

University of Northern Iowa Foundation

Combined Financial Report
June 30, 2015

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UNIVERSITY OF NORTHERN IOWA FOUNDATION
CEDAR FALLS, IOWA

Officers and Trustees
Year Ended June 30, 2015

Officers:

David Mason	Chair of the Board
William Calhoun, Jr. '79 *	President of the Board
Frank Esser '73 '87 *	Vice President of the Board
Noreen Hermansen '71 *	Vice President of the Board
Gary Shontz '74 '81 *	Vice President of the Board
Gina Trimble '98 *	Vice President and Treasurer of the Board
Jean Carlisle '78 '81 *	Vice President and Secretary of the Board

Trustees:

Ben Allen	Rose Lorenz
UNI President Emeritus, Honorary Trustee	Ruth Ann Meyer '58
Steve Anderson '88	Jim Mudd, Sr.
Robert Beach '51, Honorary Trustee	Dennis Mullen
Jan Bittner	David Oman '74
Pat Cobb	Mark Oman '76
Joy Corning '54	Richard Redfern '74
Constantine Curris	Reid Richards '71
UNI President Emeritus, Honorary Trustee	Bev Riess '78
Eugene Dietz '60	Bill Ruud*
Rex Eno	Richard Savage '63
Senator Charles Grassley '55, Honorary Trustee	Steve Segebarth '67
Jorgen Heidemann '68	Jim Slife **
Guang Jin '92	Duane Smith '80
Robert Koob '62	Sandy Stevens '62
UNI President Emeritus, Honorary Trustee	Dave Takes '81
Kevin Harberts	Bobbie Williams '86
	Tim Williams '71

* Ex officio members

** Resigned from the board during the year

UNIVERSITY OF NORTHERN IOWA PROPERTIES CORPORATION
CEDAR FALLS, IOWA

Officers and Trustees
Year Ended June 30, 2015

Officers:

Ruth Ann Meyer '58	Chair of the Board
William Calhoun, Jr. '79	President/CEO of the Board
Jim Jermier '95 *	Vice President of the Board
Gina Trimble '98 *	Vice President and Treasurer of the Board
Jean Carlisle '78 '81 *	Vice President and Secretary of the Board

Trustees:

Doug Jensen
Bill Ruud *

UNIVERSITY OF NORTHERN IOWA RESEARCH FOUNDATION
CEDAR FALLS, IOWA

Officers and Trustees
Year Ended June 30, 2015

Officers:

Jorgen Heidemann '69	Co-Chair of the Board
Randy Pilkington '80 '98	Co-Chair of the Board
William Calhoun, Jr. '79	President/CEO of the Board
Gina Trimble '98 *	Vice President and Treasurer of the Board
Jean Carlisle '78 '81 *	Secretary of the Board

Trustees:

Bill Bradford **	Bill Ruud *
Pat Cobb	Richard Savage '63
Katherine Cota-Uyar '95 '12 *	Craig Schmeiser
Guang Jin '92	Duane Smith '80
Mark Kitrell '86	David Takes '81
Rose Lorenz	Christine Twait '92 *
Hillary Oberle	Dave Vonderhaar '93

* Ex officio members

** Resigned from the board during the year



Independent Auditor's Report

To the Board of Trustees
University of Northern Iowa Foundation
University of Northern Iowa Properties Corporation and
University of Northern Iowa Research Foundation
Cedar Falls, Iowa

Report on the Financial Statements

We have audited the accompanying combined financial statements of University of Northern Iowa Foundation, University of Northern Iowa Properties Corporation and University of Northern Iowa Research Foundation, which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of activities and cash flows for the years then ended and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of University of Northern Iowa Foundation, University of Northern Iowa Properties Corporation and University of Northern Iowa Research Foundation as of June 30, 2015 and 2014, and the combined changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Des Moines, Iowa
October 15, 2015

University of Northern Iowa Foundation

Combined Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 930,207	\$ 621,966
Investments	128,523,268	127,292,490
Pledges receivable, net	6,825,462	6,057,690
Life insurance cash value	1,385,701	1,444,554
Building, equipment and leasehold improvements, net	794,416	693,865
Other	538,682	433,291
	<u>538,682</u>	<u>433,291</u>
Total assets	\$ 138,997,736	\$ 136,543,856
Liabilities and Net Assets		
Liabilities		
Accounts payable, accrued expenses and other liabilities	\$ 692,779	\$ 1,384,947
Annuities payable	1,758,917	1,962,405
Annuity trusts payable	756,460	874,140
Unitrusts payable	412,259	451,013
Total liabilities	3,620,415	4,672,505
Net Assets		
Unrestricted	8,507,362	8,892,299
Temporarily restricted	40,417,265	40,986,283
Permanently restricted	86,452,694	81,992,769
Total net assets	135,377,321	131,871,351
Total liabilities and net assets	\$ 138,997,736	\$ 136,543,856

See Notes to Combined Financial Statements.

University of Northern Iowa Foundation

Combined Statements of Activities
June 30, 2015 and 2014

	2015			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
Revenue, support and reclassifications:				
Contribution revenue	\$ 2,784,548	\$ 8,394,383	\$ 4,067,368	\$ 15,246,299
Investment return	517,390	2,135,756	216,106	2,869,252
Miscellaneous income	33,891	12,000	-	45,891
Change in donor intent	(16,050)	(327,311)	343,361	-
Reclassifications attributed to underwater endowments	(25,061)	25,061	-	-
Net assets released from restrictions	10,752,504	(10,752,504)	-	-
Total revenue, support and reclassifications	14,047,222	(512,615)	4,626,835	18,161,442
Expenses and adjustments:				
Scholarship expenses	4,357,658	-	-	4,357,658
Programming expenses	5,089,266	-	-	5,089,266
Administrative expenses	1,912,508	-	-	1,912,508
Fundraising expenses	3,027,956	-	-	3,027,956
Uncollectible pledges	36,731	43,130	25,770	105,631
Depreciation expense	107,458	-	-	107,458
Present value liability actuarial adjustment	(99,418)	13,273	141,140	54,995
Total expenses and adjustments	14,432,159	56,403	166,910	14,655,472
Change in net assets	(384,937)	(569,018)	4,459,925	3,505,970
Net assets, beginning of year	8,892,299	40,986,283	81,992,769	131,871,351
Net assets, end of year	\$ 8,507,362	\$ 40,417,265	\$ 86,452,694	\$ 135,377,321

See Notes to Combined Financial Statements.

2014

Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
\$ 1,218,826	\$ 6,858,754	\$ 3,271,503	\$ 11,349,083
3,960,925	10,509,485	622,319	15,092,729
24,212	16,078	-	40,290
-	-	-	-
(676,588)	676,588	-	-
10,710,093	(10,710,093)	-	-
15,237,468	7,350,812	3,893,822	26,482,102
4,557,282	-	-	4,557,282
4,593,058	-	-	4,593,058
911,902	-	-	911,902
2,225,306	-	-	2,225,306
22,280	173,811	54,385	250,476
92,600	-	-	92,600
156,200	17,105	327,693	500,998
12,558,628	190,916	382,078	13,131,622
2,678,840	7,159,896	3,511,744	13,350,480
6,213,459	33,826,387	78,481,025	118,520,871
\$ 8,892,299	\$ 40,986,283	\$ 81,992,769	\$ 131,871,351

University of Northern Iowa Foundation

Combined Statements of Cash Flow
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ 3,505,970	\$ 13,350,480
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	107,458	92,600
Donated assets	(1,532,222)	(2,079,125)
Investment (gains), net	(1,504,050)	(13,794,480)
(Gains) in cash value of life insurance	(370,233)	(66,961)
(Gains) losses on sale of donated assets	(5,581)	22,958
Cash proceeds from sale of unrestricted donated assets	4,081	108,241
Change in annuity and unitrust obligations	54,995	500,998
Uncollectible pledges	105,631	250,476
Net contributions restricted for long-term investment	(1,961,509)	(9,512,048)
Changes in assets and liabilities:		
(Increase) decrease in pledges receivable	(873,403)	8,491,151
(Increase) in other	(127,000)	(43,062)
Increase (decrease) in accounts payable, accrued expenses and other	(692,168)	984,383
Net cash (used in) operating activities	(3,288,031)	(1,694,389)
Cash Flows from Investing Activities		
Purchase of investments	(55,077,381)	(51,546,752)
Sale of investments	55,350,653	43,569,590
Cash proceeds from sale of donated assets	847,958	523,505
Purchase of building, equipment and leasehold improvements	(208,009)	-
Net cash provided by (used in) investing activities	913,221	(7,453,657)
Cash Flows from Financing Activities		
Net contributions restricted for long-term investment	1,961,509	9,512,048
Charitable gift annuities established	-	107,541
Cash proceeds from termination of restricted life insurance policies	429,086	-
Net payments of annuities, annuity trust and unitrust obligations	(414,917)	(448,165)
Cash proceeds from sale of restricted donated assets	707,373	298,947
Net cash provided by financing activities	2,683,051	9,470,371
Net increase in cash and cash equivalents	308,241	322,325
Cash and Cash Equivalents		
Beginning of year	621,966	299,641
End of year	\$ 930,207	\$ 621,966

See Notes to Combined Financial Statements.

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization: The University of Northern Iowa Foundation (Foundation) is organized and operated exclusively for educational and scientific purposes. It is authorized to accept, hold, administer, invest and disburse monies for the direct benefit of the University of Northern Iowa (the University).

The University of Northern Iowa Properties Corporation is organized to receive, hold, manage and administer real property and tangible personal property for the use and benefit of the Foundation.

The University of Northern Iowa Research Foundation is organized to advance, develop, increase and extend the progress of science and useful arts through encouraging and assisting investigation, research, and education at the University of Northern Iowa. This is accomplished by furnishing the means, methods and agencies by which ideas, creations, discoveries, inventions and processes may be protected and the uses thereof determined and safeguarded for the public, and to manage, license, and dispose of proprietary rights in ideas, creations, discoveries and inventions and processes of any nature.

Basis of combination: The accompanying combined financial statements include the activities of the University of Northern Iowa Foundation, University of Northern Iowa Properties Corporation and University of Northern Iowa Research Foundation (the Organization). All material transactions between these organizations have been eliminated. Combined financial statements are presented because the organizations share the objectives of promoting and benefiting the University.

Basis of accounting: The Foundation classifies its activities and net assets into three categories: unrestricted, temporarily restricted, or permanently restricted, based on the absence or existence of external (donor) imposed restrictions. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified into funds established according to their nature and purpose. Separate funds are maintained for each purpose; however, in the accompanying combined financial statements, funds that have similar characteristics have been combined.

Contributions and net assets: Contributions received and unconditional promises to give are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. The Board of Trustees (the Board) of the Foundation may designate a portion of its unrestricted net assets for various purposes. A description of the three net asset categories follows:

Unrestricted net assets include contributions for which there are no donor imposed restrictions. They include designated net assets used to carry out the general mission of the Foundation, plant net assets for the construction and maintenance of capital projects and undesignated net assets that have not been designated by the Board as to where they will be spent.

Temporarily restricted net assets include contributions for which donor imposed restrictions have not been met and charitable gift annuities and charitable remainder trusts for which proceeds have not been realized. Purpose restrictions include support for student scholarships, department programs and capital projects. Temporarily restricted contributions whose restriction is met in the same year received are recorded as unrestricted contributions.

Permanently restricted net assets include contributions for which donor imposed restrictions require investment in perpetuity and only the agreed upon payout be made available to carry out the mission of the Foundation. For permanent endowments, earnings in excess of the corpus are temporarily restricted until appropriated by the board. Also included are charitable gift annuities and charitable remainder trusts in which the donor has permanently restricted the use of the Foundation's interest in the assets.

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments: Investments are managed by the Foundation Treasurer and external managers, in accordance with the Board's policy. The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the combined statements of financial position. The Foundation reports the fair value of market alternatives, also known as alternative investments, using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation based on various factors. Unrealized gains and losses and management fees are included in investment return in the change in net assets in the accompanying combined statements of activities.

Investments may be exposed to various risks, such as interest rate, market and credit risks. As a result, it is at least reasonably possible that changes in risks in the near term could affect investment balances, and those effects could be significant.

Pledge receivables: Pledge receivables are recorded at their net present value using an effective interest rate, less an allowance for doubtful pledges. Conditional promises to give are not recorded until the condition is met.

Contribution of non-monetary assets and donated services: Donated securities, equipment, artwork, and other non-monetary assets are recorded in the combined financial statements at their estimated fair value at the date of receipt based primarily on publicly available information. The Foundation's policy is to sell donated securities soon after receipt to be able to use the funds for their specified purpose, unless management determines that the security should be retained as an investment. The Foundation's policy is to transfer donated equipment, artwork, museum pieces and other non-monetary assets to the University.

The Foundation recognizes revenue for certain services received at the fair value based on the current rate for such services. These include professional assistance donated by doctors, consultants, and other specialized service providers as well as personnel costs provided by the University and office space and equipment provided by the University to the Foundation without charge. In accordance with the Accounting Standard Update (ASU) 2013-06 during the year ended June 30, 2015 the Foundation recorded salaries and benefits of University employees that perform duties for the Foundation without compensation from the Foundation. The fair value of the non-monetary assets donated services is reflected in revenue and included in expenses in the following functional categories (see also Note 6):

	2015	2014
Department programs	\$ 165,511	\$ 159,212
Administrative and fundraising	1,483,065	5,748
	<u>\$ 1,648,576</u>	<u>\$ 164,960</u>

In addition, the Foundation receives donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the combined statements of activities since these services are not specialized services that would otherwise be purchased.

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

University commitments: From time to time the administration of the University asks the Foundation to raise funds and provide financial support for given projects. Such requests are not recorded as liabilities of the Foundation until the Board votes to accept them.

Functional allocation of expenses: The costs of providing programs and other services have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Building and equipment: Purchased or constructed buildings and equipment and leasehold improvements are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which vary from 5 to 20 years.

Split interest agreements: Contributions received under lifetime charitable gift annuity, remainder and unitrust agreements are recorded at fair value at the inception of the trust and a liability is recorded equal to the present value of the expected future payments to the life tenant. Annuity and life income obligations are determined annually based on the ages and life expectancies of the donors using applicable interest rates, at the date of the contribution, established by the Internal Revenue Service. Beneficial interest in trusts are recorded at fair value at the inception of the trust, based upon the underlying assets.

Income taxes: The Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Thus, no provision for income taxes is included in the accompanying combined financial statements.

The Foundation follows the accounting guidance for accounting for uncertainty in income taxes. The Foundation is subject to federal and state income taxes to the extent it has unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no income tax effects with respect to its financial statements. The Foundation is no longer subject to examination by federal or state authorities for years prior to June 30, 2012 nor have we been notified of any impending examination and no examinations are currently in process.

Legal fees: Legal costs associated with loss contingencies are expensed as incurred.

Endowments: The Foundation's endowment funds consist of numerous individual funds established to support the mission of the University. These funds include both donor-restricted endowment funds and funds designated by the Foundation's Board to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the state *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) the investment policies of the Foundation.

Investment return objectives, risk parameters and strategies: The Foundation has adopted endowment investment and spending policies which have been approved by the Board. The objective is to provide a predictable stream of funding to programs supported by endowment funds while maintaining the purchasing power of those assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds annual distributions with acceptable levels of risk.

Endowment assets are invested in a well diversified asset mix, which includes public and private equities, private real estate, hedge funds, fixed income and cash. This diversified asset allocation is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions, while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to reduce risk to the overall fund.

Spending policy: The Foundation's Board recognizes their fiduciary responsibility to manage prudently the funds that have been and will be given to the Foundation. Spending from these funds is intended to benefit the University in perpetuity; therefore, the spending policy is intended to achieve a balance between preserving the purchasing power of the endowment principal and maximizing current distributions to support the programs designated by the contributors. A weighted average spending formula, comprised of market and inflation elements, is used to determine annual spending.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature, which result primarily from unfavorable market fluctuations and continued appropriations deemed prudent by the Foundation's Board, are reported as a reduction of unrestricted net assets.

Fair value of financial instruments: The following methods and assumptions were used to estimate the fair value of each class of the Foundation's financial instruments at June 30, 2015 and 2014:

Cash and cash equivalents, pledge receivables, accounts payable and other liabilities: The carrying amounts approximate fair value because of the short maturity of these instruments.

Investment securities, except market alternatives: The fair values of fixed income, and domestic and international equity investments are based on quoted market prices at the reporting date for those or similar investments (Level 1). A portion of the fixed income investments are valued based on quoted prices for similar instruments in active markets (Level 2).

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Market alternatives: The Foundation reports the fair value of market alternative investments using the practical expedient. The practical expedient allows for the use of net asset value (NAV), either as reported by the investee fund or as adjusted by the Foundation based on various factors. The practical expedient allows for the use of NAV, either as reported by the investee fund or adjusted by the Foundation based on various factors, to be used to determine fair value, under certain conditions. These investments would have significant redemption and other restrictions that would limit the funds ability to redeem out of the fund at report date NAV. The fair value of the investment is based on a combination of audited financial statements of the investees and monthly or quarterly statements received from the investees. The practical expedient may not be used on funds intended to, or in the process of, liquidation. Such funds are valued based on the fund manager's expectation of liquidation proceeds.

Annuity, annuity trusts and unitrusts payable: The fair value of obligations related to split interest agreements is determined as the present value of expected future cash flows discounted at an appropriate interest rate.

Beneficial interest in trust: The fair value of recorded beneficial interest in a non-custodial perpetual trust is recorded based on the fair value of the underlying assets.

Fair value measurements: The Foundation accounts for its investments at fair value. The Foundation estimates fair value using the guidance established by the accounting guidance for *Fair Value Measurements*, which 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. In accordance with the guidance, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique which give the highest priority to quoted prices in active markets and the lowest priority to unobservable inputs, into a three-level fair value hierarchy. These levels are:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is based upon significant unobservable inputs that reflect the Foundation's own assumptions, including discount cash flow models. Level 3 investments also include beneficial interests in trusts as the Foundation has no redemption rights with respect to trust assets and is valued based on the underlying trust assets, which are primarily publicly traded.

Concentrations of credit risk: The Foundation maintains cash balances at various financial institutions. From time to time, the cash balances may exceed the amounts insured by the Federal Deposit Insurance Corporation, however management believes the Foundation is not exposed to any significant credit risk related to those accounts.

Use of estimates: The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Accordingly, actual results could differ from those estimates.

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Current and pending accounting pronouncements: In April 2013, the FASB issued Accounting Standard Update (ASU) 2013-06 which amended previous guidance and will require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The guidance is effective prospectively for fiscal years beginning after June 15, 2014. The Foundation adopted the amendment for the year ended June 30, 2015 which resulted in approximately \$1,497,000 of additional contribution revenue and expenditures.

In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*. This standard amends the fair value accounting rules to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. For non-public entities, like the Foundation, the amendments in this standard are effective for fiscal years beginning after December 15, 2016 and permits early adoption. The Foundation has elected to early adopt the provisions of this standard which are reflected in Note 2, including retrospective adoption for the year ended June 30, 2014.

Note 2. Investments

A summary of the investments held at June 30, 2015 and 2014, segregated by the valuation inputs under the fair value hierarchy, is as follows:

	June 30, 2015			Total
	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Equities and mutual funds:				
Large cap	\$ 20,002,092	\$ -	\$ -	\$ 20,002,092
Mid/small cap	18,647,551	-	-	18,647,551
International	21,606,138	-	-	21,606,138
Fixed income mutual funds	17,844,576	207,443	-	18,052,019
Money market	6,014,061	-	-	6,014,061
Living trusts and gift annuities:				
Fixed income	1,549,485	171,787	-	1,721,272
Domestic equities	1,329,913	-	-	1,329,913
International equities	521,350	-	-	521,350
Mutual funds	1,511,862	-	-	1,511,862
Beneficial interest in trust	-	-	1,456,789	1,456,789
Other	-	100,733	-	100,733
	<u>\$ 89,027,028</u>	<u>\$ 479,963</u>	<u>\$ 1,456,789</u>	<u>90,963,780</u>
Market alternatives, at net asset value:				
Real estate investments				4,797,540
Fund of funds				14,306,477
Commonfund limited partnerships				1,521,925
Other limited partnerships				16,933,546
				<u>37,559,488</u>
Total investments				<u><u>\$ 128,523,268</u></u>

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 2. Investments (Continued)

	June 30, 2014			Total
	Quoted Market Prices for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Equities and mutual funds:				
Large cap	\$ 18,238,399	\$ -	\$ -	\$ 18,238,399
Mid/small cap	9,209,105	-	-	9,209,105
International	25,725,749	-	-	25,725,749
Fixed income mutual funds	24,139,360	207,443	-	24,346,803
Money market	8,975,209	-	-	8,975,209
Living trusts and gift annuities:				
Fixed income	2,050,800	179,689	-	2,230,489
Domestic equities	2,722,512	-	-	2,722,512
International equities	606,131	-	-	606,131
Beneficial interest in trust	-	-	1,510,694	1,510,694
Other	-	100,733	-	100,733
	<u>\$ 91,667,265</u>	<u>\$ 487,865</u>	<u>\$ 1,510,694</u>	<u>93,665,824</u>
Other investments, at net asset value:				
Real estate investments				4,657,334
Fund of funds				12,957,956
Commonfund limited partnerships				1,671,907
Other limited partnerships				14,339,469
				<u>33,626,666</u>
Total Investments				<u><u>\$ 127,292,490</u></u>

The following table provide a summary of changes in fair value of the Foundation's investments classified as Level 3 within the fair value hierarchy for the years ended June 30, 2015 and 2014:

	Beneficial Interest in Trust	
	2015	2014
Beginning balance	\$ 1,510,694	\$ 360,286
Unrealized gains (losses)	(53,905)	50,408
Purchases of securities	-	1,100,000
Ending balance	<u>1,456,789</u>	<u>1,510,694</u>
Amount of unrealized gain (loss) related to financial instruments held at June 30, 2015 and 2014, and included in the statement of activities	<u>\$ (53,905)</u>	<u>\$ 50,408</u>

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 2. Investments (Continued)

The following table provides a summary of market alternatives at June 30, 2015 and 2014, by net asset class, whose fair value is calculated using NAV per share, or its equivalent:

Description	2015 Fair Value	2014 Fair Value	June 30, 2015		
			Unfunded Commitments (Approximate)	Redemption Frequency (if available)	Redemption Notice Period
Real estate investments (a)	\$ 4,797,540	\$ 4,657,334	\$ 3,987,000	Not allowed	Not applicable
Fund of funds (b)	14,306,477	12,957,956	-	See below	60-105 days
Common fund limited partnerships (c)	1,521,925	1,671,907	460,000	Not allowed	Not applicable
Other limited partnerships (d)	16,933,546	14,339,469	2,590,000	See below	See below
	<u>\$ 37,559,488</u>	<u>\$ 33,626,666</u>	<u>\$ 7,037,000</u>		

- (a) Represents fund of funds investments with a concentration in real estate with no particular geographic concentration. Redemptions are not allowed; distributions, if any, are based on the sales of the underlying assets.
- (b) Includes funds of funds invested in private investments companies and hedge funds with no particular industry or geographic concentration. Approximately \$5,600,000 of the fund is redeemable quarterly, with approximately \$7,600,000 redeemable annually. The remaining funds do not allow redemption.
- (c) Represents limited partnership investments focused on private equity and emerging markets. Redemptions are not allowed; distributions, if any, are based on the sales of the underlying assets.
- (d) Partnership investments are primarily swaps, equity and debt securities, options, foreign currency and private investment pools, distressed securities and securitized assets with no particular industry or geographic concentration. For approximately 32 percent of the partnership investments redemptions are not allowed as of June 30, 2015 with approximately \$1,800,000 in a two year lock up; distributions, if any, are based on the sales of the underlying assets. The remaining 68 percent is subject to quarterly redemption notices between 60-90 days.

Market alternatives are redeemable with the investee fund at NAV under the original terms of the subscription agreement. Due to the nature of these investments, changes in market conditions and the overall economic environment may significantly impact the NAV of the funds, and therefore the value of the Foundation's interest. It is therefore reasonably possible that, if the Foundation were to sell all or a portion its market alternatives, the transaction value could be significantly different than the fair value reported as of June 30.

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 2. Investments (Continued)

Interest, dividends, realized and unrealized gains and losses and management fees are recognized and allocated to the various designated funds based on each individual funds' average balance. The following summarizes the investment return and its classification on the combined statements of activities for the years ended June 30:

	June 30, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 449,631	\$ 1,938,804	\$ 84,133	\$ 2,472,568
Realized and unrealized gains	244,902	1,104,875	154,273	1,504,050
Management fees	(177,143)	(907,923)	(22,300)	(1,107,366)
	<u>\$ 517,390</u>	<u>\$ 2,135,756</u>	<u>\$ 216,106</u>	<u>\$ 2,869,252</u>

	June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Interest and dividends	\$ 369,645	\$ 1,814,798	\$ 95,240	\$ 2,279,683
Realized and unrealized gains	3,749,914	9,561,516	550,011	13,861,441
Management fees	(158,634)	(866,829)	(22,932)	(1,048,395)
	<u>\$ 3,960,925</u>	<u>\$ 10,509,485</u>	<u>\$ 622,319</u>	<u>\$ 15,092,729</u>

Note 3. Pledges Receivable

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:

	2015	2014
In one year or less	\$ 1,945,685	\$ 1,726,766
Between one year and five years	3,969,550	3,423,745
More than five years	1,378,958	1,573,579
	<u>7,294,193</u>	<u>6,724,090</u>
Less discounts to net present value	(430,939)	(438,070)
Less allowance for uncollectible pledges	(199,139)	(228,330)
	<u>\$ 6,664,115</u>	<u>\$ 6,057,690</u>

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 3. Pledges Receivable (Continued)

Pledges receivable at June 30, 2015 and 2014 have the following restrictions:

	2015	2014
Unrestricted:		
Undesignated	\$ 134,978	\$ 159,069
Temporarily restricted:		
Scholarships and department programs	3,478,328	3,545,864
Plant	997,890	1,708,472
Permanently restricted:		
Endowments - scholarships and department programs	2,052,919	644,285
	<u>\$ 6,664,115</u>	<u>\$ 6,057,690</u>

The Foundation also maintains a planned giving program through which contributors promise to give amounts to be donated upon their death. These promises are not reflected in the combined financial statements because they are subject to retraction at the discretion of the contributor. Any amounts reflected as income in the combined financial statements are the amounts received during the year. As of June 30, 2015 and 2014, conditional promises to give total approximately \$123,000,000 and \$111,000,000, respectively.

Conditional promises to give are only recognized when the conditions on which they depend are substantially met and the promises become unconditional.

Note 4. Building, Equipment and Leasehold Improvements

The Foundation constructed a building to be used for the Freeburg Early Childhood Education Program. The building is located on land owned by Allen Health Systems, Inc., and will be leased by the Foundation for one dollar per year under an agreement expiring June 30, 2016. The building is used by the Tri-County Child and Family Development Council, Inc. under an agreement expiring June 30, 2016. Rental income of approximately \$12,000 and \$13,000 was recognized for the years ending June 30, 2015 and 2014, respectively.

Components of the building and equipment include the following as of June 30, 2015 and 2014:

	2015	2014
Rental:		
Buildings	\$ 1,820,427	\$ 1,820,427
Landscaping and walkways	26,671	26,671
Fence and playground equipment	69,129	69,129
Furniture and fixtures	122,390	122,390
Total rental building and equipment	<u>2,038,617</u>	<u>2,038,617</u>
Leasehold improvements	208,009	-
Less accumulated depreciation	1,452,210	1,344,752
Net buildings and equipment, rental	<u>\$ 794,416</u>	<u>\$ 693,865</u>

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 5. Recurring Obligations - Split-interest Agreements

The Foundation is obligated to pay approximately \$301,000 and \$87,000 each year under existing lifetime charitable gift annuities and charitable remainder annuity trust agreements based on original contributions of approximately \$3,767,000 and \$1,432,000, respectively. The Foundation is obligated under charitable remainder unitrust agreements to make payments based on trust income or on a fixed percentage of the asset values. The Foundation's obligation was approximately \$64,000 and \$69,000 during the years ended June 30, 2015 and 2014, respectively. Asset values were approximately \$2,275,000 and \$2,284,000 as of June 30, 2015 and 2014, respectively.

In accordance with state law, to qualify and provide charitable gift annuities an organization must be in continuous operation for three years and have a minimum value of unrestricted assets equal to the lesser of \$300,000 or five times the total amount of outstanding annuities (\$14,638,180 at June 30, 2015). The Foundation was in compliance with all aforementioned state requirements during both the years ended June 30, 2015 and 2014.

Note 6. Related Party Transactions

The Foundation reimburses the University for the salaries and benefits of the Foundation's employees. The University also provides office space, equipment maintenance, telephone support, and other miscellaneous office supplies. At June 30, 2015 and 2014, approximately \$202,800 and \$991,400, respectively, due to the University were included in accounts payable. In addition, as disclosed in Note 1, the University provides employees and leased space that are not reimbursed by the Foundation. These amounts totaled \$1,496,775 and none and are included as contribution revenue and expense for the years ended June 30, 2015 and 2014, respectively.

Note 7. Restrictions on Net Assets

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

	2015	2014
Purpose restrictions accomplished:		
Scholarships and department programs	\$ 9,803,241	\$ 10,064,900
Plant	949,263	645,193
Total restrictions released	\$ 10,752,504	\$ 10,710,093

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

	2015	2014
Program activities:		
Scholarships and department programs	\$ 38,910,122	\$ 38,841,600
Plant	677,804	1,479,724
Charitable gift annuities	23,276	41,383
Charitable remainder unitrusts	644,715	623,576
Total temporarily restricted net assets	\$ 40,255,917	\$ 40,986,283

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 7. Restrictions on Net Assets (Continued)

Permanently restricted net assets are restricted for the following purposes:

	2015	2014
Endowment	\$ 82,619,158	\$ 77,857,592
Charitable gift annuities	58,711	183,357
Charitable remainder trust annuities	1,283,494	282,967
Charitable remainder unitrusts	243,270	1,273,429
Life insurance fund	791,272	884,730
Beneficial interest in trust	1,456,789	1,510,694
Total permanently restricted net assets	\$ 86,452,694	\$ 81,992,769

The following schedule provides information on permanent donor-restricted and board-designated endowments. The composition of and changes in permanent endowments as of and for the years ended June 30, 2015 and 2014, are as follows:

	June 30, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 2,086,977	\$ 13,168,571	\$ 77,213,307	\$ 92,468,855
Contributions, net	7,422	114,892	2,657,285	2,779,599
Investment return	181,029	1,723,686	113,604	2,018,319
Reclassification attributed to underwater endowments	(25,061)	25,061	-	-
Fees and donor redesignations	(229,607)	(1,135,622)	582,043	(783,186)
Amounts appropriated for expenditure	(218,191)	(2,467,660)	-	(2,685,851)
Endowment net assets, end of year	\$ 1,802,569	\$ 11,428,928	\$ 80,566,239	\$ 93,797,736
Endowment net assets consist of the following:				
Donor-restricted funds	\$ (552,651)	\$ 11,428,928	\$ 80,566,239	\$ 91,442,516
Board-designated funds	2,355,220	-	-	2,355,220
	\$ 1,802,569	\$ 11,428,928	\$ 80,566,239	\$ 93,797,736

University of Northern Iowa Foundation

Notes to Combined Financial Statements

Note 7. Restrictions on Net Assets (Continued)

	June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 927,780	\$ 6,317,474	\$ 67,285,131	\$ 74,530,385
Contributions, net	94,477	183,889	9,966,587	10,244,953
Investment return	2,697,569	8,502,857	1,032	11,201,458
Reclassification attributed to underwater endowments	(676,588)	676,588	-	-
Fees and donor redesignations	(350,964)	(899,111)	(39,443)	(1,289,518)
Amounts appropriated for expenditure	(605,297)	(1,613,126)	-	(2,218,423)
Endowment net assets, end of year	\$ 2,086,977	\$ 13,168,571	\$ 77,213,307	\$ 92,468,855
Endowment net assets consist of the following:				
Donor-restricted funds	\$ (351,274)	\$ 13,168,571	\$ 77,213,307	\$ 90,030,604
Board-designated funds	2,438,251	-	-	2,438,251
	\$ 2,086,977	\$ 13,168,571	\$ 77,213,307	\$ 92,468,855

Underwater endowments of approximately \$553,000 and \$351,000 are included in unrestricted net assets as of June 30, 2015 and 2014, respectively.

Note 8. Commitments and Contingencies

The Foundation entered into a \$5,000,000 line of credit agreement with a bank effective August 2013 to provide the Foundation with liquidity and flexibility in managing their investment portfolio. The agreement has a variable interest rate of LIBOR plus 1.25 percent, reset daily. The agreement is collateralized by the Foundation's investment accounts held with the bank. No borrowings were outstanding at both June 30, 2015 and 2014. No interest expense was incurred for the years ending June 30, 2015 and 2014.

In July 2012, a major past donor and its Company declared bankruptcy. As of the date of release of the Foundation's financial statements, there is not enough information to assess the likelihood of a contingent liability for return of contributions related to this event, if any. As a result, no amounts have been recorded in the Foundation's financial statements as of June 30, 2015, and 2014. As of June 30, 2015 and 2014 the Foundation had no pledge receivable outstanding related to the major past donor.

Note 9. Subsequent Events

Subsequent events have been evaluated subsequent to June 30, 2015 through October 15, 2015, the date the financial statements are available for issuance.