<b>2,184</b>	<b>2,204</b>	<b>2,322</b>	<b>2,398</b>	<b>2,515</b>	<b>2,671</b>	<b>2,740</b>	<b>3,405</b>	<b>4,060</b>
<b>Constant Dollar Tuition &amp; Fees per FTE Student (Actual)</b>	<b>\$ 2,043</b>	<b>2,123</b>	<b>2,077</b>	<b>2,114</b>	<b>2,131</b>	<b>2,152</b>	<b>2,175</b>	<b>2,142</b>	<b>2,587</b>	<b>2,948</b>
<b>STATE APPROPRIATIONS</b>										
Total	\$ 72,050	75,615	80,194	84,531	88,924	93,239	96,898	85,102	83,107	<b>79,256</b>
Less: Non-General Funds	72	74	106	108	201	114	117	272	291	<b>677</b>
Tuition Replacement	3,854	3,867	4,180	4,579	4,725	4,627	4,951	-	-	<b>-</b>
Net State Appropriations	\$ <u>68,124</u>	<u>71,674</u>	<u>75,908</u>	<u>79,844</u>	<u>83,998</u>	<u>88,498</u>	<u>91,830</u>	<u>84,830</u>	<u>82,816</u>	<u><b>78,579</b></u>
Constant Dollar Unrestricted State Appropriations	\$ 68,124	69,651	71,520	72,673	74,665	75,704	74,780	66,325	62,930	<b>57,065</b>
<b>State Appropriations per FTE Student (Actual)</b>	<b>\$ 6,101</b>	<b>6,284</b>	<b>6,577</b>	<b>6,897</b>	<b>7,248</b>	<b>7,497</b>	<b>7,686</b>	<b>6,961</b>	<b>6,925</b>	<b>6,847</b>
<b>Constant Dollar State Appropria- tions per FTE Student (Actual)</b>	<b>\$ 6,101</b>	<b>6,107</b>	<b>6,197</b>	<b>6,277</b>	<b>6,443</b>	<b>6,413</b>	<b>6,259</b>	<b>5,443</b>	<b>5,262</b>	<b>4,972</b>

Note: Tuition Replacement was considered to be an operating appropriation through 2002. It is now considered to be a capital appropriation.

University of Northern Iowa  
Schedule 2  
***COST PER FULL TIME EQUIVALENT (FTE) STUDENT***  
For the Last Ten Years  
(Expressed in Thousands)

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
General Educational Fund Expenditures	\$ 92,938	98,072	101,958	106,428	114,034	119,070	123,427	117,744	122,788	<b>125,409</b>
Less Separately Budgeted Expenditures:										
Research	691	693	786	795	892	918	839	650	471	<b>480</b>
Public Service	1,993	2,043	2,300	2,370	2,888	2,572	2,725	2,582	1,449	<b>1,834</b>
Scholarships/Fellowships	4,232	4,735	5,209	5,489	6,098	6,230	6,415	6,537	8,078	<b>8,937</b>
General Educational Fund Instructional Expenditures	\$ <b>86,022</b>	<b>90,601</b>	<b>93,663</b>	<b>97,774</b>	<b>104,156</b>	<b>109,350</b>	<b>113,448</b>	<b>107,975</b>	<b>112,790</b>	<b>114,158</b>
<b>Cost per FTE Student (Actual)</b>	<b>\$ 7,704</b>	<b>7,944</b>	<b>8,116</b>	<b>8,446</b>	<b>8,987</b>	<b>9,264</b>	<b>9,496</b>	<b>8,861</b>	<b>9,431</b>	<b>9,947</b>
<b>Constant Dollar Cost per FTE Student (Actual)</b>	<b>\$ 7,704</b>	<b>7,720</b>	<b>7,647</b>	<b>7,687</b>	<b>7,989</b>	<b>7,925</b>	<b>7,733</b>	<b>6,928</b>	<b>7,167</b>	<b>7,223</b>

University of Northern Iowa  
 Schedule 3

**SCHOLARSHIPS & FELLOWSHIPS PER FULL TIME EQUIVALENT (FTE) STUDENT**

For the Last Ten Years

(Expressed in Thousands)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>SCHOLARSHIPS &amp; FELLOWSHIPS</b>										
Unrestricted	\$ 4,232	4,735	5,209	5,489	6,098	6,230	6,415	6,537	8,078	<b>8,937</b>
Restricted	6,379	6,307	6,136	6,959	7,614	7,766	8,211	9,746	10,539	<b>10,545</b>
Total	<b>\$ 10,611</b>	<b>11,042</b>	<b>11,345</b>	<b>12,448</b>	<b>13,712</b>	<b>13,996</b>	<b>14,626</b>	<b>16,283</b>	<b>18,617</b>	<b>19,482</b>

<b>CONSTANT DOLLAR SCHOLARSHIPS &amp; FELLOWSHIPS</b>										
Unrestricted	\$ 4,232	4,601	4,908	4,996	5,420	5,329	5,224	5,111	6,138	<b>6,490</b>
Restricted	6,379	6,129	5,781	6,334	6,768	6,643	6,686	7,620	8,008	<b>7,658</b>
Total	<b>\$ 10,611</b>	<b>10,730</b>	<b>10,689</b>	<b>11,330</b>	<b>12,188</b>	<b>11,972</b>	<b>11,910</b>	<b>12,731</b>	<b>14,146</b>	<b>14,148</b>

<b>SCHOLARSHIPS &amp; FELLOWSHIPS PER FTE STUDENT (Actual)</b>										
Unrestricted	\$ 379	415	451	474	526	528	537	536	675	<b>779</b>
Restricted	571	553	532	601	657	658	687	800	881	<b>919</b>
Total	<b>\$ 950</b>	<b>968</b>	<b>983</b>	<b>1,075</b>	<b>1,183</b>	<b>1,186</b>	<b>1,224</b>	<b>1,336</b>	<b>1,556</b>	<b>1,698</b>

<b>CONSTANT DOLLAR SCHOLARSHIPS &amp; FELLOWSHIPS PER FTE STUDENT (Actual)</b>										
Unrestricted	\$ 379	403	425	431	468	452	437	419	513	<b>566</b>
Restricted	571	537	501	547	584	563	559	625	669	<b>667</b>
Total	<b>\$ 950</b>	<b>940</b>	<b>926</b>	<b>978</b>	<b>1,052</b>	<b>1,015</b>	<b>996</b>	<b>1,044</b>	<b>1,182</b>	<b>1,233</b>



University of Northern Iowa  
 Schedule 4

***COST OF ATTENDANCE PER ACADEMIC YEAR FOR A FULL TIME STUDENT***

For the Last Ten Years

(Expressed in Actual Dollars)

	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>TUITION &amp; FEES RATES</b>										
Resident Undergraduate	\$ 2,455	2,558	2,650	2,752	2,860	2,988	3,130	3,440	4,118	<b>4,916</b>
Non-resident Undergraduate	6,261	6,634	6,868	7,136	7,415	7,748	8,094	8,762	10,426	<b>11,874</b>
Resident Graduate	2,819	3,006	3,112	3,232	3,360	3,510	3,676	4,028	4,814	<b>5,612</b>
Non-resident Graduate	6,756	7,158	7,410	7,698	7,999	8,358	8,732	9,446	11,238	<b>12,686</b>
<b>FULL ROOM &amp; BOARD RATE</b>	<b>\$ 2,979</b>	<b>3,120</b>	<b>3,272</b>	<b>3,444</b>	<b>3,624</b>	<b>3,914</b>	<b>4,149</b>	<b>4,398</b>	<b>4,640</b>	<b>5,018</b>
<b>CONSTANT DOLLAR TUITION &amp; FEE RATES</b>										
Resident Undergraduate	\$ 2,455	2,486	2,497	2,505	2,542	2,556	2,549	2,690	3,129	<b>3,570</b>
Non-resident Undergraduate	6,261	6,447	6,471	6,495	6,591	6,628	6,591	6,851	7,922	<b>8,623</b>
Resident Graduate	2,819	2,921	2,932	2,942	2,987	3,003	2,993	3,149	3,658	<b>4,076</b>
Non-resident Graduate	6,756	6,956	6,982	7,007	7,110	7,150	7,111	7,385	8,539	<b>9,213</b>
<b>CONSTANT DOLLAR FULL ROOM &amp; BOARD RATE</b>	<b>\$ 2,979</b>	<b>3,032</b>	<b>3,083</b>	<b>3,135</b>	<b>3,221</b>	<b>3,348</b>	<b>3,379</b>	<b>3,439</b>	<b>3,526</b>	<b>3,644</b>
<b>TOTAL COST OF ATTENDANCE</b>										
Resident Undergraduate	\$ <b>5,434</b>	<b>5,678</b>	<b>5,922</b>	<b>6,196</b>	<b>6,484</b>	<b>6,902</b>	<b>7,279</b>	<b>7,838</b>	<b>8,758</b>	<b>9,934</b>
Non-resident Undergraduate	<b>9,240</b>	<b>9,754</b>	<b>10,140</b>	<b>10,580</b>	<b>11,039</b>	<b>11,662</b>	<b>12,243</b>	<b>13,160</b>	<b>15,066</b>	<b>16,892</b>
<b>CONSTANT DOLLAR COST OF ATTENDANCE</b>										
Resident Undergraduate	\$ <b>5,434</b>	<b>5,518</b>	<b>5,580</b>	<b>5,640</b>	<b>5,764</b>	<b>5,904</b>	<b>5,928</b>	<b>6,128</b>	<b>6,655</b>	<b>7,214</b>
Non-resident Undergraduate	<b>9,240</b>	<b>9,479</b>	<b>9,554</b>	<b>9,630</b>	<b>9,812</b>	<b>9,976</b>	<b>9,970</b>	<b>10,289</b>	<b>11,448</b>	<b>12,267</b>

University of Northern Iowa  
 Schedule 5

**REVENUE BOND COVERAGE**

For the Last Ten Years

(Dollars in Thousands)

**ACADEMIC BUILDING REVENUE BONDS**

Legal coverage = 1.25 of Maximum Debt Service Requirements

<b>Fiscal Year Ended June 30</b>	<b>Pledged General Fund Tuition</b>	<b>Maximum Debt Service</b>	<b>Actual Coverage</b>
1995	26,514	5,258	5.04
1996	28,270	5,199	5.44
1997	29,196	5,199	5.62
1998	30,874	5,199	5.94
1999	32,354	5,199	6.22
2000	34,171	5,199	6.57
2001	36,506	5,199	7.02
2002	39,934	5,135	7.78
2003	47,670	5,031	9.48
2004	54,447	4,824	11.29

**RESIDENCE SYSTEM REVENUE BONDS**

Legal coverage = 1.35 of Maximum Debt Service Requirements

<b>Fiscal Year Ended June 30</b>	<b>Gross Revenues</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenues</b>	<b>Maximum Debt Service</b>	<b>Actual Coverage</b>
1995	15,679	12,874	2,805	1,476	1.90
1996	16,845	13,650	3,195	1,476	2.16
1997	17,718	14,624	3,094	1,476	2.10
1998	18,323	14,820	3,503	1,466	2.39
1999	19,162	15,290	3,872	2,005	1.93
2000	21,061	16,692	4,369	2,816	1.55
2001	24,522	18,018	6,504	2,816	2.31
2002	24,818	19,282	5,536	2,816	1.97
2003	24,158	18,491	5,667	3,347	1.69
2004	23,775	18,946	4,829	3,347	1.44

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 5 (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	Debt Service Requirements			Actual Coverage
				Principal	Interest	Total	
1995	1,283	813	470	95	102	197	2.39
1996	1,442	918	524	100	96	196	2.67
1997	1,680	1,077	603	105	89	194	3.11
1998	2,419	885	1,534	155	449	604	2.54
1999	1,974	859	1,115	200	443	643	1.73
2000	2,147	938	1,209	210	434	644	1.88
2001	2,731	1,365	1,366	220	425	645	2.12
2002	2,675	1,670	1,005	230	554	784	1.28
2003	3,062	1,661	1,401	435	643	1,078	1.30
2004	3,840	1,449	2,391	450	730	1,180	2.03

Note: Gross revenue consists of Operating Fund revenue, student fees, and

**MAUCKER 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	Debt Service Requirements			Actual Coverage
				Principal	Interest	Total	
2002	2,185	988	1,197	-	139	139	8.61
2003	2,223	968	1,255	430	555	985	1.27
2004	2,060	1,019	1,041	440	548	988	1.05

University of Northern Iowa  
Schedule 6  
**SELECTED NONFINANCIAL DATA**  
For the Last Ten Years

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>ADMISSIONS (Freshmen)</b>										
Applications	4,341	4,658	4,498	4,489	4,479	4,700	4,688	4,446	4,350	<b>4,216</b>
Accepted	3,573	3,867	3,781	3,707	3,776	3,851	3,786	3,554	3,518	<b>3,360</b>
Acceptance Ratio	<b>82.3%</b>	<b>83.0%</b>	<b>84.1%</b>	<b>82.6%</b>	<b>84.3%</b>	<b>81.9%</b>	<b>80.8%</b>	<b>79.9%</b>	<b>80.9%</b>	<b>79.7%</b>
Enrolled	1,902	2,044	2,051	1,957	2,023	2,177	2,104	1,865	1,785	<b>1,700</b>
Enrollment Ratio	<b>53.2%</b>	<b>52.9%</b>	<b>54.2%</b>	<b>52.8%</b>	<b>53.6%</b>	<b>56.5%</b>	<b>55.6%</b>	<b>52.5%</b>	<b>50.7%</b>	<b>50.6%</b>
Average ACT Score	23.1	23.0	23.2	23.6	23.3	23.0	22.9	22.8	22.9	<b>22.9</b>
Percent in Upper 30% of High School Class	57.5%	57.8%	59.5%	59.1%	59.3%	60.2%	57.9%	57.0%	58.4%	<b>57.3%</b>
Percent in Upper 10% of High School Class	<b>18.2%</b>	<b>17.7%</b>	<b>18.9%</b>	<b>17.5%</b>	<b>18.0%</b>	<b>19.1%</b>	<b>18.1%</b>	<b>17.7%</b>	<b>19.2%</b>	<b>19.1%</b>
<b>ENROLLMENT (Fall Headcount)</b>										
Undergraduate - Lower	4,860	5,107	5,238	5,093	5,132	5,306	5,495	5,425	5,112	<b>4,619</b>
Undergraduate - Upper	6,372	6,305	6,349	6,561	6,632	6,678	6,723	7,049	7,170	<b>7,155</b>
Graduate - Masters	917	987	1,004	1,081	1,154	1,133	1,144	1,174	1,163	<b>1,173</b>
Graduate - Advanced	423	403	366	373	411	436	412	422	481	<b>494</b>
Total	<b>12,572</b>	<b>12,802</b>	<b>12,957</b>	<b>13,108</b>	<b>13,329</b>	<b>13,553</b>	<b>13,774</b>	<b>14,070</b>	<b>13,926</b>	<b>13,441</b>
Residents	11,836	12,059	12,122	12,209	12,403	12,630	12,790	13,010	12,781	<b>12,356</b>
Nonresidents	736	743	835	899	926	923	984	1,060	1,145	<b>1,085</b>
<b>ENROLLMENT (FTE)</b>										
Full Year FTE	<b>11,166</b>	<b>11,405</b>	<b>11,541</b>	<b>11,577</b>	<b>11,589</b>	<b>11,804</b>	<b>11,947</b>	<b>12,186</b>	<b>11,959</b>	<b>11,477</b>
Fall FTE	10,867	11,094	11,209	11,309	11,415	11,628	11,868	12,081	11,879	<b>11,424</b>
<b>STAFF POSITIONS (Full Time)</b>										
General Operating Fund:										
Faculty	637	643	655	644	641	644	671	648	649	<b>632</b>
Administrative	223	241	251	259	265	288	289	279	265	<b>288</b>
Library Professional	28	27	28	28	26	26	25	24	26	<b>24</b>
Clerical/Secretarial	187	203	207	206	218	221	219	212	191	<b>191</b>
Technical	19	19	21	20	20	15	19	19	17	<b>17</b>
Craftsmen & Custodial	173	180	178	175	180	178	168	161	152	<b>141</b>
Security	13	13	15	15	15	16	15	12	14	<b>12</b>
All Other Funds	385	375	373	372	407	458	484	515	520	<b>481</b>
Total	<b>1,665</b>	<b>1,701</b>	<b>1,728</b>	<b>1,719</b>	<b>1,772</b>	<b>1,846</b>	<b>1,890</b>	<b>1,870</b>	<b>1,834</b>	<b>1,786</b>
<b>FACULTY POSITIONS (FTE)</b>										
Total Faculty	763.9	773.0	783.5	787.4	778.4	789.6	785.9	804.9	760.0	<b>746.3</b>
Percent Tenured	49.2%	50.5%	54.6%	56.1%	53.7%	49.7%	50.2%	50.7%	55.2%	<b>56.8%</b>
Students per Faculty Member	<b>14.2</b>	<b>14.4</b>	<b>14.3</b>	<b>14.4</b>	<b>14.7</b>	<b>14.7</b>	<b>15.1</b>	<b>15.0</b>	<b>15.6</b>	<b>15.3</b>
<b>DEGREES GRANTED (Summary)</b>										
Baccalaureate	2,333	2,135	2,175	2,214	2,324	2,386	2,266	2,420	2,592	<b>2,584</b>
Masters	339	357	425	353	429	426	383	415	405	<b>434</b>
Specialists	5	8	3	2	6	10	3	4	9	<b>11</b>
Doctorates	9	12	10	10	7	8	13	12	12	<b>10</b>
Total	<b>2,686</b>	<b>2,512</b>	<b>2,613</b>	<b>2,579</b>	<b>2,766</b>	<b>2,830</b>	<b>2,665</b>	<b>2,851</b>	<b>3,018</b>	<b>3,039</b>

University of Northern Iowa  
Schedule 7  
**DEGREES GRANTED**  
For the Last Ten Years

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Doctor of Industrial Technology	8	4	6	2	2	2	11	5	2	2
Doctor of Education	1	8	4	8	5	6	2	7	10	8
Specialist in Education	5	8	3	2	6	10	3	4	9	11
Masters of Arts in Education	95	140	125	126	121	127	92	107	114	127
Master of Arts	205	184	253	172	242	244	211	217	215	198
Master of Business Administration	25	20	27	33	37	35	55	36	5	21
Master of Music	7	7	7	6	13	5	6	11	12	11
Master of Public Policy	7	2	5	7	7	3	1	10	8	11
Master of Science	-	4	8	9	9	12	18	16	17	13
Master of Accounting	-	-	-	-	-	-	-	2	7	23
Master of Social Work	-	-	-	-	-	-	-	16	27	30
Bachelor of Arts	2,225	2,046	2,066	2,111	2,227	2,254	2,144	2,307	2,449	2,463
Bachelor of Fine Arts	1	7	3	4	2	8	5	8	7	8
Bachelor of Music	25	20	26	21	17	28	20	22	24	23
Bachelor of Science	43	30	54	65	62	77	76	71	84	74
Bachelor of Technology	28	22	16	3	5	4	2	-	1	-
Bachelor of Liberal Studies	11	10	10	10	11	15	19	12	27	16
Total	<u>2,686</u>	<u>2,512</u>	<u>2,613</u>	<u>2,579</u>	<u>2,766</u>	<u>2,830</u>	<u>2,665</u>	<u>2,851</u>	<u>3,018</u>	<u>3,039</u>

University of Northern Iowa

Schedule 8

***ENROLLMENT PROJECTIONS (Headcount Basis)***

For the Next Ten Years

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Undergraduate - Lower	4,120	4,203	4,275	4,355	4,401	4,401	4,366	4,294	4,202	4,165
Undergraduate - Upper	6,489	6,230	6,151	6,199	6,268	6,345	6,397	6,412	6,371	6,288
Unclassified - Special	215	219	221	222	223	224	224	224	224	224
Graduate	1,616	1,626	1,634	1,640	1,644	1,647	1,650	1,652	1,654	1,655
<b>Total</b>	<b>12,440</b>	<b>12,278</b>	<b>12,281</b>	<b>12,416</b>	<b>12,536</b>	<b>12,617</b>	<b>12,637</b>	<b>12,582</b>	<b>12,451</b>	<b>12,332</b>

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.

## **Acknowledgements**

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