



**University of
Northern
Iowa**

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

An enterprise fund of the State of Iowa



2009-2010 Comprehensive Annual Financial Report

For the fiscal years ended
June 30, 2010 and June 30, 2009



University of Northern Iowa

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

An Enterprise Fund
of the State of Iowa

2009-2010 Comprehensive Annual Financial Report

For the fiscal years ended June 30, 2010
and June 30, 2009

Prepared by:
Financial Accounting
and Reporting Services

Table of Contents

| | Page |
|--|-----------------|
| Introductory | |
| Letter of Transmittal..... | 1-7 |
| Certificate of Achievement..... | 8 |
| The Governing Board..... | 9 |
| Administrative Organizational Chart..... | 10 |
| Financial | |
| Independent Auditor’s Report | 11-12 |
| Management’s Discussion and Analysis | 13-22 |
| Financial Statements | |
| University Statement of Net Assets..... | 23 |
| Foundation Combined Statements of Financial Position..... | 24 |
| University Statement of Revenues, Expenses, and Changes in Net Assets..... | 25 |
| Foundation Combined Statements of Activities..... | 26-27 |
| University Statement of Cash Flows..... | 28-29 |
| Notes to Financial Statements..... | 30-71 |
| Required Supplementary Information | 73 |
| Statistical | |
| Statistical Section Contents | 75 |
| Financial Trends | |
| | Schedule |
| Higher Education Price Index (HEPI)/Full Year FTE..... | 1 77 |
| Change in Net Assets/Net Assets by Classification..... | 2 78 |
| Revenues..... | 3 79 |
| Expenses..... | 4 80 |
| Revenue Capacity | |
| Tuition & Fees per Full Time Equivalent (FTE) Student/Tuition & Fees Rates..... | 5 81 |
| State Appropriations/Capital Appropriations..... | 6 82 |
| Debt Capacity | |
| Outstanding Bonded Debt per Full Time Equivalent (FTE) Student..... | 7 83 |
| Revenue Bond Coverage..... | 8..... 84-85 |
| Demographic and Economic Information | |
| State of Iowa-Total Personal Income, Population, Per Capita Personal Income, Unemployment Percentage..... | 9 86 |
| State of Iowa Principal Employers..... | 10 87 |
| Operating Information | |
| Full Time Employees and Faculty Data..... | 11 88 |
| Enrollment and Freshman Class Data..... | 12 89 |
| Degrees Granted..... | 13 90 |
| Cost per Full Time Equivalent (FTE) Student..... | 14 91 |
| Scholarships & Fellowships per Full Time Equivalent (FTE) Student..... | 15 92 |
| Capital Assets by Major Class Less Accumulated Depreciation..... | 16 93 |
| Enrollment Projections (Headcount Basis)..... | 17 94 |
| Acknowledgements | 95 |



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

An enterprise fund of the State of Iowa



2009-2010

Introductory Section



December 8, 2010

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

In accordance with Code of Iowa Sections 262.23 and 262.25, we are pleased to submit the Comprehensive Annual Financial Report of the University of Northern Iowa for the year ended June 30, 2010. The audit opinion letter of the Auditor of State appears in the Financial Section and expresses an unqualified opinion on the University's financial statements.

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

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

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

PROFILE OF THE UNIVERSITY

Description of the Institution. The University of Northern Iowa serves Iowa through a tripartite mission of education, research, and service. The University of Northern Iowa has served Iowa continuously for 134 years. Founded in 1876 as Iowa State Normal School, the School became Iowa State Teacher's College in 1909, and State College of Iowa in 1961. In 1967, the College achieved full university status and was renamed the University of Northern Iowa.

The University of Northern Iowa is a comprehensive university with 13,201 students and 1,659 full-time faculty and staff. Ninety-one percent of the students are from the State of Iowa. The student body represents every county in Iowa, 40 states, and 60 foreign countries. Approximately 78% of UNI's freshmen rank in the top 50% of their high school class, with about 52% ranking in the top 30%.

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

The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. Individual programs are accredited by several national accrediting agencies. The University is a member of the American Association of State Colleges and Universities (AASCU), the

American Association of Colleges for Teacher Education (AACTE), and the Council of Graduate Schools in the United States.

ECONOMIC CONDITION AND OUTLOOK

National Economic Outlook for 2010-2011

In December 2007, the national economy entered into a serious recession that ended in June 2009. During that time period, the Treasury, Federal Reserve Bank, and Congress stabilized the financial markets with bailouts and Congress stabilized the economy in general with the \$787 billion American Recovery and Reinvestment Act of 2009, which provided supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and state and local fiscal stabilization. The largest part of that assistance was expended in calendar years 2009 and 2010. The national economy continues to improve, but at a slow pace.

Real Gross Domestic Product quarter-over-quarter growth was -0.7%, 0.6%, -4.0%, and -6.8% during the four quarters of 2008. It continued to be negative in the first two quarters of 2009 with growth of -4.9% in the first quarter and -0.7% in the second quarter. It became positive in the third quarter of 2009 and remained positive through the third quarter of 2010. Real Gross Domestic Product growth was 1.6% during the third quarter of 2009 and 5.0% during the fourth quarter. It was 3.7%, 1.7%, and 2.5% during the first three quarters of 2010. The National Bureau of Economic Research determined the national recession ended in June 2009 after seeing multiple quarters of Real Gross Domestic Product growth. The Wells Fargo Economics Group predicts Real GDP will be 2.3% during 2011 and 3.0% during 2012.

High unemployment continues to be a problem, with 14,623,000 persons unemployed in June 2010. Of this number, 6,751,000 persons were unemployed for 27 weeks or longer. Unemployment was 9.7%, 9.7%, and 9.6% during the first three quarters of 2010. The Wells Fargo Economics Group predicts unemployment will average 9.7% in 2011 and 9.0% in 2012. Federal Reserve Bank officials expect unemployment to fall to 9.0% at the end of 2011 and 8.0% at the end of 2012.

Inflation is controlled. The Consumer Price Index was 2.4%, 1.8%, and 1.2% during the first three quarters of 2010. The "Core" Consumer Price Index, which excludes food and energy, was 1.3%, 1.0%, and 0.9% for the same time period. The Wells Fargo Economics Group predicts core inflation will continue to be modest averaging 1.0% in 2011 and 1.6% in 2012.

Housing starts continue to be very low in reaction to overbuilding and a large inventory of unsold units. Housing starts were 0.62 million, 0.60 million, and 0.59 million units during the first three quarters of 2010. The Wells Fargo Economics Group predicts housing starts will increase to 0.74 million units in 2011 and 1.00 million units in 2012.

Housing continues to delay economic recovery. The number of homes sold decreased after the federal tax credit for home purchases expired in April 2010. Foreclosures continue to depress home prices. The unemployed are finding it difficult to hold on to their homes. Depressed home prices make it difficult for homeowners to obtain home equity loans. About half of the persons who received a home loan modification under the administration's Home Affordable Modification Program defaulted within 12 months of the modification according to the Office of the Comptroller of the Currency. Financial institutions have repossessed millions of homes and are waiting to sell them.

The Federal Reserve Bank continues to suppress interest rates. The Federal Open Market Committee held the Federal Funds Target Rate to 0.25% for calendar year 2009 and the first three quarters of 2010 and intends to do so for an extended period of time. The Federal Reserve Bank, through its quantitative easing program, will purchase \$600 billion of U.S. government bonds to drive down medium term interest rates and encourage more borrowing and growth. The 2-Year Note yielded 1.02%, 0.61%, and 0.42% during the first three quarters of 2010. The Wells Fargo Economics Group predicts the yield will average 0.45% during 2011, and 1.10% during 2012.

The nation's economy is showing signs of recovery and the climate for doing business is improving. Businesses are likely to implement their business expansion plans and increase employment if Congress extends the Bush-era tax rate reductions, scales back health care reform costs, and eases the burden of financial regulation. Job gains are expected in the private sector. Unacceptably high unemployment is constraining consumer spending and housing, but both are expected to improve. Legal issues about

foreclosed homes are slowing down the recovery. Inflation is contained at present, but the Federal Reserve Bank's quantitative easing program may have the effect of raising commodity prices and weakening the U.S. dollar against other currencies. Full recovery from the recent recession is a few years away.

State and Local Economy

Introduction. Iowa's economy is supported by a diverse mix of agricultural, manufacturing, trade, service, and governmental employment. During the past ten years, finance and insurance has increased from 8.2% to 16.2% of the state's gross domestic product. Agriculture became more significant, increasing from 2.5% to 5.1% of the state gross domestic product. Manufacturing decreased from 22.3% to 16.7% and wholesale and retail trade become less significant, decreasing from 13.8% to 11.0%. In 1999, the largest industries in the Iowa gross domestic product were manufacturing (22.3%), wholesale and retail trade (13.8%), government (11.9%), and real estate, rental and leasing (9.0%). Agriculture accounted for 2.5%. In 2009, the largest industries in the Iowa gross domestic product were manufacturing (16.7%), finance and insurance (16.2%), government (11.4%), and wholesale and retail trade (11.0%). Agriculture increased to 5.1% of the Iowa gross domestic product.

According to the Iowa Department of Agriculture and Land Stewardship's Quick Facts on Iowa Agriculture for calendar year 2009, there were 92,600 farms in the state consisting of 30.8 million acres. The average farm size in that year was 333 acres and the average dollar value per acre was \$4,371. Corn production was 2.43 billion bushels, soybean production was 486 million bushels, cattle and calves marketed were 2.35 million head, hogs marketed were 32.7 million head, sheep and lambs marketed were 183 thousand head, milk production was 4.38 billion pounds, egg production was 14.5 billion eggs, and turkey production was 360 million pounds. Market values of agricultural production in 2009 follow: corn crop, \$7.77 billion; soybeans crop, \$4.43 billion; cattle and calves, \$2.47 billion; hogs, \$4.43 billion; sheep and lambs, \$24 million; dairy, \$576 million; eggs, \$776 million; and turkeys, \$201 million. Iowa's total cash receipts for farm commodities totaled \$20.7 billion.

According to the Iowa Renewable Fuels Association, there are 38 ethanol refineries in production in the state. These refineries have 3.3 billion gallons of annual production capacity and they require over one billion bushels of corn annually. In addition, there are 14 biodiesel refineries in production. They have 320 million gallons of annual production capacity and they require 175 million bushels of soybeans. There are 135 E85 stations and 239 biodiesel stations across Iowa.

Farmland Values. According to The Agricultural Newsletter published by the Federal Reserve Bank of Chicago, the annual percentage change in the dollar value of "good" Iowa farmland was 8% in 2009-2010, -5% in 2008-09, 15% in 2007-08, 18% in 2006-07, and 8% in 2005-06. Location was a major factor for land values this year, with regional price increases varying from a low of 2% to a high of 14%.

Personal Income and Per-Capita Personal Income. According to the October 2010 outlook prepared by the University of Iowa Institute for Economic Research, personal income in Iowa is expected to grow by 2.7% in 2010 and 2.9% in 2011. According to the Bureau of Economic Analysis (BEA), Iowa's personal income, seasonally adjusted, grew at the rate of 0.0%, 0.8%, 0.8%, and 1.1%, respectively, during the four quarters of the 2009-10 fiscal year. The growth is better than the nation as a whole, with personal income growth of -0.3%, 0.6%, 0.9%, and 1.0%, respectively. In 2009, Iowa's average per-capita income, as reported by BEA, was \$37,623. The average per-capita income in the nation was \$39,626. Iowa's per-capita personal income decreased 1.1% from 2008 to 2009, while the nation's decreased 1.7%.

Median Household Income. According to the U.S. Census Bureau, Iowa median household income was \$49,007 in 2008 and \$47,324 in 2007. The national median household income was reported as \$52,029 in 2008 and \$50,740 in 2007.

Employment. According to Economagic.com, Iowa's seasonally adjusted percent unemployed for the State was 6.7% in June 2010 compared with 6.0% in June 2009, 4.3% in June 2008, 3.7% in June 2007, and 3.7% in June 2006. For the nation, seasonally adjusted percent unemployed was 9.5% in June 2010 compared with 9.5% in June 2009, 5.5% in June 2008, 4.6% in June 2007, and 4.6% in June 2006. Over the past five years Iowa's unemployment rate has been between 0.9 and 3.5 percentage points below the national average. In June 2010, there were 1,567,185 employed Iowans compared with 1,572,436 in June 2009.

Manufacturing. According to the Iowa State University Center for Industrial Research and Service (CIRAS), Iowa's gross domestic product from manufacturing increased by 15.4% between 2000 and 2008, while the nation's gross domestic product from manufacturing decreased by 6.2%. During the same time period, Iowa's manufacturing employment decreased by 8.4% while the nation's manufacturing employment decreased by 20.6%. Manufacturing job increases were noted in machinery, chemicals, paper, and food and beverages, while job losses were noted in all other manufacturing areas. According to the Bureau of Labor Statistics, manufacturing employment in Iowa averaged 231,092 in 2006, 229,617 in 2007, 227,350 in 2008, 204,517 in 2009, and 202,933 during the first 9 months of 2010.

Exports. According to the Foreign Trade Division of the U.S. Department of Census, Iowa's export shipments of merchandise totaled \$9.0 billion in 2009 and \$12.1 billion in 2008. Iowa's export shipments grew 7.3% from 2006 to 2009. In 2009, Iowa exported merchandise valued at \$3.0 billion to Canada, \$1.4 billion to Mexico, \$822 million to Japan, \$452 million to the Federal Republic of Germany, \$367 million to China, and \$285 million to France. Other top markets included the United Kingdom, Australia, South Korea, Brazil, the Netherlands, and Hong Kong. Iowa's leading export category was tractors. Other top export categories were swine meat, soybeans, corn, aircraft parts, herbicide, and aluminum alloy plates.

Real Gross Domestic Product. The real gross domestic product is the U.S. Commerce Department's measure of the value of all goods and services produced in a given year. It is expressed in base-year prices for the year 2005. According to the Bureau of Economic Analysis, Iowa's real gross domestic product was \$131.28 billion in 2009, \$131.59 billion in 2008, \$127.45 billion in 2007, \$121.39 billion in 2006, and \$120.26 billion in 2005. While the growth rate in Iowa's real gross domestic product increased 9.2% between 2005 and 2009, it declined 0.2% from 2008 to 2009. The nation's real gross domestic product was \$12.90 trillion in 2009, \$13.18 trillion in 2008, \$13.16 trillion in 2007, \$12.90 trillion in 2006, and \$12.55 trillion in 2005. The growth rate in the nation's real gross domestic product between 2005 and 2009 was 2.8%. It declined 2.1% from 2008 to 2009. Iowa, then, experienced a smaller percentage decline in real gross domestic product than the nation from 2008 to 2009.

Nonagricultural Economy. Over the past 10 years, significant changes have occurred in the mix of nonfarm wage and salary employment. According to the Bureau of Labor Statistics, Iowa total nonfarm employment experienced no growth. Jobs in professional and business services grew by 16.9%, jobs in education and health services grew by 16.5%, jobs in mining and logging grew by 14.3%, jobs in financial activities grew by 11.8%, jobs in leisure and hospitality grew by 6.6%, jobs in government grew by 4.7%, and jobs in other services grew by 4.6%. Jobs in information services decreased 28.7%, jobs in manufacturing decreased 18.4%, jobs in trade, transportation and utilities decreased 6.5%, and construction jobs decreased 3.4%.

Waterloo-Cedar Falls Metropolitan Statistical Area. The Waterloo-Cedar Falls Metropolitan Statistical Area (MSA) consists of Black Hawk, Bremer, and Grundy counties. In 2009, Waterloo-Cedar Falls had a per-capita personal income (PCPI) of \$36,002. This PCPI was 91% of the national average of \$39,626. The 2009 PCPI reflected a decrease of 0.1% from 2008. The 2008-2009 national change was a decrease of 2.6%. In 1999, the PCPI of Waterloo-Cedar Falls was \$23,563. The 1999-2009 average annual growth rate of PCPI was 4.3%. The average annual growth rate for the nation was 3.4%. As of October 2010, the Waterloo-Cedar Falls MSA had an unemployment rate of 5.8%, while the nation had an unemployment rate of 9.6%.

State of Iowa's Economic Outlook for 2010-2011

The State of Iowa's Fiscal 2011 budget was finalized on March 30, 2010. The Iowa General Assembly appropriated \$5.279 billion of the \$5.371 billion available for appropriation. General Fund appropriations for Fiscal 2011 were \$23.0 million less than Fiscal 2010.

During the legislative session, the Iowa General Assembly passed the Government Reorganization and Efficiency Act. State General Fund savings related to reorganization is estimated to be \$70.5 million in Fiscal 2011. The General Assembly also approved the 2010 State Employee Retirement Incentive Program. The Program is estimated to result in total savings for Fiscal 2011 of \$53.7 million, consisting of \$22.8 million from the General Fund and \$30.9 million from other funds.

The Iowa Leading Indicators Index (ILII) is signaling improvement in the Iowa economy. The ILII reached its recent trough in September 2009, following a decline for 18 straight months. The Index increased in October 2009 and continued to increase through September 2010. From March 2008 to September 2009,

the index has declined 11.9%. From September 2009 to September 2010, the index increased 6.9%. From September 2009 through September 2010, the weekly average of initial claims for unemployment insurance decreased from 7,816 to 5,322. Average weekly manufacturing hours have increased from 38.3 to 40.9. The new factory orders index increased from 39.3% to 69.5%. The capitalization-weighted index of 34 Iowa publicly traded companies increased from \$58.33 to \$63.64. The number of building permits for residential housing units increased from 565 to 642. Corn, soybean, cattle, and hog profit levels have increased during the past few months.

Iowa General Fund revenue growth remains a concern. State Net General Fund Revenues peaked at \$6.085 billion in fiscal 2008. Revenues decreased to \$5.934 billion in Fiscal 2009 and decreased further to \$5.634 billion in Fiscal 2010. The December 2010 Revenue Estimating Conference reviewed recent economic data and projected Fiscal 2011 Net General Fund Revenues to be \$5.792 billion and Fiscal 2012 revenue to be \$6.031 billion, which is \$397.7 million more than the actual net revenue for Fiscal 2010 and \$239.7 million more than estimated net revenue for Fiscal 2011.

MAJOR INITIATIVES

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

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

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

FINANCIAL INFORMATION

Internal Controls. Management of the University is responsible for establishing and maintaining a system of internal controls. In fulfilling this responsibility, estimates and judgments are routinely made to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal control is to provide reasonable, but not absolute, assurance assets are safeguarded against loss from unauthorized use or disposition, and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with United States generally accepted accounting principles. The Office of Auditor of State reviews our internal control procedures as an integral part of the annual audit.

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

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

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

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

Debt Administration. Dormitory Revenue Refunding Bonds were issued in the amount of \$4.255 million during the year. The bonds were used to refund, as a current refunding, the outstanding principal of the July 1, 2011 through July 1, 2020 maturities of the Board's Dormitory Revenue Bonds, Series U.N.I. 1999, dated May 1, 1999. The realized net present value savings from the transaction was \$312,956.

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

OTHER INFORMATION

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

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

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the University of Northern Iowa for its Comprehensive Annual Financial Report for the year ended June 30, 2009. 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.

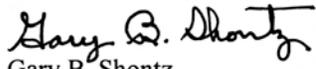
In order to be awarded a Certificate of Achievement, a university must publish an easily readable and efficiently organized annual financial report whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements. Appreciation is expressed to the staff of Financial Accounting and Reporting Services, Office of Business Operations, Office of University 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 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 Financial Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Northern Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



A stylized, handwritten signature in black ink.

President

A stylized, handwritten signature in black ink.

Executive Director

The Governing Board

2009-10

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

Board of Regents, State of Iowa

Officers of the Board

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

Members of the Board (As of June 30, 2010)

| | <u>Term Expires</u> |
|---------------------------------|---------------------|
| Bonnie J. Campbell, Des Moines | April 30, 2011 |
| Michael G. Gartner, Des Moines | April 30, 2011 |
| Rose A. Vasquez, Des Moines | April 30, 2011 |
| Jack B. Evans, Cedar Rapids | April 30, 2013 |
| Craig A. Lang, Brooklyn | April 30, 2013 |
| David W. Miles, West Des Moines | April 30, 2013 |
| Robert N. Downer, Iowa City | April 30, 2015 |
| Ruth R. Harkin, Cumming | April 30, 2015 |
| Greta A. Johnson, Le Mars | April 30, 2015 |

Officers of the University (As of June 30, 2010)

President of the University

Benjamin J. Allen, B.S., M.A., Ph. D.

Executive Vice President and Provost

Gloria J. Gibson, B.A., M.A., Ph. D.

Vice President for Administration and Financial Services

Thomas G. Schellhardt, B.S., M.S.

Vice President for Student Affairs

Terrance Hogan, B.S.C., M.A., Ph.D.

Controller, University Secretary and Treasurer

Gary B. Shontz, B.B.A., M.A.E., Ed. S.

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. Geadelmann, B.A., M.A., Ed. D.

Board of Regents, State of Iowa

President
Benjamin J. Allen

Assistant to the President for Compliance and Equity Management
Leah Guknecht

University Counsel
Tim McKenna

Executive Assistant to the President
Brenda Buzynski

Internal Auditor

Director, Institutional Research
Shashi Kaparhi

Academic Affairs

- Gloria Gibson, Executive Vice President and Provost*
- Associate Provost for Academic Affairs
- Associate Provost for Faculty Affairs
- Assistant Provost for Sponsored Programs
- Assistant Provost for Info Technology Services
- Assistant Provost for International Programs
- Dean, Graduate College
- Dean, College of Business Administration
- Dean, College of Education
- Dean, College of Humanities and Fine Arts
- Dean, College of Natural Sciences
- Dean, College of Social and Behavioral Sciences
- Dean, Continuing Education & Special Programs
- Dean, Library Services
- Editor, *North American Review*
- Director, Iowa Math & Science Education Partnership

Student Affairs

- Terrence Hogan, Vice President*
- Assistant Vice President and Executive Director of Residence
- Dean of Students
- University Registrar
- Director, Admissions
- Director, Career Services
- Director, Student Financial Aid
- Director, Maucker Union
- Director, Multicultural Education
- Director, University Health Services

Administration and Financial Services

- Tom Schellhardt, Vice President*
- Associate Vice President for Facilities Management/University Architect
- Director, Physical Plant
- Assistant Vice President for Outreach and Special Programs
- Assistant Vice President, Executive Director of GBPAC
- Director, Athletics
- Director, Budget System Development/Reporting
- Director, Business Operations
- Financial Accounting & Reporting Services
- Director, Human Resource Services
- Director, Public Safety
- Director, Technology Systems & Services

University Advancement

- Bill Calhoun, Vice President*
- Assistant Vice President Marketing & Public Relations
- Director, Alumni Relations
- UNI Foundation
- Vice President
- Vice President Advancement Services
- Vice President Development
- Vice President Accounting & Treasurer
- Vice President & Secretary

Board & Governmental Relations

- Patricia Gadelmann, Special Asst. to the President for Board & Governmental Relations*
- State Relations Officer
Board of Regents, State of Iowa

**University of Northern Iowa
Administrative Organization
2009-2010**



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

An enterprise fund of the State of Iowa



2009-2010
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, 2010 and 2009. 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, the University of Northern Iowa Foundation, discussed in Note A, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the component unit, is based on the report of the other auditor.

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

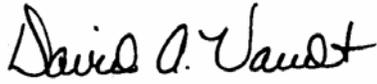
As discussed in Note A, the financial statements of the University of Northern Iowa are intended to present the financial position and the changes in financial position and cash flows of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions 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, 2010 and 2009, and the changes in its financial position and its cash flows for the years ended June 30, 2010 and 2009 in conformity with U.S. generally accepted accounting principles.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Northern Iowa and its discretely presented component unit at June 30, 2010 and 2009, and the respective changes in their financial position and their cash flows, where applicable, for the years then ended in conformity with U.S. generally accepted accounting principles.

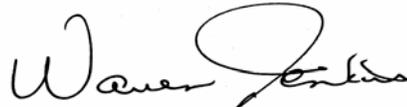
Management's Discussion and Analysis and the Schedule of Funding Progress on pages 13 through 22 and page 73, respectively, are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, 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 on it.

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

Our report on the University of Northern Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters required by Government Auditing Standards will be issued under separate cover. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 7, 2010

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis

Years Ended 2010 and 2009

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, 2010, and 2009. This discussion should be read in conjunction with the accompanying letter of transmittal, financial statements, and footnotes. The financial statements, footnotes, and this discussion are the responsibility of University management.

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

2010 FINANCIAL HIGHLIGHTS

- The 2010 Session of the Iowa General Assembly provided an appropriation for the primary General Educational Fund in the amount of \$79,005,927 for Fiscal 2011, which includes one-time funds of \$1,456,118. This is a 1.7 percent decrease from the Fiscal 2010 appropriation of \$80,385,388.
- In 2009, the Board of Regents, State of Iowa allocated \$12,376,434 of American Recovery and Reinvestment Act (ARRA) funds to the University for Fiscal 2010. The University expended the funds for a student information system, Early Retirement Incentive Program costs, adjunct funding, energy efficiency and sustainability projects, classroom technology, implementation of revenue enhancement and cost reduction initiatives, and enhancement of the first year student experience.
- Expenditures from sponsored programs were a record \$41.4 million in Fiscal 2010, a 13.9 percent increase from Fiscal 2009.
- The Board of Regents, State of Iowa, issued \$4.26 million of Dormitory Revenue Refunding Bonds in March 2010 to refund Dormitory Revenue Bonds Series U.N.I. 1999. The current refunding resulted in an economic gain of \$312,956 and reduced aggregate debt service payments \$1,018,355 over ten years.
- The University's fall 2010 headcount enrollment was 13,201 students, an increase of 121 students from fall 2009. The headcount has increased each fall since 2006.
- Foundation contribution revenue recovered from the effects of the downturn in the national economy. Contribution revenue increased from \$8.9 million in Fiscal 2009 to \$14.2 million in Fiscal 2010. Investment return increased from a negative \$15.2 million in Fiscal 2009 to a positive \$8.1 million in Fiscal 2010. Net assets of the Foundation increased from \$61.7 million in Fiscal 2009 to \$72.6 million in Fiscal 2010.
- The Foundation provided revenues of \$3.8 million to the University in Fiscal 2010 and \$5.6 million in Fiscal 2009, a decrease of \$2.0 million. Scholarship support was lower in Fiscal 2010 due to under water endowments. Capital project support was lower due to the completion of a number of projects in the Wellness Recreation Center.
- The Foundation recently launched its \$150 million "Imagine the Impact" capital campaign nationally. At September 30, 2010, it was over two-thirds of the way toward the \$150 million goal, which is to raise \$75 million each for scholarships and faculty and program support.
- An actuarial valuation of the University's retiree health benefit plan was updated by a consulting actuary. The beginning of year net OPEB obligation was \$917,000. The end of year net OPEB obligation was \$1,600,000. The University currently finances the retiree benefit plan on a pay-as-you-go basis.
- The State of Iowa assigned financial responsibility for University employees covered by the State of Iowa postretirement medical plan for the first time. The University recognized a net OPEB liability of \$996,071 for the State's retiree health benefit plan.
- 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, 2009. The Certificate has been received eighteen consecutive years.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2010 and 2009

USING THIS ANNUAL REPORT

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

THE UNIVERSITY AS A WHOLE

The Statement of Net Assets

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

| University | | | |
|---|----------------------|--------------------|--------------------|
| The Statement of Net Assets | | | |
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Current and other assets | \$177,652,145 | 168,224,670 | 155,532,219 |
| Capital assets | <u>331,534,837</u> | <u>315,130,905</u> | <u>300,488,626</u> |
| Total assets | <u>509,186,982</u> | <u>483,355,575</u> | <u>456,020,845</u> |
| Current liabilities | 44,380,946 | 39,244,953 | 36,751,237 |
| Noncurrent liabilities | <u>140,271,012</u> | <u>145,476,791</u> | <u>132,056,719</u> |
| Total liabilities | <u>184,651,958</u> | <u>184,721,744</u> | <u>168,807,956</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 219,729,638 | 205,106,280 | 194,237,507 |
| Restricted | 28,007,491 | 28,233,393 | 30,284,607 |
| Unrestricted | <u>76,797,895</u> | <u>65,294,158</u> | <u>62,690,775</u> |
| Total net assets | <u>\$324,535,024</u> | <u>298,633,831</u> | <u>287,212,889</u> |

The largest portion of the University's net assets (67.7 percent) is invested in capital assets (e.g., land, infrastructure, buildings, equipment and intangible assets), less the related debt. The debt related to capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (8.6 percent) includes resources subject to external restrictions. The remaining net assets (23.7 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 \$11.4 million from 2008 to 2009 and \$25.9 million from 2009 to 2010. Increases in total net assets, then, were 4.0 percent from 2008 to 2009 and 8.7 percent from 2009 to 2010.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2010 and 2009

| Foundation | | | |
|--|---------------------|----------------------------------|-------------------|
| The Combined Statements of Financial Position | | | |
| | <u>2010</u> | <u>2009</u> (Restated) | <u>2008</u> |
| Current assets | \$16,472,853 | 18,540,246 | 27,419,145 |
| Noncurrent assets | <u>61,573,547</u> | <u>49,710,289</u> | <u>60,832,604</u> |
| Total assets | <u>78,046,400</u> | <u>68,250,535</u> | <u>88,251,749</u> |
| Current liabilities | 514,766 | 1,621,964 | 3,102,987 |
| Noncurrent liabilities | <u>4,899,174</u> | <u>4,917,399</u> | <u>5,951,434</u> |
| Total liabilities | <u>5,413,940</u> | <u>6,539,363</u> | <u>9,054,421</u> |
| Net assets: | | | |
| Unrestricted | 2,703,416 | (1,685,504) | 6,159,062 |
| Temporarily restricted | 27,219,907 | 23,063,517 | 34,127,689 |
| Permanently restricted | <u>42,709,137</u> | <u>40,333,159</u> | <u>38,910,577</u> |
| Total net assets | <u>\$72,632,460</u> | <u>61,711,172</u> | <u>79,197,328</u> |

At June 30, 2010 nearly all of the Foundation's net assets were donor restricted, either temporarily or permanently.

Total net assets of the Foundation decreased \$17.5 million from 2008 to 2009 and increased \$10.9 million from 2009 to 2010. Total liabilities of the Foundation decreased \$2.5 million from 2008 to 2009 and decreased \$1.13 million from 2009 to 2010. The decrease in total liabilities from 2008 to 2009 and from 2009 to 2010 was the result of making time payments on funding contracts for Human Performance Complex, McLeod Center and Russell Hall construction projects.

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

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

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

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2010 and 2009

| University | | | |
|---|----------------------|----------------------|---------------------|
| The Statement of Revenues, Expenses, and | | | |
| Changes in Net Assets | | | |
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Operating revenues: | | | |
| Tuition and fees | \$ 60,664,817 | 60,034,123 | 57,523,347 |
| Receipts from other entities | 111,554 | 241,941 | 143,924 |
| Grants and contracts | 42,493,448 | 36,708,661 | 32,073,018 |
| Sales, rents and services | 7,687,525 | 5,774,668 | 7,420,630 |
| Miscellaneous | 2,868,615 | 607,771 | 720,116 |
| Auxiliary enterprises | <u>55,193,227</u> | <u>54,859,014</u> | <u>50,176,930</u> |
| Total operating revenue | <u>169,019,186</u> | <u>158,226,178</u> | <u>148,057,965</u> |
| Operating expenses: | | | |
| Instruction | 71,168,267 | 76,484,933 | 72,605,101 |
| Research | 2,507,353 | 1,793,393 | 2,454,770 |
| Public service | 31,497,042 | 31,097,013 | 24,184,724 |
| Academic support | 23,894,367 | 22,729,813 | 22,050,064 |
| Student services | 6,205,098 | 7,076,945 | 6,558,084 |
| Institutional support | 26,713,928 | 29,348,125 | 20,230,830 |
| Operation and maintenance of plant | 20,177,365 | 22,185,917 | 21,396,250 |
| Scholarships and fellowships | 6,760,209 | 5,712,482 | 4,884,137 |
| Depreciation | 14,461,097 | 13,975,476 | 13,291,606 |
| Loan cancellations and write-offs | 172,245 | 513,815 | 251,886 |
| Auxiliary enterprises | <u>48,447,239</u> | <u>50,077,862</u> | <u>49,043,443</u> |
| Total operating expenses | <u>252,004,210</u> | <u>260,995,774</u> | <u>236,950,895</u> |
| Operating loss | <u>(82,985,024)</u> | <u>(102,769,596)</u> | <u>(88,892,930)</u> |
| Nonoperating revenues (expenses): | | | |
| State appropriations | 97,861,782 | 101,686,218 | 95,363,638 |
| Gifts, grants and contracts | 3,332,794 | 3,384,744 | 2,600,605 |
| Investment return | 2,990,195 | (611,282) | 1,687,404 |
| Interest expense | (6,274,646) | (5,742,508) | (5,765,266) |
| Amortization and misc. expense | <u>(116,705)</u> | <u>(124,128)</u> | <u>(124,090)</u> |
| Net nonoperating revenues | <u>97,793,420</u> | <u>98,593,044</u> | <u>93,762,291</u> |
| Income/(loss) before other revenues | 14,808,396 | (4,176,552) | 4,869,361 |
| State appropriations – capital projects | 5,927,801 | 5,751,912 | 5,018,136 |
| Capital contributions and grants | <u>5,164,996</u> | <u>9,845,582</u> | <u>4,117,894</u> |
| Change in net assets | 25,901,193 | 11,420,942 | 14,005,391 |
| Net assets, beginning of year | <u>298,633,831</u> | <u>287,212,889</u> | <u>273,207,498</u> |
| Net assets, end of year | <u>\$324,535,024</u> | <u>298,633,831</u> | <u>287,212,889</u> |

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis

Years Ended 2010 and 2009

The Statement of Revenues, Expenses, and Changes in Net Assets reflect three positive years. Net assets increased \$11.4 million from 2008 to 2009 and \$25.9 million from 2009 to 2010.

Operating revenue totaled \$169.0 million in 2010, \$158.2 million in 2009, and \$148.1 million in 2008. The increase from 2008 to 2009 was \$10.2 million and from 2009 to 2010 it was \$10.8 million. Net nonoperating revenues totaled \$97.8 million in 2010, \$98.6 million in 2009, and \$93.8 million in 2008. There was a \$4.8 million increase from 2008 to 2009 and a \$0.8 million decrease from 2009 to 2010. Changes in operating, nonoperating, and other revenue from 2008 to 2009 and 2009 to 2010 follow:

- Tuition and fee income, net of scholarship allowances, increased \$2.5 million, or 4.4 percent, from 2008 to 2009 and increased \$0.6 million, or 1.1 percent, from 2009 to 2010. The Board of Regents, State of Iowa increased tuition 4.2 percent from 2009 to 2010, which was larger than the 3.2 percent from 2008 to 2009. Mandatory fees were increased 3.0 percent from 2009 to 2010. Increases in enrollment and increases in scholarships account for the actual revenue increase.
- Operating grants and contracts revenue increased \$4.6 million, or 14.5 percent, from 2008 to 2009 and \$5.8 million, or 15.8 percent, from 2009 to 2010. Revenue is recognized as expenses are incurred and, accordingly, it varies from year to year. Grants and contracts revenue has been stable and it has increased steadily from \$32.1 million in 2008 to \$42.5 million in 2010.
- Auxiliary Enterprise revenue increased \$4.7 million, or 9.3 percent, from 2008 to 2009 and increased \$0.3 million, or 0.6 percent, from 2009 to 2010. Revenues increased in the Residence System, Intercollegiate Athletics, Gallagher-Bluedorn Performing Arts Center, Wellness and Recreation Services, and the Health Clinic. Revenues decreased in the J.W. Maucker Union and the Field House Enterprise.
- State appropriations for operations increased \$6.3 million, or 6.6 percent, from 2008 to 2009 and decreased \$3.8 million, or 3.8 percent, from 2009 to 2010. The initial Fiscal 2010 primary General Educational Fund appropriation was \$83.8 million. It was decreased \$8.4 million in an across-the-board cut, decreased \$0.253 million due to forfeiture of AFSCME contract savings, and increased \$5.228 million because of the ARRA maintenance of effort requirement. The final level of the Fiscal 2010 appropriation was \$80.4 million.
- Investment income decreased \$2.3 million, or 136.2 percent, from 2008 to 2009, largely due to a \$2.3 million realized loss on Commonfund's Intermediate Term Fund. Investment income increased \$3.6 million, or 589.2 percent, largely due to the loss on Commonfund's Intermediate Term Fund being contained in one fiscal year. The targeted federal funds rate remained at 0.0 percent to 0.25 percent and interest rates on Treasury and Agency securities remain at unprecedented low levels.
- Capital appropriations increased \$0.7 million, or 14.6 percent, from 2008 to 2009 and 0.2 million, or 3.1 percent for 2009 to 2010. In lieu of making significant capital appropriations for Fiscal Years 2008, 2009 and 2010, the Iowa General Assembly granted permission to sell Academic Building Revenue Bonds in FY2008 and FY2009.
- Capital contributions and grants increased \$5.7 million, or 139.1 percent, from 2008 to 2009 due to Federal Transit Administration funding of the Multimodal Transportation Center and a construction gift for the Richard O. Jacobson Human Performance Complex. Capital contributions and grants decreased 4.7 million, or 47.5 percent, from 2009 to 2010 due a lower amount of earned revenue to complete the Multimodal Transportation Center and Richard O. Jacobson Human Performance Complex projects.

Operating expenses totaled \$252.0 million in 2010, \$261.0 million in 2009, and \$237.0 million in 2008. Operating expenses, then, increased 10.1 percent from 2008 to 2009 and decreased 3.4 percent from 2009 to 2010. The decrease in operating expenses from 2009 to 2010 is partially attributed to the \$3.8 million reduction in state appropriations. Changes in operating expenses by object from 2008 to 2009 and 2009 to 2010 follow:

- Expenses for personnel services increased \$13.3 million, or 8.5 percent, from 2008 to 2009 and decreased \$9.1 million, or 5.3 percent, from 2009 to 2010. The decrease from 2009 to 2010 was because of salary reductions for the faculty and furloughs for the staff. The Early Retirement Incentive Plan of 2009 also contributed to the savings.
- Travel expenses increased \$0.6 million, or 6.3 percent, from 2008 to 2009 and decreased \$0.6 million, or 5.8 percent from 2009 to 2010. Staff was directed to reduce travel in 2010 due to reduced operating appropriations.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2010 and 2009

- Expenses for supplies increased \$0.5 million, or 4.9 percent, from 2008 to 2009 and decreased \$0.04 million, or 0.4 percent from 2009 to 2010. The reduction in operating appropriations necessitated this decrease.
- Expenses for contractual services increased \$6.0 million, or 78.1 percent, from 2008 to 2009, and increased \$1.0 million, or 7.1 percent from 2009 to 2010. Increases in this category are due to the Student Information System software project.
- Expenses for equipment and repairs decreased \$0.5 million, or 3.7 percent, from 2008 to 2009 and decreased \$0.6 million, or 5.0 percent from 2009 to 2010. The reduction in operating appropriation necessitated this decrease.
- Expenses for scholarships and fellowships increased \$0.8 million, or 8.8 percent from 2008 to 2009 and increased \$1.1 million, or 11.9 percent from 2009 to 2010. A number of UNI Foundation endowments which supported scholarships went under water in 2009. In 2010, the University honored the scholarship commitments the Foundation was unable to honor due to the Foundation's under water endowments.
- Depreciation expense increased \$0.7 million, or 5.1 percent, from 2008 to 2009 and \$0.5 million, or 3.5 percent, due to placing new or renovated buildings in service.

Nonoperating expenses, primarily interest expense, totaled \$6.4 million in 2010, \$5.9 million in 2009 and \$5.9 million in 2008.

| Foundation | | | |
|--|---------------------|--------------------|--------------------|
| The Combined Statements of Activities | | | |
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Public support and revenue: | | | |
| Contribution revenue | \$14,240,782 | 8,871,816 | 14,357,954 |
| Investment return | 8,114,770 | (15,177,616) | (2,473,809) |
| Miscellaneous income | <u>413,230</u> | <u>263,596</u> | <u>287,678</u> |
| Total revenue and support | 22,768,782 | (6,042,204) | 12,171,823 |
| Expenses and adjustments | <u>11,847,494</u> | <u>11,443,952</u> | <u>10,790,076</u> |
| Change in net assets | 10,921,288 | (17,486,156) | 1,381,747 |
| Net assets, beginning of year | <u>61,711,172</u> | <u>79,197,328</u> | <u>77,815,581</u> |
| Net assets, end of year | <u>\$72,632,460</u> | <u>61,711,172</u> | <u>79,197,328</u> |

Foundation revenue and support was a positive \$22.8 million in 2010, negative \$6.0 million in 2009, and \$12.1 million in 2008, a decrease of 149.6 percent from 2008 to 2009 and an increase of \$28.8 million, or 476.8 percent from 2009 to 2010. Investment income was a positive \$8.1 million in 2010, negative \$15.2 million in 2009, and negative \$2.5 million in 2008. The decrease from 2008 to 2009 is due to depressed equity valuations which resulted from the worldwide financial crisis in September 2008. The increase from 2009 to 2010 was due to a partial recovery of equity markets. Contribution revenue was \$14.2 million in 2010, \$8.9 million in 2009, and \$14.4 million in 2008. Contributions were down in 2009 due to adverse donor sentiment resulting from the worldwide financial crisis in September 2008. Expenses were \$11.8 million in 2010, \$11.4 million in 2009, and \$10.8 million in 2008. The increase from 2008 to 2009 was due to expenses for the Richard O. Jacobson Human Performance Complex.

The Foundation provided revenues to the University in the amount of \$3.8 million in 2010, \$5.6 million in 2009, and \$4.1 million in 2008. The increase for 2009 was due to construction costs for the Richard O. Jacobson Human Performance Complex mentioned in the previous paragraph. The decrease in 2010 was due to lower than normal scholarship contributions due to under water endowments. Contributions restricted for permanent investment in the Foundation's endowment were \$2.2 million in 2010, \$2.6 million in 2009, as restated, and \$4.6 million in 2008. The Foundation received a higher than normal dollar amount of endowment funding in 2008 because of a short-term endowed scholarship campaign.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2010 and 2009

The Statement of Cash Flows

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

| University | | | |
|--|----------------------|--------------------|--------------------|
| The Statement of Cash Flows | | | |
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Cash provided (used) by: | | | |
| Operating activities | \$(70,310,139) | (77,908,147) | (74,772,150) |
| Noncapital financing activities | 100,761,639 | 104,418,993 | 98,407,972 |
| Capital and related financing activities | (22,089,250) | (7,109,096) | (12,457,526) |
| Investing activities | <u>(29,104,226)</u> | <u>(3,210,465)</u> | <u>(5,402,841)</u> |
| Net increase in cash and cash equivalents | (20,741,976) | 16,191,285 | 5,775,455 |
| Cash and cash equivalents, beginning of year | <u>44,972,353</u> | <u>28,781,068</u> | <u>23,005,613</u> |
| Cash and cash equivalents, end of year | <u>\$ 24,230,377</u> | <u>44,972,353</u> | <u>28,781,068</u> |

The largest sources and uses of University cash are provided for operating activities. The following analysis discusses the University's cash flows during Fiscal Year 2010. Cash provided for operating activities includes revenues from tuition and fees (\$61.1 million), grants and contracts (\$39.6 million), and auxiliary enterprise receipts (\$55.6 million). The largest uses of cash for operating activities includes payments for salaries and benefits (\$137.8 million), payments for goods and services (\$26.1 million), and auxiliary enterprise payments (\$48.2 million). Cash provided by noncapital financing activities includes state appropriations (\$97.8 million). Cash provided by capital and related financing activities includes capital appropriations (\$5.9 million), capital gifts and grants (\$5.8 million), and the proceeds from refunding bonds (\$4.2 million). Cash used by capital and related financing activities includes the acquisition of capital assets (\$25.4 million) and principal and interest payments on debt (\$12.9 million). Cash used by investing activities was \$29.1 million.

Capital Assets

At June 30, 2010, the University had \$544.5 million of capital assets at cost, accumulated depreciation of \$213.1 million and net capital assets of \$331.5 million. Depreciation charges totaled \$14.5 million for the 2010 Fiscal Year. Details of the capital assets, net of accumulated depreciation are shown below.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2010 and 2009

| University | | | |
|---|-----------------------------|---------------------------|---------------------------|
| Schedule of Capital Assets, Net, at Year-End | | | |
| | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Land | \$ 4,916,643 | 4,916,643 | 4,579,892 |
| Construction in progress | 11,353,911 | 23,589,686 | 13,422,890 |
| Software in progress | <u>4,576,092</u> | <u>-</u> | <u>-</u> |
| Capital assets not depreciated | <u>20,846,646</u> | <u>28,506,329</u> | <u>18,002,782</u> |
| Land improvements | 5,372,442 | 5,235,370 | 5,602,981 |
| Infrastructure | 26,168,653 | 18,230,071 | 18,797,757 |
| Buildings | 256,082,617 | 241,587,110 | 237,229,800 |
| Equipment | 17,648,390 | 15,612,798 | 14,486,781 |
| Library materials | <u>5,416,089</u> | <u>5,959,227</u> | <u>6,368,525</u> |
| Capital assets depreciated | <u>310,688,191</u> | <u>286,624,576</u> | <u>282,485,844</u> |
| Total capital assets | <u><u>\$331,534,837</u></u> | <u><u>315,130,905</u></u> | <u><u>300,488,626</u></u> |

State funded capital projects for the Fiscal Year ended June 30, 2010 and beyond include renovation of Sabin Hall; improvement of the electrical distribution loop system; and several deferred maintenance projects. Residence System projects include construction of apartments, asbestos abatement, installation of sprinkler systems, repair of roofs, and replacement of elevators in various buildings. The ballroom and lower level of the J.W. Maucker Student Union are being renovated. A Multimodal Transportation Center was constructed with grant funds and local matching funds. The Business and Community Services Building was constructed with state and federal grant funds. Private gifts are being used for various projects in the Richard O. Jacobson Human Performance Complex and to construct the Messersmith Track Building. Detailed information about the University's capital assets is presented in Note I of the Notes to Financial Statements.

The Foundation's capital assets consist of a building and related equipment used for the Early Childhood Education Program. The net carrying value of the building and equipment was \$1.1 million at the end of 2010 and \$1.2 million at the end of 2009.

LONG-TERM DEBT

During the Fiscal Year ended June 30, 2010, the Board of Regents, State of Iowa, on behalf of the University of Northern Iowa, issued one series of refunding bonds. Dormitory Refunding Bonds 2010 in the amount of \$4.3 million were issued to refund Dormitory Revenue Bonds 1999. A net present value savings of \$312,956 was achieved by this refunding. The University's long-term debt is presented in Note N of the Notes to Financial Statements.

CREDIT RATINGS

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

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis Years Ended 2010 and 2009

ECONOMIC FACTORS THAT WILL AFFECT FUTURE BUDGETS AND RATES

According to the Center for Budget and Policy Priorities at least 47 states are dealing with budget gap issues largely caused by the recession. Budget shortfalls were \$110 billion in Fiscal 2009 and \$191 billion in Fiscal 2010. The Center's forecast is \$160 billion in Fiscal 2011 and \$140 billion in Fiscal 2012. ARRA appropriations helped reduce the funding gap in the amounts of \$31 billion in 2009, \$68 billion in 2010, \$59 billion in 2011, and \$6 billion in 2012. The State of Iowa faced a \$1.1 billion pre-budget adoption gap for Fiscal 2011 that was closed when the budget was adopted. Iowa's funding gap was 18.9 percent of the adopted Fiscal 2011 budget.

The recession caused the State of Iowa to experience negative revenue growth in both Fiscal 2009 and 2010. Iowa's General Fund Net Receipts and Transfers were \$5.383 billion in Fiscal 2006, \$5.646 billion in Fiscal 2007, \$6.085 billion in Fiscal 2008, \$5.934 billion in Fiscal 2009, and \$5.634 billion in Fiscal 2010. Positive revenue growth is expected in Fiscal 2011 and 2012. The December 2010 Revenue Estimating Conference forecast for Fiscal 2011 revenue was \$5.791 billion and the forecast for Fiscal 2012 revenue was \$6.031 billion. Slow revenue growth remains a concern.

Reduced revenues are responsible for the decline in General Fund appropriations. General Fund appropriations for Fiscal 2011 totaled \$5.279 billion. In addition to General Fund appropriations, \$323.9 million in federal stimulus (ARRA) funds and \$267.4 million from reserve funds, and the anticipated savings from reorganization and early retirement were used to balance the budget for a total appropriation for Fiscal 2011 of \$5.871 billion.

The State General Fund budget is balanced for Fiscal 2011 and no budget cuts are expected for the remainder of the fiscal year. The new Governor and Iowa lawmakers face the challenge of establishing a Fiscal 2012 budget that does not exceed 99 percent of State General Fund revenue estimate of \$6.031 billion, or \$5.971 billion, which is only \$100 million more than Fiscal 2011 appropriations.

Recent revenue growth has been slow, which is reflective of the sluggish growth of the state and national economies. Iowa's unemployment rate of 6.7 percent in October 2010 is lower than the nation's rate of 9.6 percent. This demonstrates the Iowa labor market is better able to withstand a recession than the nation as a whole. It will be necessary to lower Iowa unemployment to pre-recession levels to improve Iowa revenue levels.

The National Bureau of Economic Research issued a report on September 20, 2010, stating the recession that started in December 2007 ended in June 2009. Economists expect the jobless rate to continue during the next two years. Clearly, the recovery from the recession of 2007 will take longer than in prior recessions. While the real gross domestic product was positive in the third quarter of 2009 and it continues to be positive, full recovery from the recession is not expected until unemployment returns to pre-recession levels and the housing price problem is solved.

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

The University of Northern Iowa is Iowa's only public university that is distinguished by its emphasis on undergraduate education. The University contributes to the development of students by providing a diverse, dynamic learning environment characterized by excellence in teaching. The University supports exemplary undergraduate programs founded on a strong liberal arts curriculum and offers master's and selected doctoral programs that contribute to the intellectual vitality of the academic community. The University increases knowledge and promotes student growth through scholarship and service, and shares its expertise with individuals, communities, and organizations. This means achieving excellence in all areas of our mission.

The leadership team was pleased to note four years of enrollment growth after experiencing enrollment declines from fall 2002 through fall 2006. The increase from the fall 2006 recent low of 12,260 students to the fall 2010 enrollment of 13,201 students is 941 students, or 7.7 percent.

UNIVERSITY OF NORTHERN IOWA

Management's Discussion and Analysis

Years Ended 2010 and 2009

The University is proud of its new and renovated facilities. The Business and Community Services building, the Richard O. Jacobson Human Performance Center, and the Multimodal Transportation Center were recently completed. Sabin Hall Renovation is nearly complete. A number of capital projects are underway or are in the planning stage, including Apartments, Electrical Distribution Loop System Improvements, Messersmith Track and Field building, and a number of deferred maintenance projects.

Foundation contribution revenue recovered from the effects of the downturn in the national economy. Contribution revenue increased from \$8.9 million in Fiscal 2009 to \$14.2 million in Fiscal 2010. Investment return increased from a negative \$15.2 million in Fiscal 2009 to a positive \$8.1 million in Fiscal 2010. Net assets of the Foundation increased from \$61.7 million in Fiscal 2009 to \$72.6 million in Fiscal 2010. The Foundation recently launched its \$150 million "Imagine the Impact" capital campaign nationally. At September 30, 2010, it was over two-thirds of the way toward the \$150 million goal, which is to raise \$75 million each for scholarships and faculty and program support.

The University has achieved success in Sponsored Programs. Grants and contracts expenses totaled \$41.4 million, up \$5.1 million, or 13.9 percent, from 2009.

The Board of Regents, State of Iowa will discuss the tuition increase for 2012 at its February 2011 meeting and approve the increase at the March 2011 meeting. The University's overall tuition and room and board costs remain competitive with Iowa's four-year public and private institutions and our comparison group of institutions.

To summarize, the Iowa Leading Indicators Index is signaling a slow recovery of the Iowa economy. The December 2010 Revenue Estimating Conference has projected Fiscal 2011 revenue to be 2.2% greater than Fiscal 2010 actual revenue and Fiscal 2012 revenue to be 3.3% greater than the Fiscal 2011 estimate. Looking ahead, the University suspects Fiscal 2012 appropriations will at the Fiscal 2011 level or decreased slightly. The mentioned report of the Iowa Revenue Estimating Conference will be used by the new Governor and the Iowa General Assembly to prepare the Fiscal 2012 budget.

University officials are monitoring the fiscal situation very closely. Officials are currently working through a number of budgeting scenarios utilizing state appropriation and tuition increase assumptions for the revenue budget and base budget, salary and benefit increases, and fixed cost increases for the expense budget. Officials continue to develop plans to increase certain revenues and to decrease certain costs. As decisions are made in the weeks and months ahead, we will continue to do everything we can to maintain academic quality, ensure progress to graduation, make student financial aid accessible and available, and keep the campus safe and secure. We are committed to taking the necessary actions to maintain the fiscal health of the University and to honor the "Students First" motto.

CONTACTING THE UNIVERSITY

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



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

An enterprise fund of the State of Iowa



2009-2010 Financial Statements

UNIVERSITY OF NORTHERN IOWA
Statement of Net Assets
June 30, 2010 and 2009

| | 2010 | 2009 |
|---|-----------------------|--------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents-Note B | \$ 24,230,377 | 44,972,353 |
| Investments-Note B | 16,157,724 | 33,676,186 |
| Accounts receivable, net-Note C | 6,236,478 | 8,322,108 |
| Loans receivable, net-Note E | 2,045,647 | 2,161,889 |
| Interest receivable | 866,630 | 1,108,761 |
| Due from governmental agencies-Note F | 6,964,356 | 5,114,359 |
| Prepaid expenses-Note G | 4,271,122 | 4,057,191 |
| Inventories-Note H | 3,541,302 | 2,603,077 |
| Other assets | 100,000 | 90,000 |
| Total Current Assets | 64,413,636 | 102,105,924 |
| Noncurrent Assets | | |
| Investments-Note B | 102,522,631 | 54,311,223 |
| Accounts receivable, net-Note C | 835,923 | 1,453,017 |
| Loans receivable, net-Note E | 8,182,586 | 8,647,557 |
| Prepaid expenses-Note G | 169,395 | 135,497 |
| Debt issuance costs-Note V | 1,527,974 | 1,571,452 |
| Capital assets, Nondepreciable-Note I | 20,846,646 | 28,506,329 |
| Capital assets, Depreciable-Note I | 523,748,478 | 488,145,250 |
| Accumulated depreciation-Note I | (213,060,287) | (201,520,674) |
| Total Noncurrent Assets | 444,773,346 | 381,249,651 |
| Total Assets | 509,186,982 | 483,355,575 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 15,871,991 | 14,626,092 |
| Salaries and wages payable-Note J | 490,409 | 710,876 |
| Compensated absences payable-Note K | 4,209,500 | 4,706,600 |
| Unpaid claims-Note U | 1,757,248 | 2,063,548 |
| Unearned revenue-Note G | 3,942,356 | 4,323,910 |
| Accrued interest payable | 3,516,663 | 3,202,957 |
| Long-term debt-Note N | 11,518,353 | 6,924,268 |
| Deposits | 3,031,048 | 2,631,450 |
| Other current liabilities | 43,378 | 55,252 |
| Total Current Liabilities | 44,380,946 | 39,244,953 |
| Noncurrent Liabilities | | |
| Accounts payable | 5,755,372 | 5,930,260 |
| Compensated absences payable-Note K | 5,214,539 | 4,764,368 |
| Refundable advances on student loans-Note Q | 9,487,410 | 9,384,190 |
| Long-term debt-Note N | 117,217,620 | 124,480,973 |
| Net OPEB liability-Note P | 2,596,071 | 917,000 |
| Total Noncurrent Liabilities | 140,271,012 | 145,476,791 |
| Total Liabilities | 184,651,958 | 184,721,744 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 219,729,638 | 205,106,280 |
| Restricted | | |
| Nonexpendable | | |
| Scholarships and fellowships | 615,895 | 615,895 |
| Expendable | | |
| Scholarships and fellowships | 408,280 | 273,782 |
| Loans | 2,900,751 | 2,817,087 |
| Capital projects | 102,040 | 429,081 |
| Debt service | 22,812,820 | 23,780,195 |
| Other | 1,167,705 | 317,353 |
| Unrestricted | 76,797,895 | 65,294,158 |
| Total Net Assets | \$ 324,535,024 | 298,633,831 |

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Financial Position
June 30, 2010 and 2009

| | 2010 | 2009 (Restated) |
|--|----------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 298,879 | 299,106 |
| Investments | 66,916,851 | 59,429,038 |
| Pledges receivable, net-Note D | 8,476,225 | 6,129,480 |
| Interest receivable | 2,711 | 23,514 |
| Other receivables | 41,430 | 27,893 |
| Prepaid expenses | 6,778 | 21,467 |
| Life insurance cash value | 1,138,992 | 1,063,995 |
| Donated assets | 99,485 | 95,813 |
| Building and equipment, net | 1,065,049 | 1,160,229 |
| | <u>\$ 78,046,400</u> | <u>68,250,535</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable, accrued expenses and other liabilities | \$ 433,921 | 743,150 |
| Pledges payable-Note M | 1,503,882 | 2,331,827 |
| Annuities payable | 1,891,937 | 1,719,784 |
| Annuity trusts payable | 981,236 | 1,017,440 |
| Unitrusts payable | 602,964 | 727,162 |
| | <u>5,413,940</u> | <u>6,539,363</u> |
| NET ASSETS | | |
| Unrestricted | 2,703,416 | (1,685,504) |
| Temporarily restricted, as restated-Note AC | 27,219,907 | 23,063,517 |
| Permanently restricted, as restated-Note AC | 42,709,137 | 40,333,159 |
| | <u>72,632,460</u> | <u>61,711,172</u> |
| | <u>\$ 78,046,400</u> | <u>68,250,535</u> |

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA
Statement of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|--|----------------|---------------|
| REVENUES | | |
| Operating Revenues | | |
| Tuition and fees (net of scholarship allowances of \$21,202,125 for 2010, \$17,226,327 for 2009) | \$ 60,664,817 | 60,034,123 |
| Receipts from other entities | 111,554 | 241,941 |
| Grants and contracts | 42,493,448 | 36,708,661 |
| Sales, rents and services | 7,687,525 | 5,774,668 |
| Miscellaneous | 2,868,615 | 607,771 |
| Auxiliary enterprises | 55,193,227 | 54,859,014 |
| Total Operating Revenues | 169,019,186 | 158,226,178 |
| EXPENSES | | |
| Operating Expenses | | |
| Instruction | 71,168,267 | 76,484,933 |
| Research | 2,507,353 | 1,793,393 |
| Public service | 31,497,042 | 31,097,013 |
| Academic support | 23,894,367 | 22,729,813 |
| Student services | 6,205,098 | 7,076,945 |
| Institutional support | 26,713,928 | 29,348,125 |
| Operation and maintenance of plant | 20,177,365 | 22,185,917 |
| Scholarships and fellowships | 6,760,209 | 5,712,482 |
| Depreciation | 14,461,097 | 13,975,476 |
| Loan cancellations and write-offs | 172,245 | 513,815 |
| Auxiliary enterprises | 48,447,239 | 50,077,862 |
| Total Operating Expenses | 252,004,210 | 260,995,774 |
| Operating (Loss) | (82,985,024) | (102,769,596) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | 97,861,782 | 101,686,218 |
| Gifts, grants and contracts | 3,332,794 | 3,384,744 |
| Investment return | 2,990,195 | (611,282) |
| Interest expense | (6,274,646) | (5,742,508) |
| Amortization expense | (109,855) | (101,839) |
| Miscellaneous expense | (6,850) | (22,289) |
| Net Nonoperating Revenues (Expenses) | 97,793,420 | 98,593,044 |
| Income/(Loss) Before Other Revenues | 14,808,396 | (4,176,552) |
| OTHER REVENUES | | |
| Capital appropriations | 5,927,801 | 5,751,912 |
| Capital contributions and grants | 5,164,996 | 9,845,582 |
| Total Other Revenues | 11,092,797 | 15,597,494 |
| Change in Net Assets | 25,901,193 | 11,420,942 |
| NET ASSETS | | |
| Net assets, beginning of year | 298,633,831 | 287,212,889 |
| Net assets, end of year | \$ 324,535,024 | 298,633,831 |

The notes are an integral part of the financial statements.

UNIVERSITY OF NORTHERN IOWA FOUNDATION
Combined Statements of Activities
Years Ended June 30, 2010 and 2009

| | 2010 | | | Total Net Assets |
|---|----------------------------|---|---|------------------------|
| | Unrestricted Net Assets | Temporarily Restricted Net Assets | Permanently Restricted Net Assets | |
| Revenue, support and classifications: | | | | |
| Contribution revenue | \$ 3,696,075 | 8,336,797 | 2,207,910 | 14,240,782 |
| Investment return | 4,660,409 | 2,889,157 | 565,204 | 8,114,770 |
| Miscellaneous income | 311,340 | 101,890 | - | 413,230 |
| Reclassifications attributed to underwater endowments | (402,442) | 402,442 | - | - |
| Fees and donor redesignations | 881,174 | (923,740) | 42,566 | - |
| Net assets released from restrictions | 6,227,008 | (6,227,008) | - | - |
| Total revenue, support and reclassifications | <u>15,373,564</u> | <u>4,579,538</u> | <u>2,815,680</u> | <u>22,768,782</u> |
| Expenses and Adjustments: | | | | |
| Scholarship expenses | 2,288,804 | - | - | 2,288,804 |
| Programming expenses | 5,857,501 | - | - | 5,857,501 |
| Administrative expenses | 992,247 | - | - | 992,247 |
| Fundraising expenses | 1,736,534 | - | - | 1,736,534 |
| Bad debt adjustments | 14,378 | 439,193 | 100,666 | 554,237 |
| Depreciation expense | 95,180 | - | - | 95,180 |
| Present value liability actuarial adjustment | - | (16,045) | 339,036 | 322,991 |
| Total expenses and adjustments | <u>10,984,644</u> | <u>423,148</u> | <u>439,702</u> | <u>11,847,494</u> |
| Change in net assets | 4,388,920 | 4,156,390 | 2,375,978 | 10,921,288 |
| Net assets, beginning of year, as restated-Note AC | <u>(1,685,504)</u> | <u>23,063,517</u> | <u>40,333,159</u> | <u>61,711,172</u> |
| Net assets, end of year | <u>\$ 2,703,416</u> | <u>27,219,907</u> | <u>42,709,137</u> | <u>72,632,460</u> |

The notes are an integral part of the financial statements.

2009 (Restated)

| Unrestricted Net Assets | Temporarily Restricted Net Assets | Permanently Restricted Net Assets | Total Net Assets |
|----------------------------|---|---|------------------------|
| 927,991 | 5,330,331 | 2,613,494 | 8,871,816 |
| (3,606,773) | (10,821,252) | (749,591) | (15,177,616) |
| 143,604 | 94,910 | 25,082 | 263,596 |
| (3,224,330) | 3,224,330 | - | - |
| 1,501,094 | (1,292,008) | (209,086) | - |
| 8,059,419 | (8,059,419) | - | - |
| <u>3,801,005</u> | <u>(11,523,108)</u> | <u>1,679,899</u> | <u>(6,042,204)</u> |
| 3,023,767 | - | - | 3,023,767 |
| 5,311,893 | - | - | 5,311,893 |
| 937,470 | - | - | 937,470 |
| 1,873,998 | - | - | 1,873,998 |
| (306) | (64,792) | 32,839 | (32,259) |
| 109,828 | - | - | 109,828 |
| <u>-</u> | <u>(5,223)</u> | <u>224,478</u> | <u>219,255</u> |
| <u>11,256,650</u> | <u>(70,015)</u> | <u>257,317</u> | <u>11,443,952</u> |
| (7,455,645) | (11,453,093) | 1,422,582 | (17,486,156) |
| <u>5,770,141</u> | <u>34,516,610</u> | <u>38,910,577</u> | <u>79,197,328</u> |
| <u>(1,685,504)</u> | <u>23,063,517</u> | <u>40,333,159</u> | <u>61,711,172</u> |

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|--|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 61,066,780 | 59,489,868 |
| Grants and contracts receipts | 39,578,270 | 35,115,041 |
| Collections of loans from students | 1,707,448 | 1,701,435 |
| Auxiliary enterprise receipts | 55,645,317 | 54,604,940 |
| Payments for salaries and benefits | (137,805,278) | (139,096,089) |
| Payments for goods and services | (26,105,646) | (23,158,978) |
| Scholarships | (6,619,827) | (5,677,191) |
| Loans issued to students | (1,124,592) | (1,164,380) |
| Auxiliary enterprise payments | (48,154,232) | (49,803,897) |
| Other operating receipts | 10,589,847 | 6,449,515 |
| Other operating payments | (19,088,226) | (16,368,411) |
| Net Cash Used by Operating Activities | <u>(70,310,139)</u> | <u>(77,908,147)</u> |
| CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 97,785,246 | 100,803,526 |
| William D. Ford direct lending and plus loans receipts | 75,223,613 | 71,935,392 |
| William D. Ford direct lending and plus loans made | (75,260,230) | (71,992,902) |
| Agency receipts | 2,504,663 | 2,763,540 |
| Agency payments | (2,351,151) | (2,841,757) |
| Non capital gifts | 2,859,498 | 3,751,194 |
| Net Cash Provided by Non Capital Financing Activities | <u>100,761,639</u> | <u>104,418,993</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital appropriations received | 5,927,801 | 7,635,287 |
| Capital gifts and grants received | 5,824,887 | 13,253,424 |
| Acquisition of capital assets | (25,359,070) | (29,382,120) |
| Proceeds from sale of capital assets | - | 200,000 |
| Principal paid on capital debt | (6,924,268) | (6,724,458) |
| Interest paid on capital debt | (5,967,042) | (5,902,270) |
| Proceeds from capital debt | 4,232,304 | 13,724,912 |
| Other capital and related financing receipts | 935,487 | 86,129 |
| Other capital and related financing payments | (759,349) | - |
| Net Cash Used by Capital and Related Financing Activities | <u>(22,089,250)</u> | <u>(7,109,096)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and dividends on investments | 2,250,817 | 2,571,971 |
| Proceeds from sale and maturities of investments | 101,690,775 | 66,354,108 |
| Purchase of investments | (133,045,818) | (72,136,544) |
| Net Cash Used by Investing Activities | <u>(29,104,226)</u> | <u>(3,210,465)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | (20,741,976) | 16,191,285 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>44,972,353</u> | <u>28,781,068</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 24,230,377</u> | <u>44,972,353</u> |

UNIVERSITY OF NORTHERN IOWA
Statement of Cash Flows
Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|---|------------------------|---------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Operating loss | \$ (82,985,024) | (102,769,596) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation | 14,461,097 | 13,975,476 |
| Increase/(Decrease) in compensated absences | (46,929) | 637,276 |
| (Increase)/Decrease in accounts receivable | 469,781 | (648,749) |
| (Increase)/Decrease in loans receivable | 581,213 | 1,468,503 |
| (Increase)/Decrease in due from governmental agencies | (1,867,865) | 1,102,041 |
| (Increase)/Decrease in inventories | (938,225) | (168,175) |
| (Increase)/Decrease in prepaid expenses | (234,818) | 642,337 |
| (Increase)/Decrease in other assets | 247,814 | (151,158) |
| Increase/(Decrease) in accounts payable | 717,849 | 10,646,241 |
| Increase/(Decrease) in salaries and wages payable | (128,377) | 234,737 |
| Increase/(Decrease) in unearned revenue | (381,286) | (2,465,231) |
| Increase/(Decrease) in other liabilities | (205,369) | (411,849) |
| Net Cash Used By Operating Activities | <u>\$ (70,310,139)</u> | <u>(77,908,147)</u> |

Noncash Capital, Financing and Investing Activities:

Equipment with a fair market value of \$22,800 in 2010 and \$20,000 in 2009 was donated to the University.

Bond issuance costs of \$28,800 in 2010 and \$162,726 in 2009 were deducted from the bond proceeds. These costs were capitalized and will be amortized over the debt repayment period.

A net unrealized gain increased the fair market value of the University's investments \$837,359 in 2010 and a net unrealized loss decreased the fair market value \$2,146,468 in 2009.

The notes are an integral part of the financial statements.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note A – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

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

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

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

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

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

Restricted:

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

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

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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

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

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

Friends of KHKE/KUNI (Friends) was accounted for as a blended component unit of the University through June 30, 2009. The Board of Regents, State of Iowa transferred the operation and management of the radio stations KHKE and KUNI and the net assets of Friends from the University to Iowa Public Radio. Because of these transfers, the University removed the net assets of Friends from its financial statements during fiscal year 2010.

Discretely Presented Component Unit

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

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

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

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

Affiliated Organization

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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

Cash and Cash Equivalents

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

Investments and Investment Income

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

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

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

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

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

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

With the exception of funds specifically invested for bond issues and endowment funds, all other monies are pooled in an investment pool entitled "Treasurer's Temporary Investments". Investment income on the investment pool is allocated to the activities that participate in the pool. In fiscal years 2010 and 2009, the amount of income allocated from the Treasurer's Temporary Investment Pool was \$2,104,132 and \$242,556, respectively.

Investments (Foundation)

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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 |
| Software | 5-30 years |

The following thresholds are used to define capital assets:

| | |
|-----------------------------------|-----------|
| Infrastructure | \$ 10,000 |
| Land, buildings, and improvements | \$ 25,000 |
| Equipment | \$ 5,000 |
| Intangible assets | \$500,000 |

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

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

Termination Benefits

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

Endowment Appreciation

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

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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

Unearned Revenue

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

Auxiliary Enterprise Revenues

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

Summer Session

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

Inventories

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

Debt Issuance Costs

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

Tuition and Fees

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

Operating and Nonoperating Activities

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

Use of Estimates

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

Reclassifications

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note B – Cash Deposits and Investments

(1) Cash and deposits:

The deposits of the University were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. In the unlikely event a bank fails, the State Treasurer first determines the amount of the loss and validates the amount of applicable FDIC insurance. He is empowered by this chapter to cover the remaining loss from the State Sinking Fund for public deposits in banks. If the balance in that sinking fund is inadequate to pay the entire loss, he is empowered to make assessments against other banks to insure there will be no loss of public funds. The carrying values at June 30, 2010 and June 30, 2009 were \$24,230,377 and \$44,972,353, respectively. The bank balances at June 30, 2010 and June 30, 2009 were \$29,358,500 and \$49,265,345, respectively. The carrying value at June 30, 2010 and June 30, 2009 includes cash-on-hand of \$123,955 and \$112,680, respectively.

(2) Investments:

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

Chapter 540A of the Code of Iowa permits the University to spend endowment income and to appropriate within certain limitations an amount of realized and unrealized endowment appreciation as the University determines to be prudent considering the University's long-term and short-term needs, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. The University's policy is to retain the realized and unrealized appreciation with the endowment pursuant to the spending rules of the University. The University's spending rule is that five percent (5%) of the three year moving average of the market value of the endowment will be calculated and distributed. The net appreciation on true endowments available for expenditure at June 30, 2010 and 2009 was \$461,708 and \$421,080, respectively. The net appreciation is classified in the Statement of Net Assets as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------------|-------------------|----------------|
| Restricted Expendable | | |
| Scholarships and fellowships | \$ 120,001 | 111,712 |
| Loans | 115,855 | 110,204 |
| Other | <u>225,852</u> | <u>199,164</u> |
| Total | <u>\$ 461,708</u> | <u>421,080</u> |

The University's investments are recorded at fair value, as determined by quoted market price. At June 30, 2010, the University had the following investments and quality credit ratings by investment type:

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note B – Cash Deposits and Investments (continued)

| Invested Assets | | Fair Value |
|---|---------------------------|----------------------|
| Operating portfolio: | | |
| Fixed Income: | | |
| U.S. Government Securities: | | |
| U.S. Government Treasuries | | \$ 18,292,282 |
| U.S. Government Agencies | | 92,137,815 |
| Short-Term Securities: | | |
| Certificates of Deposit | | <u>1,221,081</u> |
| Total Fixed Income Securities | | 111,651,178 |
| Equity and Other Securities: | | |
| U.S. Equities | | <u>74,758</u> |
| | Total Operating Portfolio | <u>111,725,936</u> |
| Endowment portfolio (UNI Equity in SUI Endowment Pool): | | |
| Fixed Income: | | |
| U.S. Government Securities: | | |
| U.S. Government Treasuries | | 476,396 |
| Agency Mortgage-Backed Securities | | 30,799 |
| Corporate Securities: | | |
| Corporate Bonds | | 213,679 |
| Corporate Asset-Backed | | 154,292 |
| Private Placements | | 73,924 |
| Short-Term Securities: | | |
| Other Agencies | | 203,318 |
| Fixed Income Mutual Funds | | <u>1,551,535</u> |
| Total Fixed Income Securities | | <u>2,703,943</u> |
| Equity and Other Securities: | | |
| U.S. Equities | | 2,140,185 |
| International Equity Mutual Fund | | <u>1,849,016</u> |
| Total Equity and Other Securities | | <u>3,989,201</u> |
| Real Estate | | <u>261,275</u> |
| | Total Endowment Portfolio | <u>6,954,419</u> |
| | Total Invested Assets | <u>\$118,680,355</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note B – Cash Deposits and Investments (continued)

Credit Risk Concentration

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

| Investment | Fair Value | % of Total Operating Portfolio Assets |
|--|--------------|--|
| Federal Home Loan Bank | \$52,155,906 | 46% |
| Federal National Mortgage Association | 26,417,887 | 23% |
| Federal Farm Credit Bank | 7,034,375 | 6% |
| Federal Home Loan Mortgage Corporation | 6,529,647 | 6% |

(The remainder of this page was intentionally left blank)

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note B – Cash Deposits and Investments (continued)

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

| Interest Rate Sensitivity – Duration | Fair Value | Duration (in years) |
|---|----------------------|------------------------|
| Operating portfolio: | | |
| Fixed Income: | | |
| U.S. Government Securities: | | |
| U.S. Government Treasuries | \$ 18,292,282 | 2.53 |
| U.S. Government Agencies | 92,137,815 | 2.34 |
| Short-Term Securities: | | |
| Certificates of Deposit | <u>1,221,081</u> | 1.15 |
| Operating Portfolio-Total Fixed Income Securities | <u>111,651,178</u> | |
| Operating Portfolio Duration | | 2.36 |
| Endowment Portfolio: | | |
| Fixed Income: | | |
| U.S. Government Securities: | | |
| U.S. Government Treasuries | 476,396 | 4.31 |
| Agency Mortgage-Backed Securities | 30,799 | 2.47 |
| Corporate Securities: | | |
| Corporate Bonds | 213,679 | 6.81 |
| Corporate Asset-Backed | 154,292 | 2.30 |
| Private Placements | 73,924 | 3.28 |
| Short-Term Securities: | | |
| Other Agencies | 203,318 | 2.20 |
| Fixed Income Mutual Funds | <u>1,551,535</u> | 3.95 |
| Endowment Portfolio-Total Fixed Income Securities | <u>2,703,943</u> | |
| Endowment Portfolio Duration | | 3.98 |
| Total All Portfolios | <u>\$114,355,121</u> | |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note B – Cash Deposits and Investments (continued)

Credit Risk – Quality Ratings

| | <u>Treasury</u> | <u>AAA</u> | <u>AA</u> | <u>A</u> |
|--|---------------------|-------------------|----------------|----------------|
| Fixed Income Securities: | | | | |
| U.S. Government Guaranteed | | | | |
| U.S. Government Treasuries | \$18,768,678 | - | - | - |
| U.S. Government Non-Guaranteed | | | | |
| Federal Home Loan Bank | - | 52,155,906 | - | - |
| Federal National Mortgage Association | - | 26,417,887 | - | - |
| Federal Farm Credit Bank | - | 7,034,375 | - | - |
| Federal Home Loan Mortgage Corporation | - | 6,529,647 | - | - |
| Agency Mortgage-Backed Securities | - | - | - | - |
| Corporate Securities | | | | |
| Corporate Bonds | - | - | 51,783 | 107,919 |
| Corporate Asset-Backed | - | 120,532 | 9,461 | 10,639 |
| Private Placements | - | - | - | 52,337 |
| Short-Term Securities | | | | |
| Other Agencies | - | - | - | - |
| Certificates of Deposit | - | - | - | - |
| Fixed Income Mutual Funds | <u>40,695</u> | <u>33,036</u> | <u>47,669</u> | <u>165,640</u> |
| Total Fixed Income Investments | <u>\$18,809,373</u> | <u>92,291,383</u> | <u>108,913</u> | <u>336,535</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

| <u>BBB</u> | <u>BB</u> | <u>B</u> | <u>NR</u> | <u>Total</u> |
|----------------|----------------|----------------|------------------|--------------------|
| - | - | - | - | 18,768,678 |
| - | - | - | - | 52,155,906 |
| - | - | - | - | 26,417,887 |
| - | - | - | - | 7,034,375 |
| - | - | - | - | 6,529,647 |
| - | - | - | 30,799 | 30,799 |
| 53,977 | - | - | - | 213,679 |
| 12,976 | 684 | - | - | 154,292 |
| 21,587 | - | - | - | 73,924 |
| - | - | - | 203,318 | 203,318 |
| - | - | - | 1,221,081 | 1,221,081 |
| <u>219,312</u> | <u>157,997</u> | <u>280,773</u> | <u>606,413</u> | <u>1,551,535</u> |
| <u>307,852</u> | <u>158,681</u> | <u>280,773</u> | <u>2,061,611</u> | <u>114,355,121</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note C – Accounts Receivable

Accounts receivable are summarized as follows:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|------------------|
| Student accounts | \$ 2,131,648 | 2,442,884 |
| University of Northern Iowa Foundation | 1,684,722 | 2,997,543 |
| Sponsoring agencies | 1,231,222 | 616,723 |
| Casualty insurance | - | 935,488 |
| Other | <u>2,862,206</u> | <u>3,576,375</u> |
| | 7,909,798 | 10,569,013 |
| Less allowance for doubtful accounts | <u>(837,397)</u> | <u>(793,888)</u> |
| Total | <u>\$ 7,072,401</u> | <u>9,775,125</u> |

Note D – Pledges Receivable (Foundation)

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

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|------------------|
| In one year or less | \$ 2,528,287 | 2,272,047 |
| Between one year and five years | 5,086,385 | 2,959,838 |
| More than five years | <u>2,009,145</u> | <u>1,639,604</u> |
| | 9,623,817 | 6,871,489 |
| Less discounts to net present value | (685,279) | (385,944) |
| Less allowance for uncollectible pledges | <u>(462,313)</u> | <u>(356,065)</u> |
| Total | <u>\$ 8,476,225</u> | <u>6,129,480</u> |

Pledges receivable at June 30, 2010 and 2009 have the following restrictions:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|------------------|
| Unrestricted: | | |
| Undesignated | \$ 128,892 | 58,665 |
| Temporarily Restricted: | | |
| Scholarships and department programs | 2,947,527 | 2,151,385 |
| Plant | 3,018,634 | 2,374,808 |
| Permanently Restricted: | | |
| Endowments-Scholarships and department programs | <u>2,381,172</u> | <u>1,544,622</u> |
| Total | <u>\$ 8,476,225</u> | <u>6,129,480</u> |

Note E – Loans Receivable

Loans receivable are summarized as follows:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|--------------------|
| Student loans: | | |
| Federal loan programs | \$11,245,743 | 12,129,144 |
| University loan funds | <u>87,723</u> | <u>90,392</u> |
| | 11,333,466 | 12,219,536 |
| Less allowance for uncollectible loans | <u>(1,105,233)</u> | <u>(1,410,090)</u> |
| Total | <u>\$10,228,233</u> | <u>10,809,446</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note E – Loans Receivable (continued)

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

Note F – Due From Governmental Agencies

Due from Governmental Agencies is summarized as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------|---------------------|------------------|
| Federal Government | \$ 5,175,810 | 3,799,368 |
| State Government | 1,772,568 | 1,255,464 |
| Local Government | <u>15,978</u> | <u>59,527</u> |
| Total | <u>\$ 6,964,356</u> | <u>5,114,359</u> |

Note G – Prepaid Expenses/Unearned Revenue

Prepaid expenses at June 30, 2010 and 2009 totaled \$4,440,517 and \$4,192,688, respectively, and unearned revenue at June 30, 2010 and 2009 totaled \$3,942,356 and \$4,323,910, respectively. The summer session portion for unearned tuition and fees for 2010 and 2009 was \$776,460 and \$805,485, respectively. Students sign housing contracts with the Department of Residence for the following Fall semester. Unearned revenue on housing contracts was \$635,800 and \$623,800 at June 30, 2010 and 2009, respectively. Season ticket sales for the Gallagher-Bluedorn Performing Arts Center Artist Series begin in the Spring for the following year. Unearned Performing Arts Center ticket sale revenues were \$537,620 and \$428,231 at June 30, 2010 and 2009, respectively.

Note H – Inventories

Inventories at June 30, 2010 and 2009, consisting mainly of supplies and merchandise, primarily valued at lower of cost or market (first in, first out), had values of \$3,541,302 and \$2,603,077, respectively.

(The remainder of this page was intentionally left blank)

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note I – Capital Assets

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

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

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

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note I – Capital Assets (continued)

Capital assets activity for the year ended June 30, 2009 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 | \$ 4,579,892 | 462,056 | (125,305) | 4,916,643 | - | 4,916,643 |
| Construction in Progress | <u>13,422,890</u> | <u>18,236,437</u> | <u>(8,069,641)</u> | <u>23,589,686</u> | <u>-</u> | <u>23,589,686</u> |
| Capital Assets, Nondepreciable | <u>18,002,782</u> | <u>18,698,493</u> | <u>(8,194,946)</u> | <u>28,506,329</u> | <u>-</u> | <u>28,506,329</u> |
| Land Improvements | 12,446,782 | 52,435 | - | 12,499,217 | (7,263,847) | 5,235,370 |
| Infrastructure | 27,402,882 | 120,386 | - | 27,523,268 | (9,293,197) | 18,230,071 |
| Buildings | 355,148,037 | 13,117,291 | (179,876) | 368,085,452 | (126,498,342) | 241,587,110 |
| Equipment | 43,812,340 | 4,276,658 | (2,895,532) | 45,193,466 | (29,580,668) | 15,612,798 |
| Library Materials | <u>33,969,499</u> | <u>1,081,397</u> | <u>(207,049)</u> | <u>34,843,847</u> | <u>(28,884,620)</u> | <u>5,959,227</u> |
| Capital Assets, Depreciable | <u>472,779,540</u> | <u>18,648,167</u> | <u>(3,282,457)</u> | <u>488,145,250</u> | <u>(201,520,674)</u> | <u>286,624,576</u> |
| Total Capital Assets | <u>\$490,782,322</u> | <u>37,346,660</u> | <u>(11,477,403)</u> | <u>516,651,579</u> | <u>(201,520,674)</u> | <u>315,130,905</u> |

Depreciation activity for the year ended June 30, 2009 is summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|-------------------|------------------------------|-------------------|--------------------|---------------------------|
| Land Improvements | \$ 6,843,801 | 420,046 | - | 7,263,847 |
| Infrastructure | 8,605,125 | 688,072 | - | 9,293,197 |
| Buildings | 117,918,237 | 8,702,667 | (122,562) | 126,498,342 |
| Equipment | 29,325,559 | 2,673,996 | (2,418,887) | 29,580,668 |
| Library Materials | <u>27,600,974</u> | <u>1,490,695</u> | <u>(207,049)</u> | <u>28,884,620</u> |
| Total | <u>\$190,293,696</u> | <u>13,975,476</u> | <u>(2,748,498)</u> | <u>201,520,674</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note I – Capital Assets (continued)

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Software totaling \$4,576,092 was classified as intangibles. Restatement of the beginning net assets and capital assets was not necessary because costs incurred prior to July 1, 2009, for internally generated computer software were not capitalized.

Note J – Salaries and Wages Payable

All non-student University employees are paid the last working day of each month. Certain bargaining unit employees submit time sheets verifying hours worked up to the middle of the month. Student employees submit time sheets verifying hours worked and are paid bi-weekly. Accrued salaries and wages payable at June 30, 2010 and 2009 were \$490,409 and \$710,876, respectively.

Note K – Compensated Absences Payable

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

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

The following schedule presents the changes in the liability for compensated absences, including accrued retirement and FICA contributions, for the years ended June 30, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|---|--------------------|--------------------|
| Amount of accrued compensated absences at beginning of year | \$9,470,968 | 8,833,692 |
| Amount of compensated absences accrued during the fiscal year | 6,025,580 | 7,421,051 |
| Payments on compensated absences during the fiscal year | <u>(6,072,509)</u> | <u>(6,783,775)</u> |
| Amount of accrued compensated absences at end of year | <u>\$9,424,039</u> | <u>9,470,968</u> |

As of June 30, 2010 and 2009, the current liabilities for compensated absences payable were \$4,209,500 and \$4,706,600, respectively.

Note L – Retirement Programs

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note L – Retirement Programs (continued)

all earnings. The Board of Regents, State of Iowa has approved a temporary reduction of the University required contribution from November 2009 through June 2011. During this period of time, the University, through the fifth year of employment, is required to contribute 5 1/3% of the first \$4,800 of earnings and 8% on earnings above \$4,800. Upon completion of five years of service, the University is required to contribute 8% on all earnings. During fiscal years 2010 and 2009, the University's required and actual contribution amounted to \$9,084,297 and \$10,537,041, respectively. During fiscal years 2010 and 2009, the employees' required and actual contribution amounted to \$5,020,759 and \$5,243,856, respectively.

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

Plan members were required to contribute 4.3% of their annual covered salary and the University was required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. For the years ended June 30, 2009, and 2008, plan members were required to contribute 4.1% and 3.9%, respectively, of the annual covered salary and the University was required to contribute 6.35% and 6.05%, respectively, of annual covered payroll. Contribution requirements are established by State statute.

The University's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$614,811, \$543,437 and \$446,185, respectively, equal to the annual required contributions.

Note M – Pledge Payable (Foundation)

On February 27, 2004, the Foundation entered into an agreement with the Board of Regents, State of Iowa to make gifts to the University of Northern Iowa of at least \$17,000,000 to be used solely and only to pay costs of constructing and equipping the McLeod Center on the University campus. Those costs could include principal and interest payments on \$10,000,000 of Field House Revenue Bonds, Series UNI 2004, which the Board of Regents has issued. As of June 30, 2010 and 2009, \$15,530,805 and \$14,944,981, respectively, of the \$17,000,000 was paid to the University.

On October 29, 2004, the Foundation signed an amendment to the original agreement promising additional gifts in the amount of \$2,660,000 due to increased construction costs for the McLeod Center. As of June 30, 2010, this amendment was paid in full to the University.

On September 15, 2005, the Foundation signed a second amendment to the original agreement promising additional gifts in the amount of \$1,165,000 to fund a Hall of Fame entrance hall between the UNI-Dome and the McLeod Center. As of June 30, 2010, this amendment was paid in full to the University.

On May 5, 2006, the Foundation signed a third amendment to the original agreement promising additional gifts in the amount of \$500,000 due to increased construction costs for the McLeod Center. As of June 30, 2010, this amendment was paid in full to the University.

On August 9, 2006, the Foundation signed a fourth amendment to the original agreement promising additional gifts in the amount of \$250,000 due to increased construction costs for the McLeod Center. As of June 30, 2010, this amendment was paid in full to the University.

On May 25, 2007, the Foundation signed a fifth amendment to the original agreement promising additional gifts to the University of Northern Iowa in the amount of \$150,000 due to increased construction costs for the McLeod Center. As of June 30, 2010, this amendment was paid in full to the University.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note M – Pledge Payable (Foundation) (continued)

On October 6, 2006, the Foundation entered into an agreement with the Board of Regents, State of Iowa to make gifts to the University of Northern Iowa of at least \$2,500,000 to be used solely and only to pay costs of constructing and equipping the Human Performance Complex on the University campus. Those costs could include principal and interest payments on \$2,150,000 of capital leases. As of June 30, 2010 and 2009, \$2,419,155 and \$2,126,165, respectively, was paid to the University.

On May 25, 2007, the Foundation entered into an agreement with the Board of Regents, State of Iowa to make gifts to the University of Northern Iowa of at least \$2,000,000 to be used solely and only to pay costs of renovating and equipping Russell Hall on the University campus. As of June 30, 2010, the agreement was paid in full to the University.

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

The remaining payments are scheduled as follows:

| | <u>2010</u> | <u>2009</u> |
|-------------------------------------|---------------------|------------------|
| In one year or less | \$ 667,959 | 878,814 |
| Between one year and five years | <u>882,081</u> | <u>1,550,040</u> |
| | 1,550,040 | 2,428,854 |
| Less discounts to net present value | <u>(46,158)</u> | <u>(97,027)</u> |
| Total | <u>\$ 1,503,882</u> | <u>2,331,827</u> |

(The remainder of this page was intentionally left blank)

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note N – Long-Term Debt

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

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

(The remainder of this page was intentionally left blank)

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note N – Long-Term Debt (continued)

Long-Term debt on June 30, 2009, consisted of the following:

| | <u>Interest Rates %</u> | <u>Maturity Date</u> | <u>Original Value</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|-------------------------------|-------------------------|----------------------|-----------------------|--------------------------|-------------------|-------------------|-----------------------|------------------------|
| Academic Bldg. Revenue Bonds: | | | | | | | | |
| Series 1994-Refunding | 4.50 – 6.00 | 2015 | \$ 2,180,000 | 1,250,000 | - | 130,000 | 1,120,000 | 140,000 |
| Series 1994 | 5.00 – 8.25 | 2015 | 9,201,461 | 2,941,061 | - | 747,302 | 2,193,759 | 425,227 |
| Series 1996-Refunding | 4.55 – 6.00 | 2013 | 7,600,000 | 3,465,000 | - | 515,000 | 2,950,000 | 530,000 |
| Series 2002-Refunding | 4.00 – 5.50 | 2015 | 4,890,000 | 3,330,000 | - | 355,000 | 2,975,000 | 370,000 |
| Series 2003-Refunding | 3.00 – 3.80 | 2015 | 8,465,000 | 6,495,000 | - | 700,000 | 5,795,000 | 730,000 |
| Series 2003A-Refunding | 2.00 – 3.40 | 2012 | 4,225,000 | 2,380,000 | - | 460,000 | 1,920,000 | 465,000 |
| Series 2005-Refunding | 5.75 – 6.20 | 2020 | 5,110,000 | 4,405,000 | - | 90,000 | 4,315,000 | 400,000 |
| Series 2005 | 2.90 – 4.25 | 2027 | 12,800,000 | 12,800,000 | - | 125,000 | 12,675,000 | 125,000 |
| Series 2007 | 4.00 – 4.25 | 2027 | 8,000,000 | 8,000,000 | - | 100,000 | 7,900,000 | 100,000 |
| Series 2008 | 4.00 – 5.00 | 2035 | 12,000,000 | 12,000,000 | - | - | 12,000,000 | - |
| Series 2009 | 3.00 – 5.00 | 2035 | 13,860,000 | - | 13,860,000 | - | 13,860,000 | - |
| Residence System Bonds: | | | | | | | | |
| Series 1999 | 4.05 – 5.55 | 2020 | 7,000,000 | 5,265,000 | - | 300,000 | 4,965,000 | 315,000 |
| Series 2000 | 5.00 – 6.50 | 2021 | 14,040,000 | 12,495,000 | - | 625,000 | 11,870,000 | 650,000 |
| Series 2002-Refunding | 3.00 – 4.50 | 2018 | 9,535,000 | 6,415,000 | - | 465,000 | 5,950,000 | 485,000 |
| Series 2003 | 3.50 – 4.75 | 2023 | 9,210,000 | 8,180,000 | - | 375,000 | 7,805,000 | 390,000 |
| Field House Bonds: | | | | | | | | |
| Series 2001 | 3.75 – 4.75 | 2022 | 5,625,000 | 4,590,000 | - | 225,000 | 4,365,000 | 235,000 |
| Series 2004 | 2.50 – 4.40 | 2024 | 10,000,000 | 7,175,000 | - | 320,000 | 6,855,000 | 325,000 |
| Series 2005-Refunding | 3.00 – 4.20 | 2022 | 7,465,000 | 6,865,000 | - | 350,000 | 6,515,000 | 360,000 |
| Student Union Bonds: | | | | | | | | |
| Series 2002 | 1.80 – 5.00 | 2022 | 12,755,000 | 10,480,000 | - | 500,000 | 9,980,000 | 520,000 |
| Student Health System Bonds: | | | | | | | | |
| Series 2004 | 3.00 – 4.40 | 2024 | <u>3,875,000</u> | <u>3,440,000</u> | - | <u>150,000</u> | <u>3,290,000</u> | <u>155,000</u> |
| Total Bonds Payable | | | 167,836,461 | 121,971,061 | 13,860,000 | 6,532,302 | 129,298,759 | 6,720,227 |
| Notes Payable | 0.00 | 2027 | 500,000 | 500,000 | - | 15,000 | 485,000 | 15,000 |
| Capital Leases Payable | 6.60 | 2016 | <u>2,150,000</u> | <u>1,798,638</u> | - | <u>177,156</u> | <u>1,621,482</u> | <u>189,041</u> |
| Total Long-Term Debt Payable | | | <u>\$170,486,461</u> | <u>124,269,699</u> | <u>13,860,000</u> | <u>6,724,458</u> | <u>131,405,241</u> | <u>6,924,268</u> |

(The remainder of this page was intentionally left blank)

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2010

Note N – Long-Term Debt (continued)

The above bonds were issued for the following purposes:

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

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

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

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

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

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

The bonds mature as follows:

| Year Ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|----------------------|-------------------|--------------------|
| 2011 | \$ 11,301,630 | 6,004,568 | 17,306,198 |
| 2012 | 7,506,706 | 5,170,089 | 12,676,795 |
| 2013 | 7,738,112 | 5,158,454 | 12,896,566 |
| 2014 | 7,769,222 | 4,572,727 | 12,341,949 |
| 2015 | 7,496,126 | 4,647,581 | 12,143,707 |
| 2016-2020 | 35,651,736 | 16,576,445 | 52,228,181 |
| 2021-2025 | 27,495,000 | 7,880,311 | 35,375,311 |
| 2026-2030 | 11,405,000 | 3,782,841 | 15,187,841 |
| 2031-2035 | 8,505,000 | 1,596,125 | 10,101,125 |
| 2036-2040 | <u>1,965,000</u> | <u>49,125</u> | <u>2,014,125</u> |
| Total | <u>\$126,833,532</u> | <u>55,438,266</u> | <u>182,271,798</u> |

The changes in Bonds Payable for fiscal years 2010 and 2009 are detailed below:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|----------------------|--------------------|
| Bonds payable beginning of year | \$129,298,759 | 121,971,061 |
| Bonds retired during the fiscal year | (6,720,227) | (6,532,302) |
| Bonds issued during the fiscal year | <u>4,255,000</u> | <u>13,860,000</u> |
| Bonds payable end of year | <u>\$126,833,532</u> | <u>129,298,759</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2010

Note N – Long-Term Debt (continued)

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

Capital Leases Payable

The University has an equipment master lease agreement to finance the acquisition of certain equipment and real property. The University entered into a capital lease agreement with Wells Fargo Brokerage Services, LLC. Funds provided were to be used for the construction of a Human Performance Complex on campus to support the academic, research and public service programs of the School of Health, Physical Education and Leisure Services. The lease agreement provided funding for costs of \$2,150,000, with payments due semi-annually through fiscal year 2016 and bears an interest rate of 6.60%. The principal balance was \$1,432,441 as of June 30, 2010.

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

| Year Ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|--------------------|-----------------|------------------|
| 2011 | \$ 201,724 | 91,267 | 292,991 |
| 2012 | 215,257 | 77,733 | 292,990 |
| 2013 | 229,698 | 63,292 | 292,990 |
| 2014 | 245,109 | 47,882 | 292,991 |
| 2015 | 261,553 | 31,438 | 292,991 |
| 2016 | 279,100 | 13,890 | 292,990 |
| Total | <u>\$1,432,441</u> | <u>325,502</u> | <u>1,757,943</u> |

Note O – Current Refunding

As of April 1, 2010, the University issued \$4,255,000 of Dormitory Revenue Refunding Bonds, Series U.N.I. 2010 with an average interest rate of 2.691% and accrued interest of \$6,103. The bonds were issued in the form of a current refunding to refund the July 1, 2011 through July 1, 2020 maturities of Dormitory Revenue Bonds, Series U.N.I. 1999. University funds were used to refund the July 1, 2010 maturities. Outstanding Series U.N.I. 1999 bonds totaled \$4,650,000 and interest ranged between 4.25% and 4.75%.

Aggregate debt service payments are reduced \$1,018,355 over the next ten years.

The net proceeds of \$4,180,661 and \$997,281 in University funds were deposited in an irrevocable escrow account with the University as trustee. The escrow account is sufficient to fully pay the remaining principal and interest due on the outstanding bonds. The 1999 Dormitory Revenue Bonds were called on July 1, 2010. The current refunding resulted in an economic gain of \$312,956.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note P – OPEB (Other Postemployment Benefits)

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

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

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

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

The following table shows the components of the University’s annual OPEB cost as of June 30, 2010, the amount actually contributed to the plan and changes in the University’s net OPEB obligation:

| | |
|--|---------------------|
| Annual required contribution | \$ 2,296,000 |
| Interest on net OPEB obligation | 41,000 |
| Adjustment to annual required contribution | <u>(35,000)</u> |
| Annual OPEB cost (expense) | 2,302,000 |
| Contributions made | <u>(1,619,000)</u> |
| Increase in net OPEB obligation | 683,000 |
| Net OPEB obligation – beginning of year | <u>917,000</u> |
| Net OPEB obligation – end of year | <u>\$ 1,600,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2007. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan’s actual contributions for the year ended June 30, 2010.

For fiscal year 2010, the University contributed \$1,619,000 to the medical plan. Plan members receiving benefits contributed \$2.1 million, or 56% of the premium costs.

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

| <u>Fiscal Year</u> <u>Ended</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u> | <u>Net</u> <u>OPEB</u> <u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--|
| 6/30/2008 | \$1,114,000 | 59.1% | \$ 456,000 |
| 6/30/2009 | 1,119,000 | 58.8% | 917,000 |
| 6/30/2010 | 2,302,000 | 70.3% | 1,600,000 |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$26.7 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$120.6 million, and the ratio of the UAAL to the covered payroll was 22.1%. As of June 30, 2010, there were no trust fund assets.

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

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

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate based on the University's funding policy. The projected annual health care trend rate is 11%. The ultimate health care trend rate is 5%. The health care trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

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

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

Allocated Other Postemployment Benefits Liability.

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

The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. The method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$293,000,000 for the State of Iowa at June 30, 2009. The University's allocation of the unfunded liability is not separately determinable.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2010

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

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2010. The report may be obtained by writing the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

The University recognized a net OPEB liability of \$996,071 for other postemployment benefits, which represents the University's allocated portion of the State's net OPEB liability. The University's portion of the net OPEB liability was calculated using the ratio of full time equivalent University merit employees compared to all full time equivalent employees of the State of Iowa.

In summary, the University has recognized a net OPEB liability of \$1,600,000 for its retiree benefit plan and a liability of \$996,071 for its allocated portion of the State's net OPEB liability, for a total net OPEB liability of \$2,596,071.

Note Q – Refundable Advances on Student Loans

The Perkins Federal Loan program requires a return of Federal Capital Contribution if the United States Government terminates the program. The accumulated Federal Capital Contribution received by the University of Northern Iowa over the lifetime of the Perkins Loan program is \$9,487,410 and \$9,384,190 at June 30, 2010 and 2009, respectively.

Note R – Endowments

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

| | <u>2010</u> | <u>2009</u> |
|--------------------------|-------------------|----------------|
| Restricted-Nonexpendable | \$ <u>615,895</u> | <u>615,895</u> |
| Restricted-Expendable: | | |
| Scholarships | \$ 120,001 | 111,712 |
| Loans | 115,855 | 110,204 |
| Other-Chair | <u>225,852</u> | <u>199,164</u> |
| Total | \$ <u>461,708</u> | <u>421,080</u> |

Note S – Related Party Organization

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note S – Related Party Organization (continued)

Significant Alumni Association financial data as of and for the years ended June 30, 2010 and 2009 follows:

| | <u>2010</u> | <u>2009</u> |
|----------------------------|-------------|-------------|
| Total Assets | \$ 675,626 | 609,577 |
| Total Liabilities | 150,489 | 141,821 |
| Total Equity | 525,137 | 467,756 |
| Due to the University | 908 | 1,120 |
| Total Support and Revenues | 432,740 | 216,294 |
| Total Expenses | 375,359 | 359,070 |

Note T – Restrictions on Net Assets (Foundation)

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

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|------------------|
| Program activities: | | |
| Scholarships and department programs | \$ 5,240,194 | 5,660,260 |
| Plant | <u>986,814</u> | <u>2,399,159</u> |
| Total Temporarily Restricted Net Assets | \$ <u>6,227,008</u> | <u>8,059,419</u> |

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

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|-------------------|
| Program activities: | | |
| Scholarships and department programs | \$ 25,876,485 | 20,548,795 |
| Plant | 898,533 | 2,145,872 |
| Charitable gift annuities | 22,958 | 21,090 |
| Charitable remainder unitrusts | <u>421,931</u> | <u>347,760</u> |
| Total Temporarily Restricted Net Assets | \$ <u>27,219,907</u> | <u>23,063,517</u> |

Permanently restricted net assets are restricted for the following purposes:

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|-------------------|
| Endowment | \$ 41,578,391 | 39,244,772 |
| Charitable gift annuities | 112,531 | 317,875 |
| Charitable remainder trust annuities | 145,284 | 73,171 |
| Charitable remainder unitrusts | <u>872,931</u> | <u>697,341</u> |
| Total Permanently Restricted Net Assets | \$ <u>42,709,137</u> | <u>40,333,159</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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

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

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

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

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 \$25,000 to \$100,000 per occurrence.

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2010

Note U – Risk Management (continued)

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

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

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

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

The following schedule presents the changes in claims liabilities for medical and dental insurance for professional staff and unemployment compensation for the years ended June 30, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Amount of claims and contingent liabilities accrued beginning of year | \$ 2,063,548 | 2,020,105 |
| Claims incurred and contingent liabilities accrued for the previous and current year and any changes in amounts estimated for prior years | 15,333,516 | 14,780,195 |
| Payments on claims during the fiscal year | <u>(15,639,816)</u> | <u>(14,736,752)</u> |
| Amount of claims liabilities end of year | <u>\$ 1,757,248</u> | <u>2,063,548</u> |

Motor Vehicle Liability. Institutions governed by the Board of Regents, State of Iowa cooperatively self-fund collision, comprehensive, property damage, and liability losses related to motor vehicle liability up to \$250,000 per claim in an insurance pool. Each Regents' institution is assessed a premium of \$28 to \$38 per rated vehicle per month. Losses in excess of \$250,000 are self-funded by the State, as provided in Chapter 669 of the Code of Iowa.

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

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

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
 June 30, 2010

Note V – Debt Issuance Costs

Debt issuance costs at June 30, 2010 and 2009 are as follows:

| | <u>2010</u> | <u>2009</u> |
|-------------------------------|---------------------|------------------|
| Debt issuance costs | \$ 2,278,927 | 2,212,550 |
| Less accumulated amortization | <u>(750,953)</u> | <u>(641,098)</u> |
| Net debt issuance costs | <u>\$ 1,527,974</u> | <u>1,571,452</u> |

Amortization expense for fiscal years 2010 and 2009 was \$109,855 and \$101,839, respectively.

Note W – Operating Leases

The University has leased various buildings, tower space, and equipment. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. These leases expire between June 30, 2010 and June 30, 2020, 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, 2010:

| <u>Year ending</u> <u>June 30,</u> | <u>Amount</u> |
|---------------------------------------|---------------------|
| 2011 | \$ 441,477 |
| 2012 | 258,545 |
| 2013 | 208,749 |
| 2014 | 216,563 |
| 2015 | 136,279 |
| 2016 - 2020 | <u>12,880</u> |
| Total | <u>\$ 1,274,493</u> |

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

Rental expense for the years ended June 30, 2010 and 2009, for all operating leases, except those with terms of a month or less that were not renewed, totaled \$953,801 and \$961,360, respectively.

Note X – Retirement Incentive Programs and Termination Benefits

Early Retirement Incentive Program of 1986

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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

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

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

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

University policy required departments to fully fund the ERIP liability upon signing ERIP contracts. All contracts were fulfilled during fiscal year 2010. At June 30, 2010 and 2009, the present value of future benefits was \$0 and \$32,092, respectively. The interest rate utilized to calculate the present value was 0.04% on June 30, 2009. During fiscal year 2010, benefit payments for 10 participants totaled \$32,092. During fiscal year 2009, benefit payments for 24 participants totaled \$209,998.

Early Retirement Incentive Program of 2009

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

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

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

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

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

The University is funding the 2009 Program on a pay-as-you-go basis using ARRA Education Stimulus funds, health and dental insurance reserves, and operating funds. As of June 30, 2009, 79 contracts to retire were signed. During July, 2010, 38 additional contracts were signed. At June 30, 2010 and 2009, the present value of future benefits was \$6,567,070 and \$5,968,113, respectively. The liabilities are included in Accounts Payable in the Statement of Net Assets. The interest rate utilized to calculate the present value was 0.04% at June 30, 2010 and 0.22% at June 30, 2009. During fiscal year 2010, benefits payments for 117 participants totaled \$1,642,229. During fiscal year 2009, benefit payments for 2 participants totaled \$57,965.

Note Y – Funds Held in Trust by Others

The University is a beneficiary of the Joseph S. Wright Trust, which is held by others and had an aggregate market value of \$620,467 and \$576,289 at June 30, 2010 and 2009, respectively. The income received by the University from this trust was \$18,005 in fiscal year 2010 and \$12,516 in fiscal year 2009.

Note Z – Other Commitments, Claims, and Contingencies

Commitments: Changes to the University's outstanding construction contract commitments for Plant construction for the year ended June 30, 2010 are as follows:

| | |
|--|---------------------|
| Construction Commitments beginning of year | \$ 11,144,559 |
| Increases in Commitments | 11,863,833 |
| Payments and Decreases in Commitments | <u>(16,977,030)</u> |
| Construction Commitments at end of year | \$ <u>6,031,362</u> |

There were no material claims or contingencies as of June 30, 2010.

(The remainder of this page was intentionally left blank)

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AA – Segment Reporting

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

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

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

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 2001, bonds were issued to make repairs to the roof and the structure of the building. In 2004, bonds were issued to construct the McLeod Center, an integral part of the Field House Enterprise. The bonds are payable from student fees and the net revenues of the Field House System. Primary sources of revenue include: concession stand sales, facility rentals to the University and the public, investment income, and mandatory student fees.

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

(The remainder of this page was intentionally left blank)

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AA – Segment Reporting (continued)
Academic Building

| Condensed Statement of Net Assets | <u>2010</u> | <u>2009</u> |
|---|----------------------|--------------------|
| Assets: | | |
| Current assets | \$ 13,151,543 | 22,857,323 |
| Capital assets | 68,579,448 | 61,971,418 |
| Other noncurrent assets | <u>7,738,726</u> | <u>7,234,672</u> |
| Total assets | <u>89,469,717</u> | <u>92,063,413</u> |
| Liabilities: | | |
| Current liabilities | 6,238,435 | 5,661,727 |
| Noncurrent liabilities | <u>61,016,902</u> | <u>64,418,532</u> |
| Total liabilities | <u>67,255,337</u> | <u>70,080,259</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 12,974,966 | 12,009,235 |
| Restricted, expendable | 8,422,231 | 9,114,967 |
| Restricted, other | 11,875 | - |
| Unrestricted | <u>805,308</u> | <u>858,952</u> |
| Total net assets | <u>\$ 22,214,380</u> | <u>21,983,154</u> |

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

| | | |
|--------------------------------------|----------------------|---------------------|
| Operating revenues | \$ 63,489,894 | 60,319,329 |
| Depreciation expense | (2,250,499) | (2,200,356) |
| Other operating expenses | - | - |
| Net operating income (loss) | <u>61,239,395</u> | <u>58,118,973</u> |
| Nonoperating revenues (expenses) | 2,579,249 | 3,155,008 |
| Transfers from (to) University funds | <u>(63,587,418)</u> | <u>(60,460,787)</u> |
| Change in net assets | 231,226 | 813,194 |
| Net assets, beginning of year | <u>21,983,154</u> | <u>21,169,960</u> |
| Net assets, end of year | <u>\$ 22,214,380</u> | <u>21,983,154</u> |

Condensed Statement of Cash Flows

| | | |
|--|---------------------|--------------------|
| Net cash provided (used) by operating activities | \$ 63,525,667 | 60,522,538 |
| Net cash provided (used) by capital and related financing activities | (73,059,144) | (51,558,756) |
| Net cash provided (used) by investing activities | <u>3,274,852</u> | <u>(7,483,974)</u> |
| Net increase (decrease) in cash | (6,258,625) | 1,479,808 |
| Cash and cash equivalents, beginning of year | <u>12,870,624</u> | <u>11,390,816</u> |
| Cash and cash equivalents, end of year | <u>\$ 6,611,999</u> | <u>12,870,624</u> |

Debt Service Coverage

| | | |
|----------------------------------|-------|------|
| Debt service coverage – required | 1.25 | 1.25 |
| Debt service coverage – actual | 10.06 | 9.45 |

Proportion of Revenue Pledged

| | | |
|--|--------------|------------|
| Annual debt service (principal & interest) | \$ 6,950,665 | 6,171,873 |
| Net operating income * | 63,489,894 | 60,319,329 |
| Annual debt service/net operating income (%) | 10.9% | 10.2% |

As of June 30, 2010, revenue pledged for future principal and interest payments was \$101,127,032.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AA – Segment Reporting (continued)
Residence System

| Condensed Statement of Net Assets | <u>2010</u> | <u>2009</u> |
|---|----------------------|--------------------|
| Assets: | | |
| Current assets | \$ 19,160,896 | 16,154,279 |
| Capital assets | 35,037,223 | 31,176,686 |
| Other noncurrent assets | <u>6,181,534</u> | <u>2,994,387</u> |
| Total assets | <u>60,379,653</u> | <u>50,325,352</u> |
| Liabilities: | | |
| Current liabilities | 9,362,999 | 4,409,242 |
| Noncurrent liabilities | <u>27,364,409</u> | <u>29,290,929</u> |
| Total liabilities | <u>36,727,408</u> | <u>33,700,171</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 8,272,223 | 2,426,686 |
| Restricted, expendable | 8,977,551 | 8,542,476 |
| Unrestricted | <u>6,402,471</u> | <u>5,656,019</u> |
| Total net assets | <u>\$ 23,652,245</u> | <u>16,625,181</u> |

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

| | | |
|--------------------------------------|----------------------|---------------------|
| Operating revenues | \$ 36,003,367 | 35,596,414 |
| Depreciation expense | (1,332,166) | (1,352,018) |
| Other operating expenses | <u>(26,902,270)</u> | <u>(28,119,256)</u> |
| Net operating income (loss) | 7,768,931 | 6,125,140 |
| Nonoperating revenues (expenses) | (741,867) | (953,020) |
| Transfers from (to) University funds | - | <u>2,474</u> |
| Change in net assets | <u>7,027,064</u> | <u>5,174,594</u> |
| Net assets, beginning of year | <u>16,625,181</u> | <u>11,450,587</u> |
| Net assets, end of year | <u>\$ 23,652,245</u> | <u>16,625,181</u> |

Condensed Statement of Cash Flows

| | | |
|--|----------------------|--------------------|
| Net cash provided (used) by operating activities | \$ 9,343,438 | 7,444,048 |
| Net cash provided (used) by capital and related financing activities | <u>(3,589,338)</u> | <u>(5,257,495)</u> |
| Net cash provided (used) by investing activities | <u>1,769,687</u> | <u>(337,519)</u> |
| Net increase (decrease) in cash | 7,523,787 | 1,849,034 |
| Cash and cash equivalents, beginning of year | <u>10,815,750</u> | <u>8,966,715</u> |
| Cash and cash equivalents, end of year | <u>\$ 18,339,537</u> | <u>10,815,749</u> |

Debt Service Coverage

| | | |
|----------------------------------|------|------|
| Debt service coverage – required | 1.35 | 1.35 |
| Debt service coverage – actual | 3.43 | 3.15 |

Proportion of Revenue Pledged

| | | |
|--|--------------|------------|
| Annual debt service (principal & interest) | \$ 3,280,804 | 3,285,136 |
| Net operating income * | 11,576,378 | 10,539,558 |
| Annual debt service/net operating income (%) | 28.3% | 31.2% |

As of June 30, 2010, revenue pledged for future principal and interest payments was \$37,233,452.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AA – Segment Reporting (continued)
Field House System

| Condensed Statement of Net Assets | <u>2010</u> | <u>2009</u> |
|---|----------------------|--------------------|
| Assets: | | |
| Current assets | \$ 7,149,119 | 3,850,066 |
| Capital assets | 35,769,598 | 36,172,471 |
| Other noncurrent assets | <u>7,113,187</u> | <u>8,869,759</u> |
| Total assets | <u>50,031,904</u> | <u>48,892,296</u> |
| Liabilities: | | |
| Current liabilities | 1,450,694 | 1,342,430 |
| Noncurrent liabilities | <u>16,349,290</u> | <u>17,326,108</u> |
| Total liabilities | <u>17,799,984</u> | <u>18,668,538</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 19,454,598 | 18,887,471 |
| Restricted, expendable | 3,743,128 | 4,301,540 |
| Unrestricted | <u>9,034,194</u> | <u>7,034,747</u> |
| Total net assets | <u>\$ 32,231,920</u> | <u>30,223,758</u> |

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

| | | |
|----------------------------------|----------------------|--------------------|
| Operating revenues | \$ 3,711,752 | 3,621,717 |
| Depreciation expense | (1,352,230) | (1,287,487) |
| Other operating expenses | <u>(2,148,406)</u> | <u>(2,241,284)</u> |
| Net operating income (loss) | 211,116 | 92,946 |
| Nonoperating revenues (expenses) | <u>1,797,045</u> | <u>(258,926)</u> |
| Change in net assets | 2,008,161 | (165,980) |
| Net assets, beginning of year | <u>30,223,759</u> | <u>30,389,738</u> |
| Net assets, end of year | <u>\$ 32,231,920</u> | <u>30,223,758</u> |

Condensed Statement of Cash Flows

| | | |
|--|---------------------|--------------------|
| Net cash provided (used) by operating activities | \$ 1,535,010 | 1,370,794 |
| Net cash provided (used) by capital and related financing activities | 339,744 | (1,086,763) |
| Net cash provided (used) by investing activities | <u>(954,314)</u> | <u>(1,812,917)</u> |
| Net increase (decrease) in cash | 920,440 | (1,528,886) |
| Cash and cash equivalents, beginning of year | <u>2,643,765</u> | <u>4,172,651</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,564,205</u> | <u>2,643,765</u> |

Debt Service Coverage

| | | |
|----------------------------------|------|------|
| Debt service coverage – required | 1.20 | 1.20 |
| Debt service coverage – actual | 6.40 | 5.26 |

Proportion of Revenue Pledged

| | | |
|--|--------------|-----------|
| Annual debt service (principal & interest) | \$ 1,638,618 | 1,632,255 |
| Net operating revenue * | 1,760,240 | 1,872,779 |
| Annual debt service/net operating income (%) | 93.1% | 87.2% |

As of June 30, 2010, revenue pledged for future principal and interest payments was \$22,576,818.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AA – Segment Reporting (continued)
Student Union

| Condensed Statement of Net Assets | <u>2010</u> | <u>2009</u> |
|---|---------------------|--------------------|
| Assets: | | |
| Current assets | \$ 1,795,319 | 3,073,974 |
| Capital assets | 12,873,221 | 12,871,088 |
| Other noncurrent assets | <u>3,067,508</u> | <u>1,912,266</u> |
| Total assets | <u>17,736,048</u> | <u>17,857,328</u> |
| Liabilities: | | |
| Current liabilities | 819,908 | 886,202 |
| Noncurrent liabilities | <u>8,948,933</u> | <u>9,490,242</u> |
| Total liabilities | <u>9,768,841</u> | <u>10,376,444</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 3,958,220 | 3,411,088 |
| Restricted, expendable | 1,008,750 | 1,008,750 |
| Unrestricted | <u>3,000,237</u> | <u>3,061,046</u> |
| Total net assets | <u>\$ 7,967,207</u> | <u>7,480,884</u> |

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

| | | |
|--------------------------------------|---------------------|--------------------|
| Operating revenues | \$ 1,694,932 | 1,751,211 |
| Depreciation expense | (404,914) | (422,864) |
| Other operating expenses | <u>(1,048,229)</u> | <u>(1,297,230)</u> |
| Net operating income (loss) | 241,789 | 31,117 |
| Nonoperating revenues (expenses) | (375,303) | (338,914) |
| Transfers from (to) University funds | <u>619,837</u> | <u>964,626</u> |
| Change in net assets | 486,323 | 656,829 |
| Net assets, beginning of year | <u>7,480,884</u> | <u>6,824,055</u> |
| Net assets, end of year | <u>\$ 7,967,207</u> | <u>7,480,884</u> |

Condensed Statement of Cash Flows

| | | |
|--|---------------------|------------------|
| Net cash provided (used) by operating activities | \$ 656,851 | 468,921 |
| Net cash provided (used) by capital and related financing activities | (844,472) | (677,071) |
| Net cash provided (used) by investing activities | <u>854,445</u> | <u>(662,974)</u> |
| Net increase (decrease) in cash | (666,824) | (871,124) |
| Cash and cash equivalents, beginning of year | <u>956,252</u> | <u>1,827,376</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,623,076</u> | <u>956,252</u> |

Debt Service Coverage

| | | |
|----------------------------------|------|------|
| Debt service coverage – required | 1.20 | 1.20 |
| Debt service coverage – actual | 4.43 | 4.55 |

Proportion of Revenue Pledged

| | | |
|--|------------|-----------|
| Annual debt service (principal & interest) | \$ 995,813 | 991,613 |
| Net operating revenue * | 1,499,804 | 1,560,955 |
| Annual debt service/net operating income (%) | 66.4% | 63.5% |

As of June 30, 2010, revenue pledged for future principal and interest payments was \$12,787,164.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AA – Segment Reporting (continued)
Student Health System

| Condensed Statement of Net Assets | <u>2010</u> | <u>2009</u> |
|---|---------------------|--------------------|
| Assets: | | |
| Current assets | \$ 890,989 | 1,485,625 |
| Capital assets | 3,615,602 | 3,629,343 |
| Other noncurrent assets | <u>1,908,013</u> | <u>1,101,769</u> |
| Total assets | <u>6,414,604</u> | <u>6,216,737</u> |
| Liabilities: | | |
| Current liabilities | 362,978 | 297,283 |
| Noncurrent liabilities | <u>3,042,473</u> | <u>3,188,091</u> |
| Total liabilities | <u>3,405,451</u> | <u>3,485,374</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 640,602 | 494,343 |
| Restricted, expendable | 289,980 | 289,980 |
| Unrestricted | <u>2,078,571</u> | <u>1,947,040</u> |
| Total net assets | <u>\$ 3,009,153</u> | <u>2,731,363</u> |

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

| | | |
|--------------------------------------|---------------------|--------------------|
| Operating revenues | \$ 3,060,998 | 3,016,838 |
| Depreciation expense | (122,670) | (114,348) |
| Other operating expenses | <u>(3,016,679)</u> | <u>(2,982,730)</u> |
| Net operating income (loss) | (78,351) | (80,240) |
| Nonoperating revenues (expenses) | (64,270) | (77,936) |
| Transfers from (to) University funds | <u>420,411</u> | <u>477,522</u> |
| Change in net assets | 277,790 | 319,346 |
| Net assets, beginning of year | <u>2,731,363</u> | <u>2,412,017</u> |
| Net assets, end of year | <u>\$ 3,009,153</u> | <u>2,731,363</u> |

Condensed Statement of Cash Flows

| | | |
|--|-------------------|------------------|
| Net cash provided (used) by operating activities | \$ 135,917 | 48,956 |
| Net cash provided (used) by capital and related financing activities | 30,429 | 105,766 |
| Net cash provided (used) by investing activities | <u>(87,989)</u> | <u>(600,210)</u> |
| Net increase (decrease) in cash | 78,357 | (445,488) |
| Cash and cash equivalents, beginning of year | <u>654,341</u> | <u>1,099,829</u> |
| Cash and cash equivalents, end of year | <u>\$ 732,698</u> | <u>654,341</u> |

Debt Service Coverage

| | | |
|----------------------------------|------|------|
| Debt service coverage – required | 1.20 | 1.20 |
| Debt service coverage – actual | 9.67 | 8.65 |

Proportion of Revenue Pledged

| | | |
|--|------------|---------|
| Annual debt service (principal & interest) | \$ 281,374 | 281,024 |
| Net operating revenue * | 587,228 | 534,144 |
| Annual debt service/net operating income (%) | 47.9% | 52.6% |

As of June 30, 2010, revenue pledged for future principal and interest payments was \$4,198,933.

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AB – Operating Expenses by Function

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

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

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

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AB – Operating Expenses by Function (continued)

Operating expenses by natural classification for the year ended June 30, 2009 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 | \$ 71,125,087 | 1,247,711 | 947,286 | 782,577 | 717,915 |
| Research | 1,139,897 | 60,939 | 190,540 | 208,380 | 95,667 |
| Public Service | 13,747,133 | 5,140,304 | 1,598,232 | 7,767,377 | 596,253 |
| Academic Support | 17,624,920 | 583,351 | 662,959 | 292,486 | 2,600,441 |
| Student Services | 5,040,358 | 432,259 | 331,462 | 305,019 | 52,423 |
| Institutional Support | 26,305,879 | 366,874 | 377,777 | 909,770 | 336,638 |
| Operation and Maintenance of Plant | 10,574,360 | 56,969 | 240,736 | 418,660 | 5,707,426 |
| Scholarships and Fellowships | 781,202 | (65) | - | - | - |
| Depreciation | - | - | - | - | - |
| Loan Cancellations and Write-Offs | - | - | - | 44,118 | - |
| Auxiliary Enterprises | <u>24,497,312</u> | <u>1,852,370</u> | <u>7,083,357</u> | <u>2,950,361</u> | <u>2,265,009</u> |
| Total Operating Expenses | <u>\$170,836,148</u> | <u>9,740,712</u> | <u>11,432,349</u> | <u>13,678,748</u> | <u>12,371,772</u> |

| | <u>Claims and Miscellaneous</u> | <u>Licenses, Permits & Refunds</u> | <u>Scholarships and Fellowships</u> | <u>Depreciation</u> | <u>Total Operating Expenses</u> |
|---------------------------------------|---|--|---|---------------------|---|
| Operating Expenses: (continued) | | | | | |
| Instruction | 1,064,962 | 121,161 | 478,235 | - | \$ 76,484,933 |
| Research | 57,765 | 4,121 | 36,086 | - | 1,793,393 |
| Public Service | 1,773,807 | 199,214 | 274,692 | - | 31,097,013 |
| Academic Support | 397,225 | 461,169 | 107,261 | - | 22,729,813 |
| Student Services | 396,996 | 511,982 | 6,446 | - | 7,076,945 |
| Institutional Support | (1,179,675) | 2,265,444 | (34,582) | - | 29,348,125 |
| Operation and Maintenance of Plant | 5,014,573 | 173,192 | - | - | 22,185,917 |
| Scholarships and Fellowships | - | - | 4,931,345 | - | 5,712,482 |
| Depreciation | - | - | - | 13,975,476 | 13,975,476 |
| Loan Cancellations and Write-Offs | 924,706 | (455,008) | - | - | 513,815 |
| Auxiliary Enterprises | <u>6,840,192</u> | <u>1,032,975</u> | <u>3,556,285</u> | - | <u>50,077,862</u> |
| Total Operating Expenses | <u>15,290,551</u> | <u>4,314,250</u> | <u>9,355,768</u> | <u>13,975,476</u> | <u>\$260,995,774</u> |

University of Northern Iowa
NOTES TO FINANCIAL STATEMENTS (continued)
June 30, 2010

Note AC – Restatements and Reclassification (Foundation)

Foundation management has made corrections, resulting from the misapplication of accounting principles, in its Statement of Financial Condition and the Statement of Combined Changes in Activities as of and for the year ending June 30, 2009. The following table summarizes those corrections:

| | Net Assets | | | Total |
|------------------------------------|-----------------------|---------------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Net assets, as previously reported | \$ (2,374,567) | 24,840,966 | 39,244,773 | 61,711,172 |
| Restatements: | | | | |
| Reclassifications | (68,866) | (1,662,294) | 1,731,160 | - |
| Related revenue and expense affect | 757,929 | (115,155) | (642,774) | - |
| Net assets, as restated | <u>\$ (1,685,504)</u> | <u>23,063,517</u> | <u>40,333,159</u> | <u>61,711,172</u> |

Note AD – Subsequent Events

On July 1, 2010, the Board of Regents, State of Iowa called a portion of outstanding Dormitory Revenue Bonds, Series U.N.I. 1999 to take advantage of lower interest rates. The called bonds were for outstanding principal of the July 1, 2011 through July 1, 2020 maturities of the Board's Dormitory Revenue Bonds, Series U.N.I. 1999, dated May 1, 1999.

Subsequent to June 30, 2010, the Foundation received a gift of \$11,000,000 to create the Richard O. Jacobson Center for Literacy at the University.

In December 2010, the Board of Regents, State of Iowa issued \$16,790,000 of Dormitory Revenue Bonds, Series U.N.I. 2010A. Proceeds of the sale of the bonds will be used to fund a portion of the costs of constructing and equipping a new apartment facility, funding a deposit to the Reserve Fund, and paying the costs of issuance of the bonds.

Also in December 2010, the Board of Regents, State of Iowa issued \$10,160,000 of Dormitory Revenue Refunding Bonds, Series U.N.I. 2010B. Proceeds of the sale of bonds will be used to refund, as an advance refunding, the outstanding principal of the July 1, 2012 through July 1, 2021 maturities of the Board's Dormitory Revenue Bonds, Series U.N.I. 2000, dated June 1, 2001, funding a deposit to the Reserve Fund, and paying the costs of issuance. The refunding bonds were sold to take advantage of lower interest rates.



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

An enterprise fund of the State of Iowa



2009-2010

Required Supplementary
Information

Required Supplementary
Information

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

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b – a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b – a) / c) |
|---------------------------|--------------------------------|--|---|--------------------------------------|----------------------------|---------------------------|---|
| 2008 | 07/01/07 | - | \$13,303 | \$13,303 | 0.0% | \$118,839 | 11.2% |
| 2009 | 07/01/07 | - | \$13,303 | \$13,303 | 0.0% | \$118,839 | 11.2% |
| 2010 | 07/01/09 | - | \$26,708 | \$26,708 | 0.0% | \$120,647 | 22.1% |

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



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

An enterprise fund of the State of Iowa



2009-2010
Statistical Section

University of Northern Iowa Statistical Section

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

| <u>Contents</u> | <u>Page</u> |
|--|--------------------|
| Financial Trends These schedules contain trend information to help understand how the University's financial performance has changed over time. | 77-80 |
| Revenue Capacity These schedules provide information on the University's most significant revenue sources, tuition and fees, and state appropriations. | 81-82 |
| Debt Capacity These schedules present the University's bonded debt obligation and the revenue bond coverage. | 83-85 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help understand the environment within which the University's financial activities take place. | 86-87 |
| Operating Information These schedules contain information about the University's operations and resources to help the reader understand how the University's financial information relates to the students and services the University provides. | 88-94 |

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

University of Northern Iowa

Schedule 1

HIGHER EDUCATION PRICE INDEX (HEPI)/FULL YEAR FTE

For the Last Ten Years

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|------------------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Higher Education Price Index | 6.694 | 6.637 | 6.406 | 6.183 | 5.983 | 5.689 | 5.499 | 5.254 | 5.107 | 4.905 |
| Normalized HEPI | 1.365 | 1.353 | 1.306 | 1.261 | 1.220 | 1.160 | 1.121 | 1.071 | 1.041 | 1.000 |
| Full Year FTE | 11,391 | 11,141 | 10,979 | 10,783 | 10,969 | 11,351 | 11,477 | 11,959 | 12,186 | 11,947 |

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

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

Source: Commonfund; HEPI Index; 2005 through 2010 Updates

Source: Research Associates of Washington; HEPI Index; 2001 through 2004 Updates

University of Northern Iowa
Schedule 2

**CHANGE IN NET ASSETS/
NET ASSETS BY CLASSIFICATION**

For the Last Nine Years

(Expressed in Thousands)

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

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

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| OPERATING | | | | | | | | | |
| Gross Tuition & Fees | \$ 81,867 | 77,260 | 73,394 | 70,721 | 65,855 | 65,569 | 62,130 | 54,886 | 47,695 |
| Less: Scholarship Allowance | 21,202 | 17,226 | 15,871 | 14,290 | 13,351 | 13,689 | 13,052 | 12,054 | 10,361 |
| Net Tuition & Fees | 60,665 | 60,034 | 57,523 | 56,431 | 52,504 | 51,880 | 49,078 | 42,832 | 37,334 |
| Receipts from other entities | 111 | 242 | 144 | 86 | 100 | 83 | 991 | 852 | 2,823 |
| Grants and contracts | 42,493 | 36,708 | 32,073 | 30,863 | 29,100 | 30,744 | 29,123 | 27,839 | 28,150 |
| Sales, rents and services | 7,688 | 5,775 | 7,421 | 6,192 | 8,476 | 7,313 | 6,822 | 6,519 | 5,351 |
| Miscellaneous | 2,869 | 608 | 720 | 805 | 772 | 785 | 2,280 | 2,176 | 811 |
| Auxiliary enterprises | 55,193 | 54,859 | 50,177 | 47,559 | 41,967 | 38,524 | 36,857 | 36,928 | 34,577 |
| Total Operating Income | 169,019 | 158,226 | 148,058 | 141,936 | 132,919 | 129,329 | 125,151 | 117,146 | 109,046 |
| NONOPERATING | | | | | | | | | |
| State appropriations | 97,862 | 101,686 | 95,364 | 86,531 | 83,585 | 79,128 | 79,256 | 83,107 | 85,103 |
| Investment return | 2,990 | (611) | 1,687 | 5,247 | 2,694 | 2,154 | 1,665 | 2,791 | 1,775 |
| Gifts, grants and contracts | 3,333 | 3,385 | 2,601 | 2,954 | 2,433 | 2,386 | 2,213 | 1,492 | 2,782 |
| Other revenue | - | - | - | - | - | - | - | - | 6,881 * |
| Total Nonoperating Revenue | 104,185 | 104,460 | 99,652 | 94,732 | 88,712 | 83,668 | 83,134 | 87,390 | 96,541 |
| CAPITAL AND OTHER REVENUES | | | | | | | | | |
| Capital appropriations | 5,928 | 5,752 | 5,018 | 8,650 | 6,188 | 14,307 | 15,440 | 20,412 | 16,542 |
| Capital contributions and grants | 5,165 | 9,845 | 4,118 | 9,988 | 4,311 | 4,006 | 15,851 | 946 | 485 |
| Casualty reimbursement | - | - | - | - | 3,170 # | - | - | - | - |
| Extraordinary gain on asset impairment | - | - | - | - | 3,805 # | - | - | - | - |
| Total Capital and Other Revenue | 11,093 | 15,597 | 9,136 | 18,638 | 17,474 | 18,313 | 31,291 | 21,358 | 17,027 |
| Total Revenues | \$ 284,297 | 278,283 | 256,846 | 255,306 | 239,105 | 231,310 | 239,576 | 225,894 | 222,614 |
| Constant Dollar Revenues | \$ 208,276 | 205,678 | 196,666 | 202,463 | 195,988 | 199,405 | 213,716 | 210,919 | 213,846 |
| Revenues per FTE (Actual) | \$ 24,958 | 24,978 | 23,394 | 23,677 | 21,798 | 20,378 | 20,874 | 18,889 | 18,268 |
| Constant Dollar | | | | | | | | | |
| Revenues per FTE (Actual) | \$ 18,284 | 18,461 | 17,913 | 18,776 | 17,867 | 17,567 | 18,621 | 17,637 | 17,549 |

Gilchrist arson October 16, 2005.

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

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

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------------------|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| OPERATING EXPENSES BY FUNCTION | | | | | | | | | |
| Instruction | \$ 71,168 | 76,485 | 72,605 | 68,768 | 67,145 | 64,418 | 64,082 | 62,067 | 58,352 |
| Research | 2,507 | 1,793 | 2,455 | 3,232 | 1,428 | 2,518 | 2,568 | 2,513 | 2,961 |
| Public service | 31,497 | 31,097 | 24,185 | 23,488 | 22,589 | 22,165 | 19,978 | 18,382 | 20,394 |
| Academic support | 23,895 | 22,730 | 22,050 | 19,771 | 19,904 | 19,401 | 19,794 | 20,659 | 20,846 |
| Student services | 6,205 | 7,077 | 6,558 | 6,278 | 5,973 | 6,460 | 6,130 | 6,067 | 5,915 |
| Institutional support | 26,714 | 29,348 | 20,231 | 19,163 | 23,311 | 23,562 | 22,828 | 22,716 | 20,211 |
| Operation and maintenance of plant | 20,178 | 22,186 | 21,396 | 20,687 | 20,576 | 16,740 | 20,471 | 19,717 | 25,293 |
| Scholarships and fellowships | 6,760 | 5,712 | 4,884 | 4,495 | 4,861 | 5,454 | 6,415 | 6,563 | 5,922 |
| Depreciation | 14,461 | 13,975 | 13,292 | 12,517 | 11,469 | 12,646 | 12,833 | 12,512 | 12,631 |
| Loan cancellations and write-offs | 172 | 514 | 252 | 279 | 277 | 471 | 479 | 484 | 790 |
| Auxiliary enterprises | 48,447 | 50,078 | 49,043 | 43,779 | 41,066 | 38,220 | 36,486 | 34,275 | 33,383 |
| Total Operating Expenses | 252,004 | 260,995 | 236,951 | 222,457 | 218,599 | 212,055 | 212,064 | 205,955 | 206,698 |
| NONOPERATING EXPENSES | | | | | | | | | |
| Interest expense | 6,275 | 5,743 | 5,765 | 5,014 | 5,010 | 5,141 | 5,179 | 5,180 | 4,504 |
| Amortization expense | 110 | 102 | 94 | 77 | 91 | 66 | 107 | 101 | 54 |
| Miscellaneous expense | 7 | 22 | 30 | 115 | 3,003 * | - | 97 | - | - |
| Total Nonoperating Expenses | 6,392 | 5,867 | 5,889 | 5,206 | 8,104 | 5,207 | 5,383 | 5,281 | 4,558 |
| Total Expenses | \$ 258,396 | 266,862 | 242,840 | 227,663 | 226,703 | 217,262 | 217,447 | 211,236 | 211,256 |
| Constant Dollar Expenses | \$ 189,301 | 197,237 | 185,942 | 180,542 | 185,822 | 187,295 | 193,976 | 197,232 | 202,936 |
| Expenses per FTE (Actual) | \$ 22,684 | 23,953 | 22,119 | 21,113 | 20,668 | 19,140 | 18,946 | 17,663 | 17,336 |
| Constant Dollar | | | | | | | | | |
| Expenses per FTE (Actual) | \$ 16,618 | 17,704 | 16,936 | 16,743 | 16,941 | 16,500 | 16,901 | 16,492 | 16,653 |

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

University of Northern Iowa
Schedule 5

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

For the Last Ten Years

(Expressed in Thousands)

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TUITION & FEES | | | | | | | | | | |
| Total Tuition & Fees | \$ 81,867 | 77,260 | 73,394 | 70,721 | 65,855 | 65,569 | 62,130 | 54,886 | 47,695 | 42,963 |
| Less: Other Funds Unrestricted | 8,895 | 8,781 | 8,298 | 7,565 | 6,496 | 6,743 | 6,600 | 6,087 | 7,767 | 4,640 |
| Unrestricted Scholarships & Fellowships | 12,183 | 10,541 | 9,851 | 9,324 | 9,438 | 9,415 | 8,937 | 8,078 | 6,537 | 6,415 |
| Net Tuition & Fees | \$ 60,789 | 57,938 | 55,245 | 53,832 | 49,921 | 49,411 | 46,593 | 40,721 | 33,391 | 31,908 |
| Constant Dollar Net Tuition & Fees | \$ 44,534 | 42,822 | 42,301 | 42,690 | 40,919 | 42,596 | 41,564 | 38,021 | 32,076 | 31,908 |
| Tuition & Fees per FTE Student (Actual) | \$ 5,337 | 5,200 | 5,032 | 4,992 | 4,551 | 4,353 | 4,060 | 3,405 | 2,740 | 2,671 |
| Constant Dollar Tuition & Fees per FTE Student (Actual) | \$ 3,910 | 3,844 | 3,853 | 3,959 | 3,730 | 3,753 | 3,621 | 3,179 | 2,632 | 2,671 |
| TUITION & FEES RATES | | | | | | | | | | |
| Resident Undergraduate | \$ 6,636 | 6,376 | 6,190 | 6,112 | 5,602 | 5,387 | 4,916 | 4,118 | 3,440 | 3,130 |
| Non-resident Undergraduate | 14,900 | 14,596 | 14,282 | 14,028 | 13,214 | 12,705 | 11,874 | 10,426 | 8,762 | 8,094 |
| Resident Graduate | 7,596 | 7,298 | 7,084 | 6,962 | 6,420 | 6,173 | 5,612 | 4,814 | 4,028 | 3,676 |
| Non-resident Graduate | 16,052 | 15,726 | 15,392 | 15,100 | 14,244 | 13,697 | 12,686 | 11,238 | 9,446 | 8,732 |
| FULL ROOM & BOARD RATE | \$ 6,980 | 6,790 | 6,280 | 5,740 | 5,519 | 5,261 | 5,018 | 4,640 | 4,398 | 4,149 |
| TOTAL COST OF ATTENDANCE | | | | | | | | | | |
| Resident Undergraduate | \$ 13,616 | 13,166 | 12,470 | 11,852 | 11,121 | 10,648 | 9,934 | 8,758 | 7,838 | 7,279 |
| Non-resident Undergraduate | 21,880 | 21,386 | 20,562 | 19,768 | 18,733 | 17,966 | 16,892 | 15,066 | 13,160 | 12,243 |
| CONSTANT DOLLAR TUITION & FEE RATES | | | | | | | | | | |
| Resident Undergraduate | \$ 4,862 | 4,712 | 4,740 | 4,847 | 4,592 | 4,644 | 4,385 | 3,845 | 3,305 | 3,130 |
| Non-resident Undergraduate | 10,916 | 10,788 | 10,936 | 11,125 | 10,831 | 10,953 | 10,592 | 9,734 | 8,417 | 8,094 |
| Resident Graduate | 5,565 | 5,394 | 5,424 | 5,521 | 5,262 | 5,322 | 5,006 | 4,494 | 3,869 | 3,676 |
| Non-resident Graduate | 11,760 | 11,623 | 11,786 | 11,975 | 11,675 | 11,808 | 11,317 | 10,493 | 9,074 | 8,732 |
| CONSTANT DOLLAR FULL ROOM & BOARD RATE | | | | | | | | | | |
| \$ 5,114 | 5,018 | 4,809 | 4,552 | 4,524 | 4,535 | 4,476 | 4,332 | 4,225 | 4,149 | |
| CONSTANT DOLLAR COST OF ATTENDANCE | | | | | | | | | | |
| Resident Undergraduate | \$ 9,975 | 9,730 | 9,549 | 9,399 | 9,116 | 9,179 | 8,861 | 8,177 | 7,530 | 7,279 |
| Non-resident Undergraduate | 16,029 | 15,806 | 15,745 | 15,677 | 15,355 | 15,488 | 15,068 | 14,066 | 12,642 | 12,243 |

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

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|-----------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| STATE APPROPRIATIONS | | | | | | | | | | |
| Total | \$ 97,862 | 101,686 | 95,364 | 86,531 | 83,585 | 79,128 | 79,256 | 83,107 | 85,102 | 96,898 |
| Less: Non-General Funds | 1,023 | 993 | 1,606 | 1,544 | 677 | 723 | 677 | 291 | 272 | 117 |
| Tuition Replacement * | - | - | - | - | - | - | - | - | - | 4,951 |
| Net State Appropriations | \$ 96,839 | 100,693 | 93,758 | 84,987 | 82,908 | 78,405 | 78,579 | 82,816 | 84,830 | 91,830 |
| Constant Dollar Unrestricted State Appropriations | \$ 70,944 | 74,422 | 71,790 | 67,397 | 67,957 | 67,591 | 70,097 | 77,326 | 81,489 | 91,830 |
| State Appropriations per FTE Student (Actual) | \$ 8,501 | 9,038 | 8,540 | 7,882 | 7,558 | 6,907 | 6,847 | 6,925 | 6,961 | 7,686 |
| Constant Dollar State Appropriations per FTE Student (Actual) | \$ 6,228 | 6,680 | 6,539 | 6,250 | 6,195 | 5,955 | 6,108 | 6,466 | 6,687 | 7,686 |
| CAPITAL APPROPRIATIONS | \$ 5,928 | 5,752 | 5,018 | 8,650 | 6,188 | 14,307 | 15,440 | 20,412 | 16,542 | - |
| Constant Dollar Restricted Capital Appropriations | \$ 4,343 | 4,251 | 3,842 | 6,860 | 5,072 | 12,334 | 13,773 | 19,059 | 15,890 | - |
| Capital Appropriations per FTE Student (Actual) | \$ 520 | 516 | 457 | 802 | 564 | 1,260 | 1,345 | 1,707 | 1,357 | - |
| Constant Dollar Capital Appropriations per FTE Student (Actual) | \$ 381 | 382 | 350 | 636 | 462 | 1,087 | 1,200 | 1,594 | 1,304 | - |

*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 7

OUTSTANDING DEBT PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years

(Expressed in Thousands)

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|-----------------------------------|------------|---------|---------|---------|---------|---------|---------|---------|---------|--------|
| Bonded Debt | | | | | | | | | | |
| Academic Building Revenue Bonds\$ | 64,419 | 67,704 | 57,066 | 47,854 | 42,738 | 37,890 | 35,707 | 46,963 | 46,326 | 44,308 |
| Residence System Bonds | 33,005 | 30,590 | 32,355 | 34,040 | 35,655 | 36,935 | 37,960 | 39,570 | 31,140 | 32,250 |
| Field House Bonds | 16,815 | 17,735 | 18,630 | 20,190 | 21,640 | 30,340 | 23,325 | 13,760 | 13,990 | 8,585 |
| Student Union Bonds | 9,460 | 9,980 | 10,480 | 10,965 | 11,430 | 11,885 | 12,325 | 12,755 | 12,755 | - |
| Student Health Center Bonds | 3,135 | 3,290 | 3,440 | 3,585 | 3,730 | 3,875 | 3,875 | - | - | - |
| Total Bonded Debt | 126,834 | 129,299 | 121,971 | 116,634 | 115,193 | 120,925 | 113,192 | 113,048 | 104,211 | 85,143 |
| Notes Payable | | | | | | | | | | |
| City of Cedar Falls | 470 | 485 | 500 | 500 | 500 | 500 | - | - | - | - |
| Total Notes Payable | 470 | 485 | 500 | 500 | 500 | 500 | - | - | - | - |
| Capital Leases Payable | | | | | | | | | | |
| Human Performance Center | 1,432 | 1,621 | 1,799 | 1,965 | - | - | - | - | - | - |
| McLeod Center Video Boards | - | - | - | 717 | - | - | - | - | - | - |
| Total Capital Leases Payable | 1,432 | 1,621 | 1,799 | 2,682 | - | - | - | - | - | - |
| Total Debt | \$ 128,736 | 131,405 | 124,270 | 119,816 | 115,693 | 121,425 | 113,192 | 113,048 | 104,211 | 85,143 |
| Constant Dollar | | | | | | | | | | |
| Outstanding Debt | \$ 94,312 | 97,121 | 95,153 | 95,017 | 94,830 | 104,677 | 100,974 | 105,554 | 100,107 | 85,143 |
| Outstanding Debt | | | | | | | | | | |
| per FTE Student (Actual) | \$ 11,302 | 11,795 | 11,319 | 11,112 | 10,547 | 10,697 | 9,863 | 9,453 | 8,552 | 7,127 |
| Constant Dollar Debt | | | | | | | | | | |
| per FTE Student (Actual) | \$ 8,280 | 8,717 | 8,667 | 8,812 | 8,645 | 9,222 | 8,798 | 8,826 | 8,215 | 7,127 |

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

ACADEMIC BUILDING REVENUE BONDS

Legal coverage = 1.25 of Maximum Debt Service Requirements

| Fiscal Year Ended June 30 | Pledged General Fund Tuition | Maximum Debt Service | Actual Coverage |
|--|---|-------------------------------------|----------------------------|
| 2010 | 71,581 | 7,116 | 10.06 |
| 2009 | 67,272 | 7,116 | 9.45 |
| 2008 | 63,771 | 6,287 | 10.14 |
| 2007 | 61,801 | 5,901 | 10.47 |
| 2006 | 58,158 | 5,392 | 10.79 |
| 2005 | 57,836 | 4,772 | 12.12 |
| 2004 | 54,447 | 4,824 | 11.29 |
| 2003 | 47,670 | 4,294 | 11.10 |
| 2002 | 39,934 | 5,135 | 7.78 |
| 2001 | 36,506 | 5,200 | 7.02 |

RESIDENCE SYSTEM REVENUE BONDS

Legal coverage = 1.35 of Maximum Debt Service Requirements

| Fiscal Year Ended June 30 | Gross Revenues | Less Operating Expenses | Net Available Revenues | Maximum Debt Service | Actual Coverage |
|--|---------------------------|--|---------------------------------------|-------------------------------------|----------------------------|
| 2010 | 36,585 | 25,008 | 11,577 | 3,378 | 3.43 |
| 2009 | 36,099 | 25,559 | 10,540 | 3,347 | 3.15 |
| 2008 | 32,650 | 24,151 | 8,499 | 3,347 | 2.54 |
| 2007 | 30,323 | 22,701 | 7,622 | 3,347 | 2.28 |
| 2006 | 27,344 | 21,165 | 6,179 | 3,347 | 1.85 |
| 2005 | 24,836 | 20,092 | 4,744 | 3,347 | 1.42 |
| 2004 | 23,775 | 18,946 | 4,829 | 3,347 | 1.44 |
| 2003 | 24,158 | 18,491 | 5,667 | 3,347 | 1.69 |
| 2002 | 24,818 | 19,282 | 5,536 | 2,816 | 1.97 |
| 2001 | 24,522 | 18,018 | 6,504 | 2,816 | 2.31 |

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

University of Northern Iowa
Schedule 8 (continued)

REVENUE BOND COVERAGE

For the Last Ten Years

(Dollars in Thousands)

FIELD HOUSE REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

| Fiscal Year Ended June 30 | Gross Revenues | Less Operating Expenses | Net Available Revenues | System Fund Balance | Debt Service Requirements | | | Actual Coverage |
|---------------------------------|-------------------|-------------------------------|------------------------------|---------------------------|---------------------------|------------|--------------|--------------------|
| | | | | | Principal | Interest | Total | |
| 2010 | 3,886 | 2,126 | 1,760 | 8,638 | 955 | 669 | 1,624 | 6.40 |
| 2009 | 4,029 | 2,156 | 1,873 | 6,627 | 920 | 697 | 1,617 | 5.26 |
| 2008 | 4,062 | 2,345 | 1,717 | 5,938 | 895 | 725 | 1,620 | 4.73 |
| 2007 | 4,419 | 1,916 | 2,503 | 6,751 | 1,560 | 769 | 2,329 | 3.97 |
| 2006 | 3,577 | 1,701 | 1,876 | 2,903 | 1,450 | 855 | 2,305 | 2.07 |
| 2005 | 3,162 | 1,567 | 1,595 | 2,423 | 1,320 | 956 | 2,276 | 1.76 |
| 2004 | 2,782 | 1,449 | 1,333 | 3,788 | 450 | 730 | 1,180 | 4.34 |
| 2003 | 3,062 | 1,661 | 1,401 | 2,229 | 435 | 643 | 1,078 | 3.37 |
| 2002 | 2,675 | 1,680 | 995 | 3,521 | 230 | 554 | 784 | 5.76 |
| 2001 | 2,731 | 1,357 | 1,374 | 4,068 | 220 | 425 | 645 | 8.44 |

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

STUDENT UNION REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

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

STUDENT HEALTH SYSTEM REVENUE BONDS

Legal coverage = 1.20 of Annual Debt Service Requirements

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

University of Northern Iowa

Schedule 9

**STATE OF IOWA - TOTAL PERSONAL INCOME, POPULATION,
PER CAPITA PERSONAL INCOME, UNEMPLOYMENT PERCENTAGE**

For the Last Ten Years

| | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Personal Income (expressed in millions) | \$ 113,166 | 112,302 | 104,651 | 99,112 | 95,858 | 90,289 | 85,506 | 83,051 | 79,753 | 78,200 |
| Population (expressed in thousands) | 3,008 | 3,003 | 2,988 | 2,982 | 2,966 | 2,954 | 2,944 | 2,937 | 2,923 | 2,926 |
| Per Capita Personal Income (expressed in dollars) | \$ 37,623 | 37,402 | 35,023 | 33,236 | 32,315 | 30,560 | 29,043 | 28,240 | 27,283 | 26,723 |
| Unemployment Percentage | 6.0% | 4.1% | 3.8% | 3.7% | 4.6% | 4.5% | 4.5% | 4.0% | 3.3% | 2.6% |
| Constant Dollar | | | | | | | | | | |
| Per Capita Personal Income | \$ 27,563 | 27,644 | 26,817 | 26,357 | 26,488 | 26,345 | 25,908 | 26,368 | 26,208 | 26,723 |
| Net UNI Appropriations (expressed in thousands) | \$ 100,693 | 93,758 | 84,987 | 82,908 | 78,405 | 78,579 | 82,816 | 84,830 | 91,830 | 88,498 |
| UNI Appropriations per Capita | \$ 33.48 | 31.22 | 28.44 | 27.80 | 26.43 | 26.60 | 28.13 | 28.88 | 31.42 | 30.25 |
| Constant Dollar | | | | | | | | | | |
| UNI Appropriations per Capita | \$ 24.52 | 23.08 | 21.78 | 22.05 | 21.67 | 22.93 | 25.09 | 26.97 | 30.18 | 30.25 |

STATE OF IOWA PRINCIPAL NON-GOVERNMENTAL EMPLOYERS

Current Year and Nine Years Prior

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

Based on 2009 calendar year annual average employment.

Source: Iowa Workforce Development, QCEW

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

Based on 2000 calendar year annual average employment.

Source: Iowa Workforce Development

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

University of Northern Iowa
 Schedule 11

FULL TIME EMPLOYEES AND FACULTY DATA

For the Last Ten Years

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| STAFF POSITIONS (Full Time) | | | | | | | | | | |
| General Operating Fund: | | | | | | | | | | |
| Faculty | 599 | 619 | 603 | 595 | 625 | 618 | 632 | 649 | 648 | 671 |
| Administrative | 318 | 327 | 288 | 285 | 282 | 303 | 295 | 272 | 286 | 296 |
| Clerical/Secretarial | 164 | 178 | 174 | 171 | 173 | 180 | 208 | 210 | 229 | 237 |
| Technical | 14 | 17 | 20 | 17 | 16 | 17 | 17 | 17 | 19 | 19 |
| Craftsmen & Custodial | 117 | 127 | 126 | 124 | 124 | 123 | 141 | 152 | 161 | 168 |
| Security | 14 | 14 | 11 | 12 | 11 | 12 | 12 | 14 | 12 | 15 |
| All Other Funds | 491 | 503 | 511 | 526 | 516 | 515 | 481 | 520 | 515 | 484 |
| Total | 1,717 | 1,785 | 1,733 | 1,730 | 1,747 | 1,768 | 1,786 | 1,834 | 1,870 | 1,890 |
| FACULTY POSITIONS (FTE) | | | | | | | | | | |
| Total Faculty | 690.0 | 691.3 | 711.3 | 684.3 | 740.4 | 741.6 | 746.3 | 760.0 | 804.9 | 785.9 |
| Percent Tenured | 56.2% | 57.7% | 54.1% | 56.6% | 58.6% | 57.0% | 56.8% | 55.2% | 50.7% | 50.2% |
| Students per Faculty Member | 17.0 | 16.7 | 16.0 | 16.5 | 14.8 | 15.3 | 15.3 | 15.6 | 15.0 | 15.1 |

University of Northern Iowa
 Schedule 12

ENROLLMENT AND FRESHMAN CLASS DATA

For the Last Ten Years

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| ENROLLMENT (Fall Headcount) | | | | | | | | | | |
| Undergraduate - Lower | 4,841 | 4,865 | 4,719 | 4,427 | 4,433 | 4,363 | 4,619 | 5,112 | 5,425 | 5,495 |
| Undergraduate - Upper | 6,453 | 6,182 | 6,291 | 6,275 | 6,519 | 6,857 | 7,155 | 7,170 | 7,049 | 6,723 |
| Graduate - Masters | 1,300 | 1,369 | 1,157 | 1,113 | 1,112 | 1,100 | 1,173 | 1,163 | 1,174 | 1,144 |
| Graduate - Advanced | 486 | 492 | 442 | 445 | 449 | 504 | 494 | 481 | 422 | 412 |
| Total | 13,080 | 12,908 | 12,609 | 12,260 | 12,513 | 12,824 | 13,441 | 13,926 | 14,070 | 13,774 |
| Residents | 11,896 | 11,562 | 11,444 | 11,129 | 11,400 | 11,793 | 12,356 | 12,781 | 13,010 | 12,790 |
| Nonresidents | 1,184 | 1,346 | 1,165 | 1,131 | 1,113 | 1,031 | 1,085 | 1,145 | 1,060 | 984 |
| ENROLLMENT (FTE) | | | | | | | | | | |
| Full Year FTE | 11,391 | 11,141 | 10,979 | 10,783 | 10,969 | 11,351 | 11,477 | 11,959 | 12,186 | 11,947 |
| Fall FTE | 11,571 | 11,365 | 11,107 | 10,835 | 11,016 | 11,006 | 11,424 | 11,879 | 12,081 | 11,868 |
| ADMISSIONS (Freshmen) | | | | | | | | | | |
| Applications | 4,092 | 4,133 | 4,584 | 4,722 | 4,585 | 4,360 | 4,216 | 4,350 | 4,446 | 4,688 |
| Accepted | 3,411 | 3,505 | 3,841 | 3,759 | 3,572 | 3,422 | 3,360 | 3,518 | 3,554 | 3,786 |
| Acceptance Ratio | 83.4% | 84.8% | 83.8% | 79.6% | 77.9% | 78.5% | 79.7% | 80.9% | 79.9% | 80.8% |
| Enrolled | 1,978 | 1,946 | 2,015 | 1,991 | 1,768 | 1,737 | 1,700 | 1,785 | 1,865 | 2,104 |
| Enrollment Ratio | 58.0% | 55.5% | 52.5% | 53.0% | 49.5% | 50.8% | 50.6% | 50.7% | 52.5% | 55.6% |
| Average ACT Score | 23.1 | 23.0 | 22.9 | 23.0 | 23.0 | 22.8 | 22.9 | 22.9 | 22.8 | 22.9 |
| Percent in Upper 30% of High School Class | 51.5% | 52.3% | 50.6% | 53.8% | 57.5% | 56.7% | 57.3% | 58.4% | 57.0% | 57.9% |
| Percent in Upper 10% of High School Class | 17.3% | 16.9% | 16.6% | 17.6% | 18.2% | 19.0% | 19.1% | 19.2% | 17.7% | 18.1% |

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

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| DEGREES GRANTED (Summary) | | | | | | | | | | |
| Baccalaureate | 2,347 | 2,268 | 2,221 | 2,259 | 2,423 | 2,669 | 2,584 | 2,592 | 2,420 | 2,266 |
| Masters | 561 | 467 | 474 | 471 | 485 | 494 | 434 | 405 | 415 | 383 |
| Specialists | 6 | 6 | 9 | 10 | 7 | 3 | 11 | 9 | 4 | 3 |
| Doctorates | 20 | 10 | 16 | 8 | 18 | 10 | 10 | 12 | 12 | 13 |
| Total | 2,934 | 2,751 | 2,720 | 2,748 | 2,933 | 3,176 | 3,039 | 3,018 | 2,851 | 2,665 |
| DEGREES GRANTED (Detail) | | | | | | | | | | |
| Doctor of Industrial Technology | 2 | 1 | 1 | - | 3 | 1 | 2 | 2 | 5 | 11 |
| Doctor of Education | 18 | 9 | 15 | 8 | 15 | 9 | 8 | 10 | 7 | 2 |
| Specialist in Education | 6 | 6 | 9 | 10 | 7 | 3 | 11 | 9 | 4 | 3 |
| Professional Science Master's | 19 | 19 | 5 | - | - | - | - | - | - | - |
| Master of Arts in Education | 147 | 99 | 119 | 129 | 103 | 147 | 127 | 114 | 107 | 92 |
| Master of Arts | 243 | 204 | 208 | 231 | 237 | 206 | 198 | 215 | 217 | 211 |
| Master of Business Administration | 40 | 42 | 42 | 35 | 62 | 52 | 21 | 5 | 36 | 55 |
| Master of Music | 24 | 14 | 22 | 13 | 12 | 19 | 11 | 12 | 11 | 6 |
| Master of Public Policy | 4 | 10 | 16 | 11 | 5 | 6 | 11 | 8 | 10 | 1 |
| Master of Science | 15 | 16 | 10 | 10 | 20 | 21 | 13 | 17 | 16 | 18 |
| Master of Accounting | 29 | 36 | 23 | 11 | 19 | 13 | 23 | 7 | 2 | - |
| Master of Social Work | 40 | 27 | 29 | 31 | 27 | 30 | 30 | 27 | 16 | - |
| Bachelor of Arts | 2,201 | 2,148 | 2,121 | 2,148 | 2,272 | 2,514 | 2,463 | 2,449 | 2,307 | 2,144 |
| Bachelor of Fine Arts | 8 | 3 | 8 | 8 | 15 | 9 | 8 | 7 | 8 | 5 |
| Bachelor of Music | 27 | 22 | 14 | 19 | 19 | 22 | 23 | 24 | 22 | 20 |
| Bachelor of Science | 84 | 76 | 64 | 64 | 93 | 90 | 74 | 84 | 71 | 76 |
| Bachelor of Technology | - | - | - | - | - | - | - | 1 | - | 2 |
| Bachelor of Liberal Studies | 27 | 19 | 14 | 20 | 24 | 34 | 16 | 27 | 12 | 19 |
| Total | 2,934 | 2,751 | 2,720 | 2,748 | 2,933 | 3,176 | 3,039 | 3,018 | 2,851 | 2,665 |

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

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Educational Fund Expenditures | \$ 149,001 | 156,951 | 143,263 | 136,384 | 132,257 | 128,373 | 125,409 | 122,788 | 117,744 | 123,427 |
| Less Separately Budgeted Expenditures: | | | | | | | | | | |
| Research | 504 | 656 | 628 | 581 | 487 | 499 | 480 | 471 | 650 | 839 |
| Public Service | 4,798 | 6,048 | 1,905 | 1,616 | 1,611 | 2,207 | 1,834 | 1,449 | 2,582 | 2,725 |
| Scholarships/Fellowships | 12,183 | 10,547 | 9,845 | 9,324 | 9,438 | 9,415 | 8,937 | 8,078 | 6,537 | 6,415 |
| General Educational Fund Instructional Expenditures | \$ 131,516 | 139,700 | 130,885 | 124,863 | 120,721 | 116,252 | 114,158 | 112,790 | 107,975 | 113,448 |
| Cost per FTE Student (Actual) | \$ 11,546 | 12,539 | 11,921 | 11,580 | 11,006 | 10,242 | 9,947 | 9,431 | 8,861 | 9,496 |
| Constant Dollar Cost per FTE Student (Actual) | \$ 8,458 | 9,268 | 9,128 | 9,183 | 9,021 | 8,829 | 8,873 | 8,806 | 8,512 | 9,496 |

University of Northern Iowa
Schedule 15

SCHOLARSHIPS & FELLOWSHIPS PER FULL TIME EQUIVALENT (FTE) STUDENT

For the Last Ten Years
(Expressed in Thousands)

| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| SCHOLARSHIPS & FELLOWSHIPS | | | | | | | | | | |
| Unrestricted | \$ 12,183 | 10,541 | 9,851 | 9,324 | 9,438 | 9,415 | 8,937 | 8,078 | 6,537 | 6,415 |
| Restricted | 15,779 | 12,397 | 10,904 | 9,461 | 8,774 | 9,728 | 10,545 | 10,539 | 9,746 | 8,211 |
| Total | \$ 27,962 | 22,938 | 20,755 | 18,785 | 18,212 | 19,143 | 19,482 | 18,617 | 16,283 | 14,626 |
| CONSTANT DOLLAR SCHOLARSHIPS & FELLOWSHIPS | | | | | | | | | | |
| Unrestricted | \$ 8,925 | 7,791 | 7,543 | 7,394 | 7,736 | 8,116 | 7,972 | 7,542 | 6,280 | 6,415 |
| Restricted | 11,560 | 9,163 | 8,349 | 7,503 | 7,192 | 8,386 | 9,407 | 9,840 | 9,362 | 8,211 |
| Total | \$ 20,485 | 16,954 | 15,892 | 14,897 | 14,928 | 16,502 | 17,379 | 17,382 | 15,642 | 14,626 |
| SCHOLARSHIPS & FELLOWSHIPS PER FTE STUDENT (Actual) | | | | | | | | | | |
| Unrestricted | \$ 1,070 | 946 | 897 | 865 | 860 | 829 | 779 | 675 | 536 | 537 |
| Restricted | 1,385 | 1,113 | 993 | 877 | 800 | 857 | 919 | 881 | 800 | 687 |
| Total | \$ 2,455 | 2,059 | 1,890 | 1,742 | 1,660 | 1,686 | 1,698 | 1,556 | 1,336 | 1,224 |
| CONSTANT DOLLAR SCHOLARSHIPS & FELLOWSHIPS PER FTE STUDENT (Actual) | | | | | | | | | | |
| Unrestricted | \$ 784 | 699 | 687 | 686 | 705 | 715 | 695 | 630 | 515 | 537 |
| Restricted | 1,015 | 823 | 760 | 695 | 656 | 739 | 820 | 823 | 768 | 687 |
| Total | \$ 1,799 | 1,522 | 1,447 | 1,381 | 1,361 | 1,454 | 1,515 | 1,453 | 1,283 | 1,224 |

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

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

ACCUMULATED DEPRECIATION

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

University of Northern Iowa

Schedule 17

ENROLLMENT PROJECTIONS (Headcount Basis)

For the Next Ten Years

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Undergraduate - Lower | 4,477 | 4,524 | 4,544 | 4,591 | 4,672 | 4,729 | 4,763 | 4,798 | 4,810 | 4,804 |
| Undergraduate - Upper | 6,760 | 6,759 | 6,777 | 6,844 | 6,910 | 6,982 | 7,061 | 7,122 | 7,165 | 7,203 |
| Unclassified - Special | 252 | 247 | 244 | 242 | 240 | 239 | 238 | 238 | 238 | 238 |
| Graduate | 1,907 | 1,990 | 2,062 | 2,125 | 2,181 | 2,226 | 2,262 | 2,291 | 2,314 | 2,333 |
| Total | 13,396 | 13,520 | 13,627 | 13,802 | 14,003 | 14,176 | 14,324 | 14,449 | 14,527 | 14,578 |

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

**Report Prepared by
The University of Northern Iowa
Financial Accounting and Reporting Services**

Gary B. Shontz, Controller, University Secretary and Treasurer
Tonya Gerbracht, Assistant Controller
Mark Fober, Accounting Manager
Jeanne Alcantara, CPA, Accountant
Yvonne Buehner, Secretary

**Additional Assistance Provided by
Office of University Marketing and Public Relations**

Jess Nissen, Assistant Marketing Specialist
Beth LaVelle, Art Director & Designer

**Printed by
Woolverton Printing Company, Cedar Falls, Iowa
UNI Print Services**

*The University of Northern Iowa Comprehensive
Annual Financial Report is available
on the World Wide Web at:*

<http://access.uni.edu/reports/cafr/index.shtml>



Financial Accounting and Reporting Services
122 Lang Hall
Cedar Falls, Iowa 50614-0009
319-273-3576



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 on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of the University of Northern Iowa (University) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010 under separate cover. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the University of Northern Iowa Foundation were audited by another auditor, as described in our report on the University's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which will be reported to management in a separate departmental report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the University of Northern Iowa, citizens of the State of Iowa and other parties to whom the University of Northern Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the University of Northern Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 8, 2011