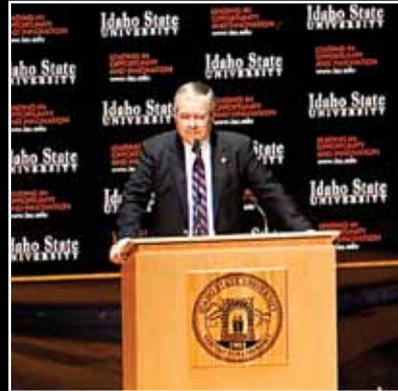


Leading

in Opportunity and Innovation



Annual Financial Report | FY11

Idaho State
UNIVERSITY





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THE REPORT



Idaho State University President Arthur C. Vailas

THE NEXT LEVEL

A Message from the President

At Idaho State University, we are constantly striving to take our teaching, research and learning to the next level of excellence.

In this year of change, our faculty, staff and students are working together across disciplines to create valuable innovations and discoveries for a global community. Others are taking notice — the Carnegie Foundation elevated Idaho State University to Research University-High status, a classification enjoyed by only 98 universities nationwide.

In fiscal year 2011, Idaho State University underwent a reorganization designed to allow for better interdisciplinary research and collaboration. Our scientists and researchers in the new College of Science and Engineering are working with businesses, agencies and other institutions to bring new innovations to our community and our world. Our new School of Performing Arts within the new College of Arts and Letters allows students to collaborate, learn and perform at the next level. Our Division of Health Sciences, which includes the College of Pharmacy, has reorganized to provide interdisciplinary education preparing

our students for the future while serving the community today in our clinics.

We are keeping the success of our students at the forefront through growing programs such as the Early College Program, which provides high school students the opportunity to earn college credits. We have upgraded facilities and created a more streamlined approach to registration and financial aid. We offer students paid opportunities in their field of study through the Career Path Internship program.

I am grateful for our faculty, staff and students who have shared their talents, made sacrifices and worked tirelessly to make Idaho State University what it is today and what it will continue to be in the future.

We are proud of the strides we have made this year, and our future continues to be bright.

Arthur C. Vailas, Ph.D.
Idaho State University President



Leading
in Research

RISE IN THE RANKS

Carnegie Foundation

The Carnegie Foundation's 2011 classification of U.S. colleges and universities showed Idaho State University catapulting to Research University-High status. ISU is one of 98 institutions in the country in this prestigious group.

This classification is second only to the highest category, Research University-Very High, with 108 universities holding this elite designation. Combined, these two research categories represent less than 5 percent of the nation's 4,663 institutions of higher education.

Every six or seven years, the Foundation assesses all institutions of higher education in the United States and publishes its influential Carnegie Classifications of Institutions of Higher Education. For many years, ISU has been listed as a DRU, or Doctoral Research University.

"The designation of Research University-High is a great distinction for ISU and a real testament to our excellent faculty and staff. I am very proud of our faculty, as they have dedicated themselves to research and teaching and the results of that effort have been recognized by the prestigious Carnegie Foundation designation," said ISU President Arthur C. Vailas.

Because Carnegie classifications are a standard of university performance and a measure of its competitiveness, attaining this distinction is a sign of ISU's growing institutional maturity. Other institutions include Auburn, Baylor, Boston College, Clemson, Fordham and Kent State Universities, and in the West, ISU is in the company of New Mexico State, Utah State, and Northern Arizona Universities.



The higher Carnegie designation will also have significant positive ramifications in the area of research as it will make the University more attractive as a partner to industry. The classification will also allow the University to recruit more high-quality faculty members.



ENERGY SYSTEMS TECHNOLOGY EDUCATION CENTER

Idaho Accelerator Center

Having world-class facilities is essential to top-quality research. The Idaho Accelerator Center began as a small research facility in 1994 and has since grown into a renowned center for radiation science research.

In FY 2011, Idaho State University received a \$500,000 grant to research medical isotopes. The funding, along with \$293,000 in other funds, was used to expand the accelerator center to make it even more suitable for this type of research and to offer additional office space for researchers.

The increased focus on biomedicine at the Idaho Accelerator Center is already paying off. In November 2011, International Isotopes, a leading manufacturer of nuclear medicine products, signed an agreement in principle with Idaho State University to jointly develop processes for the

production of copper-67. Copper-67 has shown exceptional potential in the treatment of non-Hodgkin's lymphoma as well as bladder, colorectal and ovarian cancers.

"The agreement in principle with International Isotopes is another example of how ISU is leading the way in developing translational, cutting-edge research in the areas of health and nuclear research," said President Vailas. "The partnership with International Isotopes will provide exciting new, potentially beneficial treatment for those afflicted with various types of cancers. To be able to play a role in treating these diseases is exciting and speaks to the University's role as a distinguished research university leading in opportunity and innovation through research, education and service."

NEW RESEARCH CENTER

Research and Innovation for Science and Engineering Complex

Idaho State University has received a specialized equipment donation from ON Semiconductor to help enhance the engineering department's research capabilities in the areas of materials growth and characterization. The equipment donated includes a semiconductor etching system and specialized equipment that enables enhancement of separate effects testing.

"With the University's recent purchase of the Ballard Building (now called the Research and Innovation for Science and Engineering Complex, or the RISE Complex), we are now able to gladly accept and utilize research equipment that would otherwise be unaffordable," said George Imel, dean of Idaho State University's College of Science and Engineering. "The generous donation of equipment from ON Semiconductor will allow us to increase the educational experience for our students while expanding research opportunities."

Eric Burgett, assistant professor, department of nuclear engineering, was pleased with the generous donation.

"This equipment will provide ISU faculty and students the ability to examine neutrons, gamma rays, heat pressure and temperature variances in nuclear fuel," said Burgett. "It has specific relevance for applications for INL (Idaho National Laboratory) and the Department of Energy in the areas of crystal growth and nanotechnology research as well as applications in advanced radiation detection. With this additional equipment, we will be able to grow various materials such as transparent semiconductors. The application of this ability will be felt in the areas of low-voltage lighting, solar cells and radiation detectors."

In making the gift announcement, John Spicer, site manager for ON Semiconductor's Pocatello facility, spoke about the positive synergistic relationship the Phoenix-based company and Idaho State University have forged.

"We are proud to be residents of the ISU Research and Business Park," said Spicer. "We have enjoyed a long and excellent relationship with ISU in numerous ways, including working closely with the University's engineering department, receiving technical training for our local employees, and hiring ISU graduates for our growing Pocatello workforce."



RISE COMPLEX

Fighting Pancreatic Cancer

A promising drug for treating pancreatic cancer — the type of cancer that has recently struck Apple CEO Steve Jobs and actor Patrick Swayze — is being studied by a team of Idaho State University researchers.

The researchers' efforts have been bolstered by a Higher Education Research Council \$50,000 grant from the Idaho State Board of Education.

"At this time, pancreatic cancer has low survival rates, about 4 to 6 percent after five years, and there are no good drugs for its treatment," said Alok Bhushan, ISU pharmacy professor. "We are studying a newly synthesized compound that, in initial studies, is effective against pancreatic cancer cells and is not toxic."

The ISU research team consists of Byron Bennett, assistant professor of chemistry; Alok Bhushan and James Lai, professors in pharmacology at the ISU College of Pharmacy; and pharmacy doctoral student Aditi Jain.

"We want to emphasize that we're just in the initial state of studying this compound and there are many more steps that must be done to determine if it can be used to treat pancreatic cancer," Bhushan said. "There is a lot of testing and there are clinical trials yet to be done."

The researchers are in the pre-clinical phase of research and have completed testing isolated cancer cells in their lab. The next step in studying the drug, which the researchers are engaged in now, is determining how the drug works at a molecular level.

In addition, the scientists are studying the mechanisms of the compound to determine why it is effective. They also are completing a detailed chemical analysis of the drug's properties that could help with the design and formulation of the drug in the future.

If the drug continues to look promising after this phase of the research, more testing will be done and, eventually, clinical trials will be completed.





CARING FOR COMMUNITIES

Meridian Dental Clinic

The new Delta Dental of Idaho Residency Clinic located at the ISU-Meridian Health Science Center is providing advanced education for licensed dentists and affordable dental care for underserved patients in the Treasure Valley.

The 5,200-square-foot clinic, designed by Hummel Architects of Boise, has 12 clinical treatment rooms — including two surgical suites with video-conferencing capabilities — an x-ray and sterilization lab, a waiting room and a reception area.

The dental clinic was made possible with a \$500,000 gift from Delta Dental of Idaho Community Outreach and a \$1 million appropriation recommended by Idaho Gov. C.L. “Butch” Otter and approved by the 2010 Idaho Legislature.

“When we designed the Meridian Health Science Center several years ago, we envisioned a medical, education and research facility under one roof, which would serve not only our students, but all of Idaho,” said President

Vailas. “With the completion of the dental clinic, we are a step closer to fulfilling that vision. Thank you, Delta Dental of Idaho, for your generous support.”

Jean De Luca, president and chief executive officer of Delta Dental of Idaho, said the partnership with Idaho State University is a perfect fit.

“Improving the health of Idahoans and promoting education is at the core of who we are. We are thrilled to be working with ISU to expand dental health services in the Treasure Valley and develop a highly qualified dental workforce for the future,” De Luca said.

Each year, ISU’s dental residency program admits eight dentists — four in Meridian and four in Pocatello — to complete a year of advanced education in all facets of general dentistry, including oral surgery, periodontics, endodontics, pediatric dentistry and restorative techniques.

The new Meridian clinic accepts most insurance plans and honors a sliding fee scale based on family income.

Operation Condor in Peru

When dietetics student Kate Erickson traveled to Peru last spring, her goal was to teach the people she met about proper nutrition.

Instead, Erickson said, it was the community that taught her. She learned cultural awareness and how to work and live with people who have a very different life than her.

“They have so much to teach us,” she said. “It was an eye-opening experience.”

Erickson, along with 36 other Idaho State University students and their professors, traveled to southern Peru with Idaho Condor Humanitarian Services, a private local non-profit organization, in collaboration with ISU’s Idaho Condor Humanitarian student club. During the 10-day expedition, the group, led by licensed physicians, dentists and surgeons, provided medical and dental care where access to health care is extremely limited.

Students on the trip were from disciplines from physician assistant studies to foreign languages. The Idaho Condor teams (surgical, medical, dental and nutrition) performed

26 facial surgeries and saw nearly 2,300 medical patients and 1,300 dental patients.

Erickson led a nutrition team in the first phase of a three-year research project researching nutrition in the region. The team spoke with residents in two Andean villages and gathered information about their diet and nutritional needs.

When they return, Erickson and her team will be building greenhouses, supported by a grant her professor, Bernadette Howlett, received for the project.

Idaho State University’s involvement in the program exemplifies the way students learn best, Howlett said — through working together across disciplines in real-world situations.

“They all learned together because they worked together,” she said. “I wish all my teaching could be done that way.”

Howlett said she was also proud of the student initiative she saw through the project.

“The whole reason I became involved was because of Kate,” she said. “I became involved with a worldwide humanitarian effort because I had a student who wanted to learn.”



OPERATION CONDOR IN PERU

Leading
in Academics

MAKING EDUCATION COUNT

Bengal Solutions and ISU's Economic Impact

The Idaho State University College of Business has created Bengal Solutions in order to develop business and future leaders in Southeast Idaho. Bengal Solutions provides a variety of services to businesses including market research, assistance with technology transfer, return-on-investment projections, operations assessment, and feasibility studies.

Bengal Solutions is comprised of top MBA students, many of whom bring years of professional experience to ISU and Bengal Solutions' real-world clients. The service not only helps businesses solve problems; it also provides valuable experiences and hands-on education to the MBA student consultants.

Cory Howerton, a 2011 graduate of the MBA program and a Bengal Solutions member said, "The experience that I had with Bengal Solutions was second to none in helping me in education and in the job market upon gradu-

ation. It provided real-world experiences that I could not have had otherwise."

"Bengal Solutions is a great service to the University and the community. One of the goals at the College of Business is to encourage economic development. Bengal Solutions is one of the most direct ways to accomplish this goal. It provides the University with a great learning opportunity and provides the community with great consulting for a low price," said Ann Swanson, director of marketing and communications in the College of Business.

All consulting fees are returned to College of Business students in the form of scholarships.

The creation of Bengal Solutions complements Idaho State University's efforts to bolster the economic success of the region. Bengal Solutions ensures the quality of its services through faculty, mentors and client feedback.



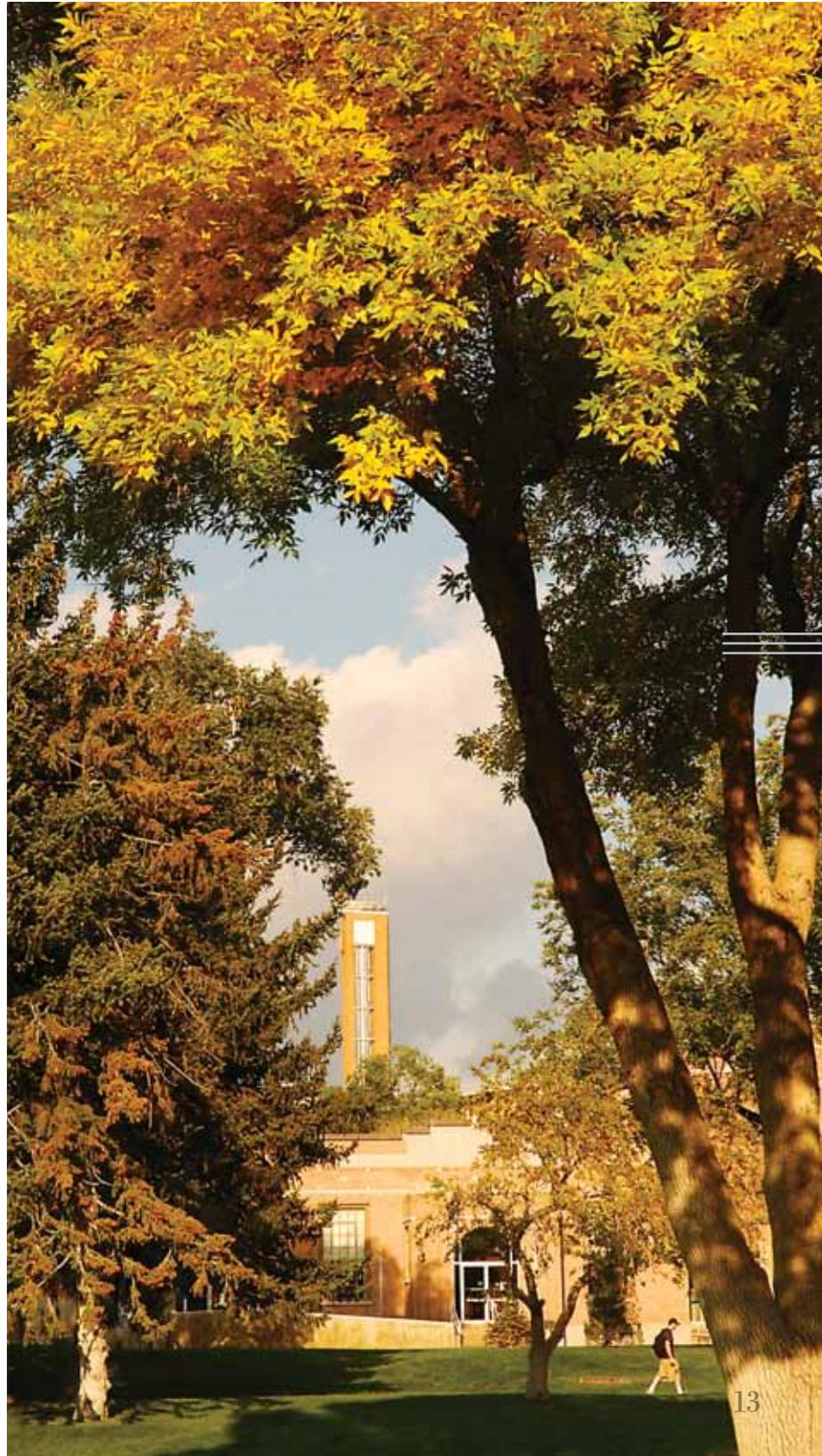
Albertson Foundation Helps Idaho's Student Retention Rates

The General Education Department at Idaho State University's College of Technology received a \$1.2 million "Go On" grant from the J.A. and Kathryn Albertson Foundation earlier this year.

With funding from the "Go On" grant, the department has developed a Successful Transitions and Retention Track (START) project. The purpose of START is to develop and enhance access to post-secondary education to General Educational Development students and graduates, increase retention in a college-level program and encourage completion of a certificate or associate degree.

START is designed to help students transition from the General Educational Development into a program of study offered at ISU. Applicants must take the Tests of Adult Basic Education test offered by the General Education Department and complete an application and interview process. Scholarships are available for the first two semesters of the program.

Upon acceptance, students work with a Center for New Directions counselor to develop an educational and career plan. Counselors and faculty serve as mentors, closely monitoring students' progress and assisting students in overcoming barriers that may have previously prevented them from completing an education.



Leading
in Academics

REACHING THE WORLD

Fulbright Scholars

In 2011, Idaho State University students and faculty members were recipients of four Fulbright Scholarships.

The Fulbright Program is the flagship international educational exchange program sponsored by the U.S. Government and is designed to increase mutual understanding between the people of the United States and the people

of other countries. The awards are prestigious — 43 Fulbright alumni from 11 countries have been awarded the Nobel Prize and 75 alumni have received Pulitzer Prizes.

Master of Arts student Garth Lambson spent his summer studying the Irish language and folklore at the National University of Ireland in Galway.



LEADING IN OPPORTUNITY AND INNOVATION

“This award gives me hope in accomplishing my dreams,” said Lambson. “Education is an opportunity that does not have a limit. Anyone can find and achieve goals at any age.”

Lambson said he was grateful to the University for the opportunity.

“The professors here at ISU are wonderful in their willingness to go out of their way to help students succeed,” Lambson said. “Dr. Sharon Sieber has played a huge role in helping me receive this award. She helped me fit pages of information into a small two-page profile that has won me this award.”

Mike Adams, a Master of Fine Arts student, is studying sculpture in Oslo, Norway, where he is combining his passion for art, Viking ships and Norse mythology into multimedia sculptural installations.

“It’s not so much just receiving the grant or the prestige of it,” Adams said, “but the opportunity to do something really interesting and important that excites me the most.”

Cynthia Pemberton, associate dean of the Graduate School and professor of educational leadership, is teaching at the University of Malta, in Misida, Republic of Malta.

“A Fulbright is like the academic Olympics,” Pemberton said. “It is the gold standard in terms of academic achievement. I am thrilled, honored and delighted.”

Chikashi Sato, professor of environmental engineering, is teaching and doing research at Tribhuvan University in Nepal.

Sato will spend about 80 percent of his time teaching students environmental science and engineering by addressing issues of water quality and proposing possible solutions to improve water quality and human health standards in their country. He will devote the rest of his time to initiating research activities in the development of sustainable water treatment in collaboration with Idaho State University.



Fulbright scholar Mike Adams

COMING TOGETHER

University Reorganization

Idaho State University reorganized from seven colleges to six colleges and a Division of Health Sciences, a structural change that grouped academic units together in a more cohesive manner.

"I think the reorganization has been really good for the University," said Barbara Adamcik, ISU interim provost and vice president for academic affairs. "There was so much controversy when it was put in place, but it has enhanced interdisciplinary work and collaboration. The University's academic units are now grouped more logically and efficiently."

Prior to the July 2010 reorganization, ISU's seven colleges were Arts and Sciences, Business, Education, Engineering, Health Professions, Pharmacy and Technology.

The new organization features the new College of Arts and Letters, College of Science and Engineering, and Division of Health Sciences. The College of Pharmacy has been moved under the umbrella of the Division of Health Sciences. The Colleges of Business, Education and Technology, and the Graduate School, remain the same.

College of Arts and Letters

The new College of Arts and Letters contains all the fine arts and humanities disciplines and behavioral and social sciences from the former College of Arts and Sciences.

"I'm very excited about the opportunities the College of Arts and Letters has provided its faculty and students, in part because we can focus on areas that had not been focused on in the past," said Kandi Turley-Ames, dean of the College of Arts and Letters.

The new college has been organized into two divisions, Fine Arts and Humanities, and Social and Behavioral Sciences. A new School of Performing Arts integrates the theatre and dance department with the music department.

The Division of Social and Behavioral Sciences has increased its research output and attracted grants from the National Institutes of Health, National Institute of Justice and National Science Foundation, as well as grants from the state of Idaho.

"Our faculty are really stepping up in terms of research productivity and creative activity, and they have received national attention for their work. Importantly, we're meeting and exceeding the expectations of students at the undergraduate and graduate level," Turley-Ames said. "The faculty in arts and letters are doing a great job in moving this University forward, and the College of Arts and Letters plans to be central to the growth and success of ISU."

College of Science and Engineering

The new College of Science and Engineering is comprised of the science departments — biological sciences, chemistry, physics, geosciences — and math department from the former College of Arts and Sciences. The College of Engineering has become the School of Engineering.

"I'm pleased about the College and proud of it," said George Imel, new dean of the College of Science and Engineering. "The focus of the new college is clear: scientific teaching and scientific research. Science and engineering fit together better than arts and sciences."

Division of Health Sciences

The Division of Health Sciences includes the College of Pharmacy, and realigned departments and programs from the former Kasiska College of Health Professions. The new Division of Health Sciences is comprised of the College of Pharmacy, School of Health Professions, School of Nursing, Office of Medical and Oral Health, School of Rehabilitation and Communication Sciences, and the Institute of Rural Health. It offers educational programs for 18 professional health-related disciplines.



The reorganization brings two important changes to Idaho State University, said Linda Hatzenbuehler, division associate vice president and executive dean. For one, the new Division brings the College of Pharmacy under a single administrative umbrella with the majority of other ISU health professions programs.

The second major change is that programs under the former Kasiska College of Health Professions have been subdivided into smaller units. For example, the School of

Nursing is now free standing, and the School of Rehabilitation and Communication Sciences groups together the Department of Physical and Occupational Therapy and the Department of Communication Sciences and Disorders and Education of the Deaf, and the clinics associated with these departments.

“By developing smaller sub-units, we’ve set up the opportunity for closer collaboration for the programs that have common interests,” Hatzenbuehler said.

BIG ON CAMPUS

Student Recreation Center

Through funding from the Associated Students of Idaho State University, the Student Recreation Center, a new, 32,000-square-foot, \$7 million expansion at Reed Gymnasium, opened in August 2010.

The newly expanded two-story structure features a large multi-purpose recreation room, cardio machines and exercise areas, campus recreation offices, bathrooms upstairs and down, a lobby area, lounge areas and an equipment checkout area. About a quarter-million dollars of new exercise equipment was purchased.

The expansion took place on the east side of Reed Gym. Counting the tennis center and student gymnasium that contains the climbing wall, the ISU Student Recreation Center has about 100,000 square feet of recreational facilities for students ... not including the Reed Gym swimming pool.

Career-Path Internships

Recognizing that students benefit from real-world experience in their chosen fields, Idaho State University created the Career Path Internship program in 2010.

Through the program, more than 200 undergraduate and graduate students are currently working in paid internships in their fields across the University. Students are researching in laboratories, producing television shows and benefiting from learning outside the classroom.

In fiscal year 2011, the program received \$300,000 in university funding. In fiscal year 2012, the funding was increased to \$1.4 million.

Career Center and program director Troy Kase said one of the program's goals is student retention and recruitment.

"This is a tool that few, if any, universities are using," Kase said. "It is a great tool for recruiting and keeping talented students."



Veterans Sanctuary

Bryan Byrd is living proof that when a university provides veterans with first-class service and a strong system of support, they flourish.

Byrd, a Navy veteran from Pocatello who was discharged from active duty in 2003, was the first member of ISU's new Veterans' Sanctuary program. He originally wanted to attend college at ISU in 2007, but getting started was more difficult than he had anticipated, so he decided to postpone his plans.

Byrd returned to ISU in 2009 and met Lynn Roberts, a university business officer who helped spearhead the effort for the Veterans' Sanctuary. She helped him enroll in classes and took the time to show him around campus. Roberts introduced him to the people he needed to know to make his college experience a success.

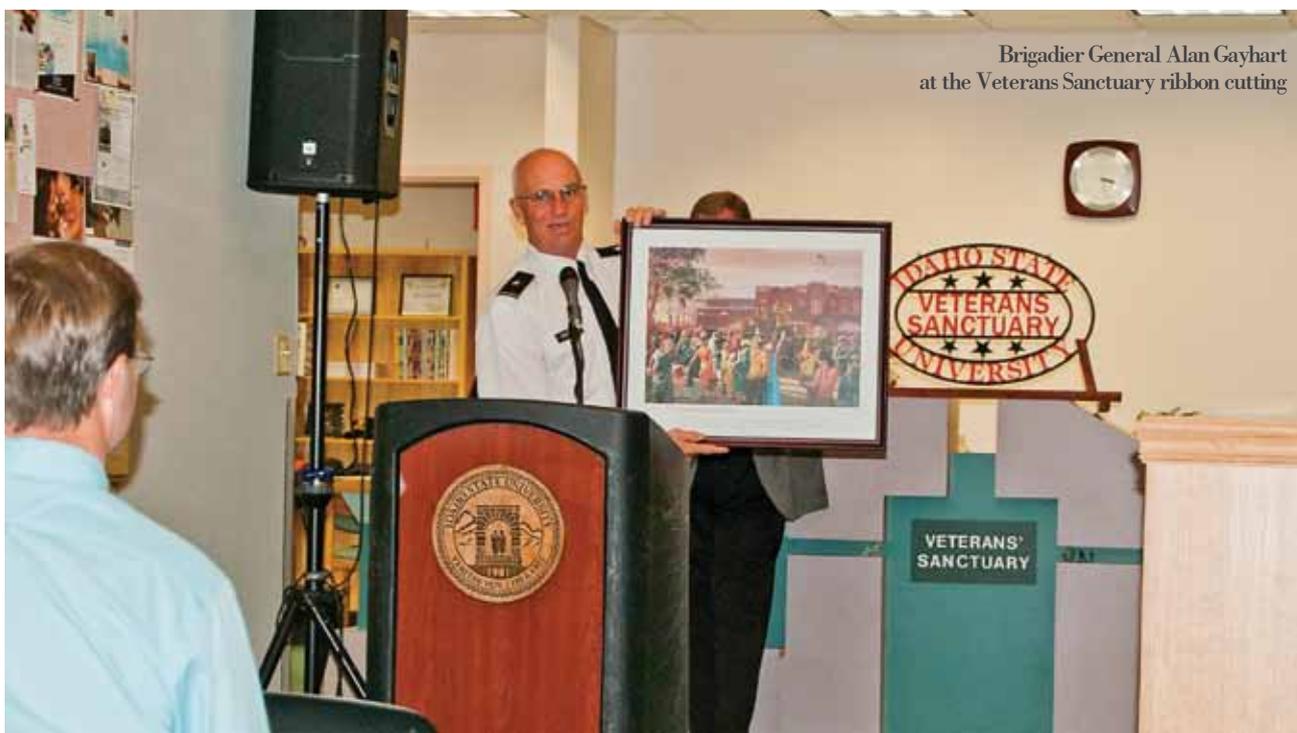
"Lynn made it a push-button deal and I said, 'Wow! If it's that easy, let's do it,'" Byrd said. "Any time I'd hit a door, she'd open it."

In the Navy, Byrd worked as an analyst and as an aircraft logs and records clerk. He is studying business management at ISU.

The Sanctuary includes a team of dedicated representatives, some of whom are veterans themselves, to help with the transition from military to campus life, offering a one-point approach at the University. The team assists with GI Bill educational benefits and facilitates contacts within ISU's various departments and programs as well as in the Pocatello community. Recognizing the University's efforts, G.I. Jobs magazine named Idaho State University a "Military-Friendly" school in 2010 and 2011.

Along with easing the transition to university life, the Sanctuary offers a support system for veterans and their families including counseling, free tutoring by veterans, employment assistance, service projects and activities and events. Both the Idaho Falls and Pocatello campuses have active Armed Forces Veterans Clubs, and each has designed and constructed a veterans' memorial for past and future veterans.

"What Idaho State University is doing for these vets is just tremendous," said Idaho National Guard Commander Brigadier General Alan Gayhart, who is also a member of the Veterans Sanctuary advisory board. "I wish we could see that throughout the state — that each of the universities in the state could do what Idaho State is doing."



Brigadier General Alan Gayhart
at the Veterans Sanctuary ribbon cutting



Touchdown, Bengals!

LEVELING THE PLAYING FIELD

New Facilities

In November of 2010, Idaho State University announced a partnership with Idaho Central Credit Union that would bring a new basketball court to Holt Arena. The court was installed during the December stint of the 2010-11 season. ICCU owned the naming rights while the ISU athletic department designed the new court.

In February 2011, Idaho State University announced that a new field turf would be installed in Holt Arena, courtesy of ISU Credit Union and the Idaho Orthopedic and Sports Clinic. The turf was installed in July and is a non-permanent surface that can be removed from Holt Arena on a regular basis. The turf is safer and of a higher quality than the previous turf, helping to reduce shoulder, ankle and knee injuries.

During fall 2010, the women's basketball, volleyball and softball teams received new locker rooms. The women's basketball locker room saw the installation of new lockers and storage cabinets as well as a separate entrance for male coaching members. For the volleyball and softball programs, two locker rooms and a restroom facility were converted from what was once a storage facility.

Ground was also broken for the new softball field, Miller Ranch Stadium. Games will be played on the field beginning spring 2012.

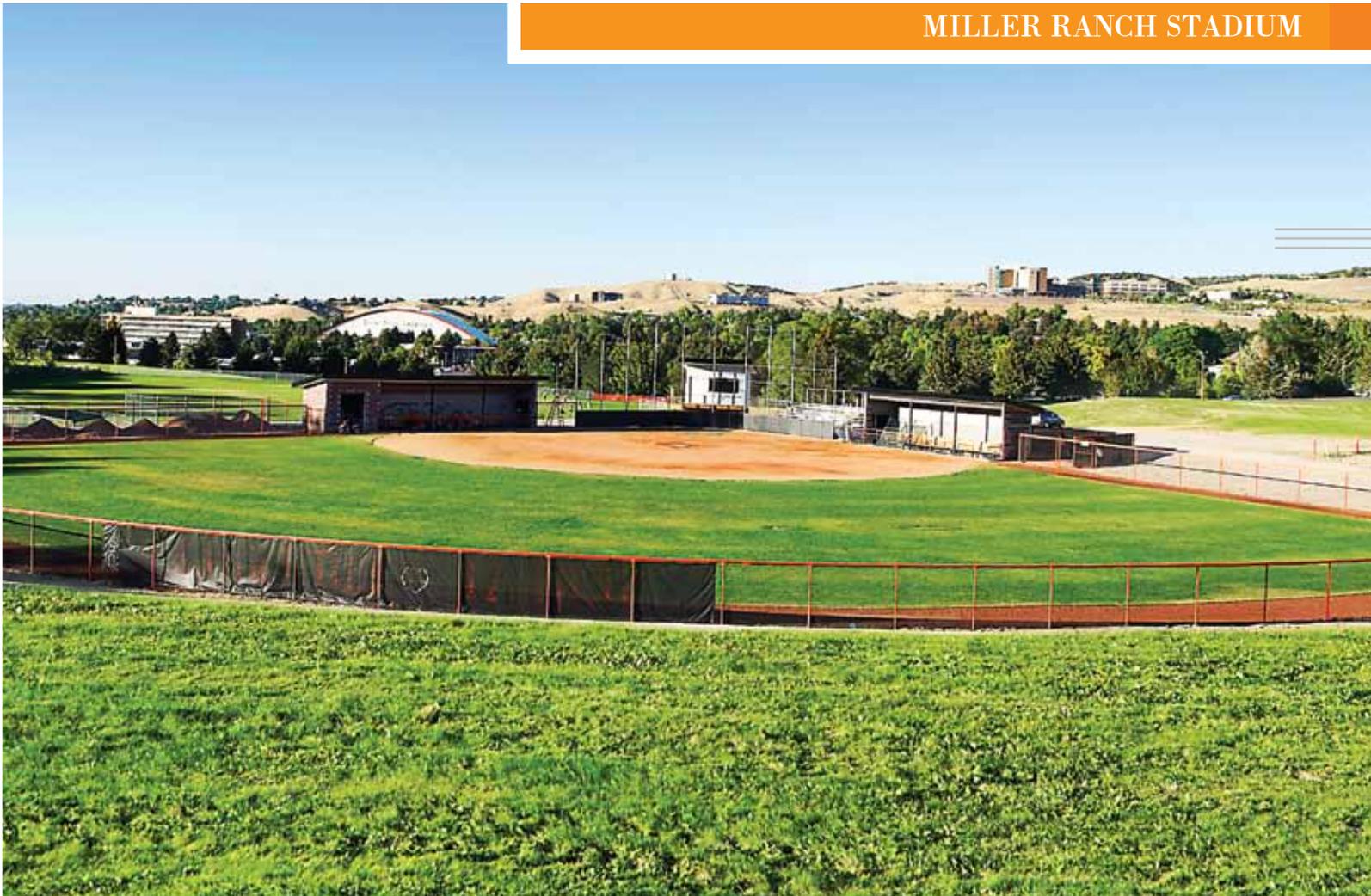
New Coach

On Nov. 22, 2010, Idaho State University named Mike Kramer the 25th head football coach for the Bengals. Previously a coach at Eastern Washington and Montana State, Kramer is the fourth all-time winningest coach in the Big Sky Conference. Kramer is just one of five coaches in Big Sky history to be named Big Sky Coach of the Year three times, twice at Montana State and once at Eastern Washington.

Certification

In March 2011, the National Collegiate Athletic Association announced that Idaho State University had been fully certified. The designation meant that ISU was found to be operating its athletic program in substantial conformity with operating principles adopted by the Association's Division I membership. The purpose of athletics certification is to ensure integrity in the institution's athletics program and to assist institutions in improving their athletic department.

MILLER RANCH STADIUM



THE FINANCIALS

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REPORT OF INDEPENDENT AUDITORS

The Idaho State Board of Education
 Idaho State University

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Idaho State University (the University) and its discretely presented component unit, Idaho State University Foundation, Inc. (the Foundation) as of and for the years ended June 30, 2011 and 2010 (not presented herein); and in our report dated September 30, 2011, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Moss Adams LLP

Eugene, Oregon
 January 3, 2012



Vice President for Finance and Administration James A. Fletcher

A Message from the Vice President for Finance and Administration

Idaho State University had an excellent financial performance in fiscal year 2011. We are pleased that while our country is still coming through the greatest financial crisis since the Great Depression, we have had no layoffs, furloughs or salary reductions.

Our year-end financial results reflect a \$21.4 million improvement in net assets despite the fact that our state appropriations, excluding public works funding, decreased by \$3.4 million. As a percent of total revenue, state appropriations have declined from approximately 50 percent in 2002 to just over 32 percent in 2011. Total university assets increased by \$18.5 million to \$291.1 million, driven largely by a significant increase of \$13.6 million in cash. Our operating performance was better than balanced, with total operating revenue up 6.6 percent from the prior year, while total operating expenses were held to only a 0.9 percent increase from the prior year. Two key financial ratios that measure the institution's overall financial health and trends, our net income and return on net assets ratios, both posted sharp improvements and are significantly above the competitive benchmarks. The positive growth in these ratios reflects the operating surplus

we have experienced over the last three years, and that we have invested in programs and projects that generate resources and can support our long-term operations, while covering operating and maintenance costs.

Citing our strong operating performance, adequate resource base, and healthy liquidity position, Moody's Investors Service has recently reaffirmed our current A-1 bond rating and given us a stable outlook.

As a result of this financial performance, our unrestricted net assets, or general reserves, are sound despite the cash purchase of a 209,000-square-foot research building for \$3.6 million. This new research complex will play a key part in the implementation of the President's vision of growing the research base for ISU.

Recently, in recognition of the continued hard work and contributions that many members of our university team have made toward achieving these excellent operating results, we were able to provide \$1,000,000 in special merit/equity/retention based one-time compensation to our faculty and staff.

We are all working diligently toward a continued strong performance in the coming year and further advancing the vision and mission of Idaho State University.

James A. Fletcher
Vice President for Finance and Administration

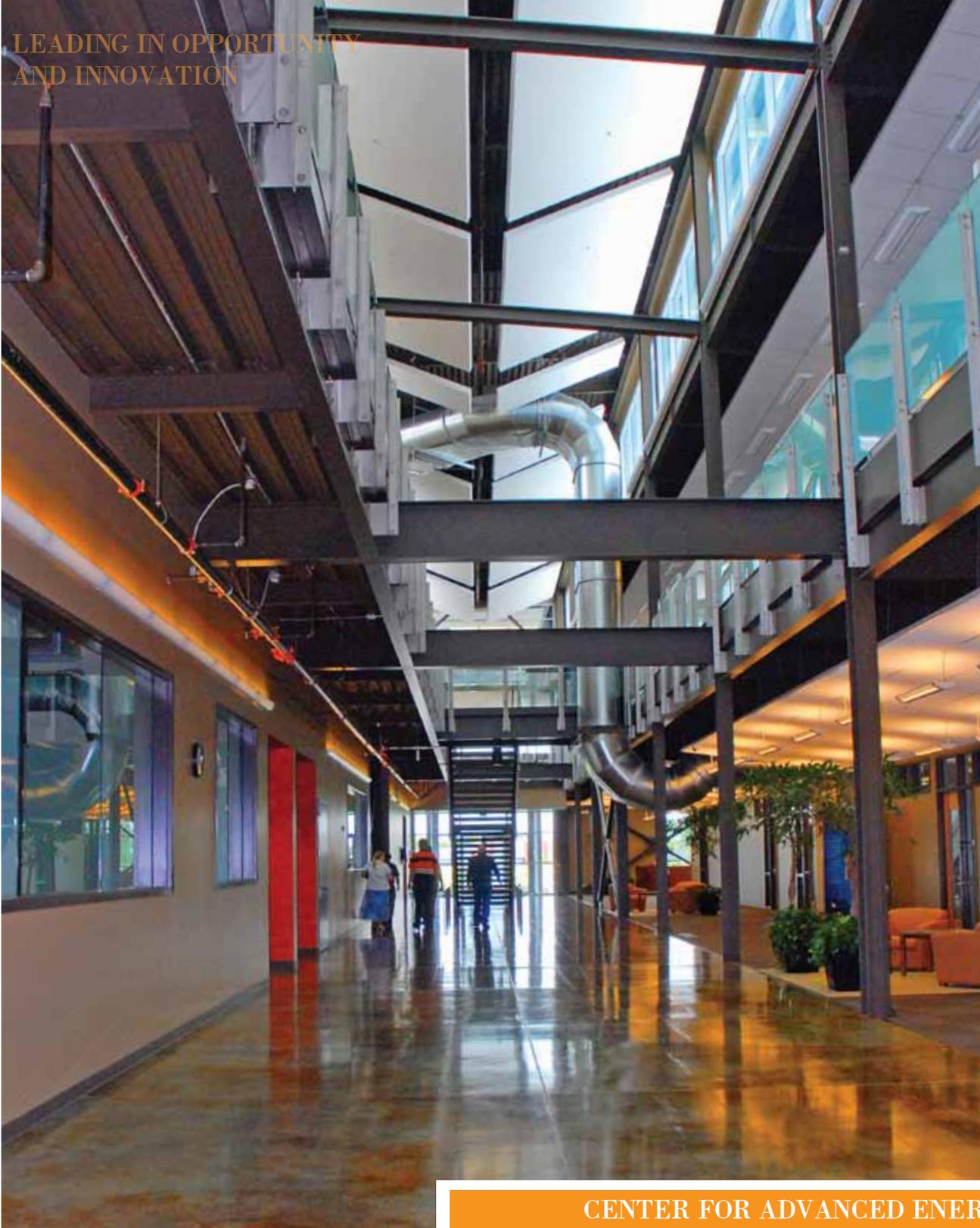


SUMMARY

Statement of Net Assets

| ASSETS | 2011 | 2010 |
|---|----------------------|----------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$76,229,754 | \$62,597,060 |
| Student loans receivable | 251,780 | 299,594 |
| Accounts receivable and unbilled charges, net | 13,209,650 | 11,225,799 |
| Due from state agencies | 4,048,548 | 5,661,440 |
| Other assets | 1,231,456 | 829,030 |
| Total current assets | 94,971,188 | 80,612,923 |
| NONCURRENT ASSETS: | | |
| Student loans receivable, net | 1,527,146 | 1,564,654 |
| Assets held in trust | 269,941 | 1,512,602 |
| Deferred bond financing costs | 1,037,808 | 1,125,445 |
| Property, plant, and equipment, net | 193,284,689 | 187,752,346 |
| Total noncurrent assets | 196,119,584 | 191,955,047 |
| TOTAL ASSETS | \$291,090,772 | \$272,567,970 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities | \$2,685,986 | \$2,223,049 |
| Due to state agencies | 546,367 | 1,541,318 |
| Accrued salaries and benefits payable | 9,452,002 | 8,915,073 |
| Compensated absences payable | 4,288,645 | 4,594,205 |
| Deposits and funds held in custody for others | 878,037 | 847,377 |
| Deferred revenue | 5,300,724 | 4,438,141 |
| Current portion of long-term obligations | 5,287,366 | 5,026,486 |
| Total current liabilities | 28,439,127 | 27,585,649 |
| NONCURRENT LIABILITIES: | | |
| Other post-employment benefits payable | 5,360,000 | 4,453,000 |
| Notes and bonds payable | 66,389,739 | 70,992,975 |
| Total noncurrent liabilities | 71,749,739 | 75,445,975 |
| TOTAL LIABILITIES | 100,188,866 | 103,031,624 |
| NET ASSETS: | | |
| Invested in capital assets, net of related debt | 123,571,307 | 113,836,708 |
| Restricted, expendable | 6,558,524 | 8,479,940 |
| Unrestricted | 60,772,075 | 47,219,698 |
| Total net assets | 190,901,906 | 169,536,346 |
| TOTAL LIABILITIES AND NET ASSETS | \$291,090,772 | \$272,567,970 |

The information in the Summary Statement of Net Assets is derived from Idaho State University's June 30, 2011 audited financial statements. The audited financial statements and related notes can be viewed online at www.isu.edu/finserv/account/ISUSingleAudit2011.pdf



CENTER FOR ADVANCED ENERGY STUDIES

Invested in capital assets,
net of related debt, \$123.6M

Restricted, expendable, \$6.5M

Unrestricted, \$60.8M

65%

3%

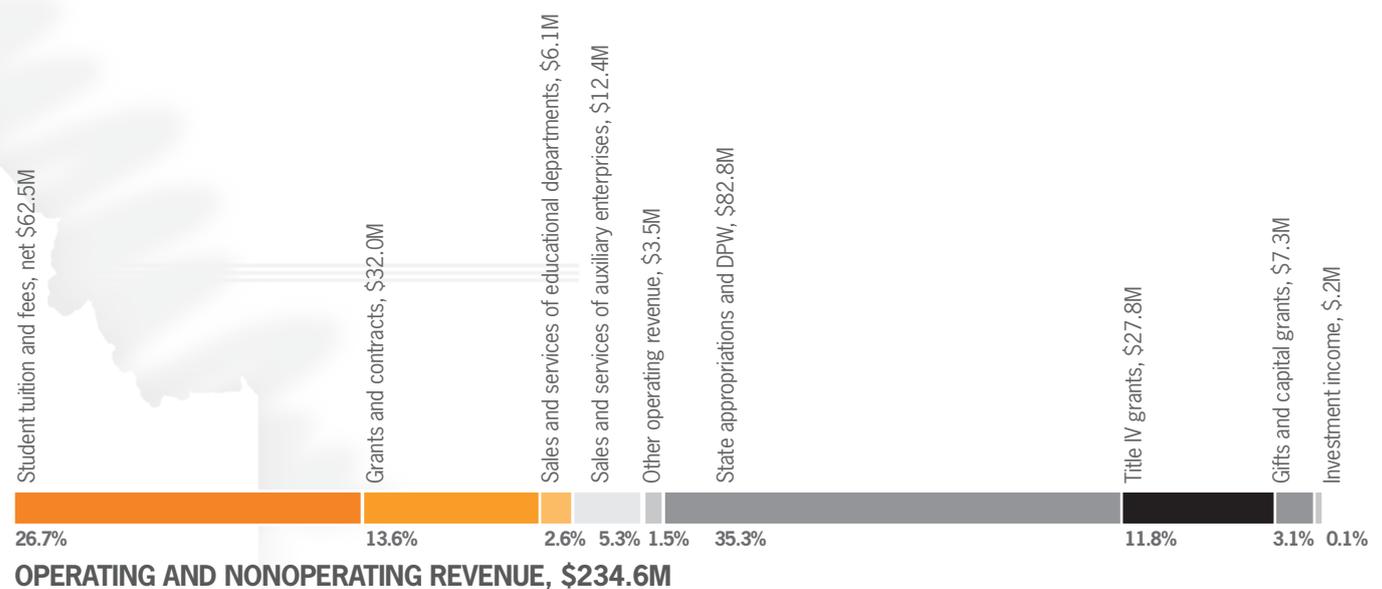
32%

NET ASSETS, \$190.9M

SUMMARY

Statement of Revenues, Expenses and Changes in Net Assets

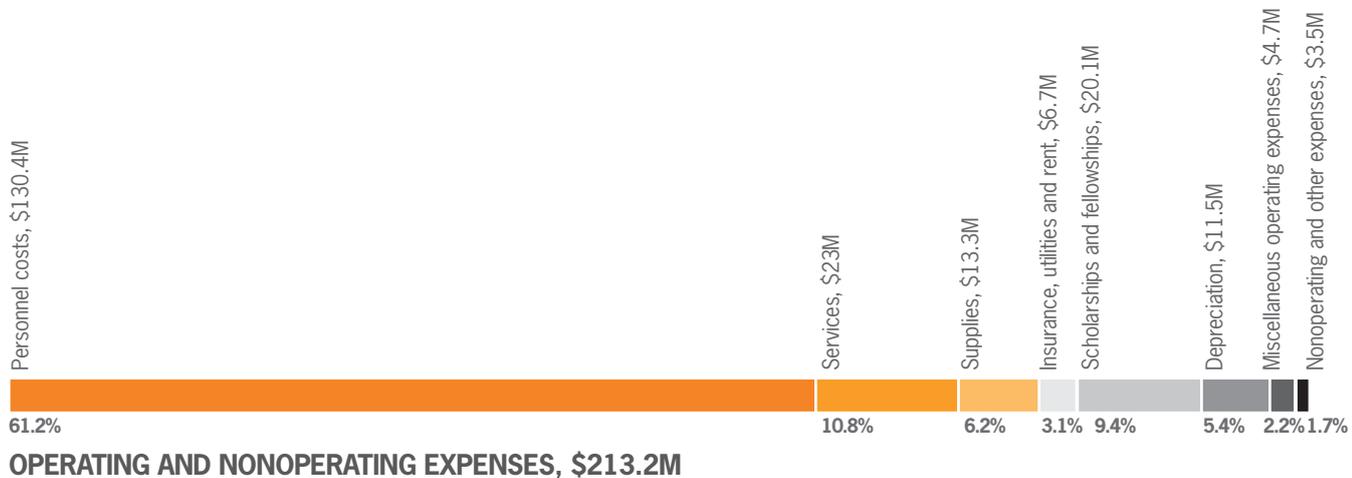
| | 2011 | 2010 |
|--|---------------------|---------------------|
| OPERATING REVENUES | | |
| Student tuition and fees, net | \$62,525,361 | \$57,721,128 |
| Federal grants and contracts | 13,653,117 | 14,166,811 |
| State and local grants and contracts | 9,786,215 | 9,813,602 |
| Private grants and contracts | 8,532,830 | 6,719,031 |
| Sales and services of educational activities | 6,066,029 | 5,543,843 |
| Sales and services of auxiliary enterprises | 12,426,182 | 12,444,156 |
| Other | 3,470,991 | 2,821,388 |
| Total operating revenues | 116,460,725 | 109,229,959 |
| OPERATING EXPENSES | | |
| Personnel costs | 130,457,000 | 133,372,372 |
| Services | 23,073,330 | 21,246,038 |
| Supplies | 13,257,589 | 11,200,367 |
| Insurance, utilities and rent | 6,660,260 | 7,172,329 |
| Scholarships and fellowships | 20,084,127 | 20,067,882 |
| Depreciation | 11,462,198 | 10,832,307 |
| Miscellaneous | 4,730,185 | 3,933,243 |
| Total operating expenses | 209,724,689 | 207,824,538 |
| OPERATING LOSS | (93,263,964) | (98,594,579) |



**LEADING IN OPPORTUNITY
AND INNOVATION**

| | 2011 | 2010 |
|--|----------------------|----------------------|
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations - general education | 61,632,435 | 64,586,565 |
| Other state appropriations | 21,145,313 | 18,122,775 |
| Title IV grants | 27,767,664 | 24,301,307 |
| Gifts | 5,396,289 | 5,959,068 |
| Net investment income | 252,720 | 238,229 |
| Amortization of bond financing costs | (60,954) | (60,953) |
| Interest on capital asset related debt | (3,355,101) | (3,507,755) |
| Net nonoperating revenues | 112,778,366 | 109,639,236 |
| INCOME BEFORE OTHER REVENUES AND EXPENSES | 19,514,402 | 11,044,657 |
| OTHER REVENUES AND EXPENSES | | |
| Capital gifts and grants | 1,937,104 | 3,639,092 |
| Gain or (loss) on disposal of fixed assets | (85,946) | 15,043 |
| Net other revenues and expenses | 1,851,158 | 3,654,135 |
| INCREASE IN NET ASSETS | 21,365,560 | 14,698,792 |
| NET ASSETS, BEGINNING OF YEAR | 169,536,346 | 154,837,554 |
| NET ASSETS, END OF YEAR | \$190,901,906 | \$169,536,346 |

The information in the Summary Statement of Revenues, Expenses and Changes in Net Assets is derived from Idaho State University's June 30, 2011 audited financial statements. The audited financial statements and related notes can be viewed online at www.isu.edu/finserv/account/ISUSingleAudit2011.pdf



SUMMARY

Statement of Cash Flows

| | 2011 | 2010 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Student fees | \$53,207,671 | \$50,069,170 |
| Grants and contracts | 32,609,310 | 30,022,009 |
| Sales and services of educational activities | 4,873,212 | 5,379,116 |
| Sales and services from auxiliary enterprises | 12,519,251 | 12,437,410 |
| Other operating revenue | 3,825,364 | 2,514,656 |
| Collection on loans to students | 405,447 | 531,456 |
| Payments to and on behalf of employees | (128,159,792) | (130,463,238) |
| Payments to suppliers | (43,555,989) | (42,127,255) |
| Payments for scholarships and fellowships | (12,693,141) | (14,024,438) |
| Loans issued to students | (347,363) | (455,862) |
| Net cash used by operating activities | (77,316,030) | (86,116,976) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 75,596,855 | 79,101,114 |
| Gifts | 4,770,009 | 4,494,451 |
| Title IV grants | 28,499,455 | 23,522,731 |
| Agency account receipts | 19,360,495 | 65,859,565 |
| Agency account payments | (21,094,332) | (66,164,858) |
| Direct lending receipts | 77,351,376 | 78,416,464 |
| Direct lending payments | (76,945,984) | (79,317,894) |
| Net cash provided by noncapital financing activities | 107,537,874 | 105,911,573 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital gifts and grants | 294,781 | 3,403,961 |
| Capital purchases | (10,670,641) | (12,414,974) |
| Transfer from bond trustee | 1,242,661 | 2,076,195 |
| Principal paid on capital debt | (4,109,061) | (3,575,834) |
| Interest paid on capital debt | (3,561,713) | (3,730,962) |
| Net cash used by financing activities | (16,803,973) | (14,241,614) |



Studying in the Pond Student Union

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|--|----------------|----------------|
| Investment income | 214,823 | 217,735 |
| Net cash provided by investing activities | 214,823 | 217,735 |

| | | |
|--|-------------------|------------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 13,632,694 | 5,770,718 |
|--|-------------------|------------------|

CASH AND CASH EQUIVALENTS

| | | |
|--------------------------|---------------------|---------------------|
| Beginning of year | 62,597,060 | 56,826,342 |
| End of year | \$76,229,754 | \$62,597,060 |

The information in the Summary Statement of Cash Flows is derived from Idaho State University's June 30, 2011 audited financial statements. The audited financial statements and related notes can be viewed online at www.isu.edu/finserv/account/ISUSingleAudit2011.pdf

NOTES

to the Summary Financial Statements

Use of the Summary Financial Statements

The summary financial statements consist of the following three statements: Summary Statement of Net Assets, Summary Statement of Revenues, Expenses and Changes in Net Assets, and Summary Statement of Cash Flows. The summary financial statements were derived from the University's audited financial statements for the fiscal years ended June 30, 2011 and 2010. The summary financial statements aggregate certain line items contained within some audited financial classifications to provide a more summarized presentation and do not include the financial statements of its component unit and various notes required by generally accepted accounting principles. The University's and its component unit's financial statements and related notes, which are presented in conformity with generally accepted accounting principles, may be viewed at www.isu.edu/finserv/account/ISUSingleAudit2011.pdf

Summary Statement of Net Assets

Reflects the financial position of the University at the end of the fiscal year. Changes in net assets occur over time and are one indicator of the University's financial condition.

Summary Statement of Revenues, Expenses and Changes in Net Assets

Presents the revenues earned and expenses incurred during the fiscal year on an accrual basis, categorized as operating and nonoperating.

Summary Statement of Cash Flows

Provides information about the University's inflows and outflows of cash during the fiscal year. This statement aids in assessing the University's ability to meet obligations and commitments as they become due, its ability to generate future cash flows, and its needs for external financing.



KEGEL LIBERAL ARTS BUILDING



NOTES

continued

Idaho State University (University) is part of the public system of higher education in the State of Idaho (State). The system is considered part of the State of Idaho financial reporting entity. The State Board of Education (SBOE), appointed by the Governor and affirmed by the legislature, directs the system. The University is located in Pocatello, Idaho.

Summary of Accounting Policies and Practices

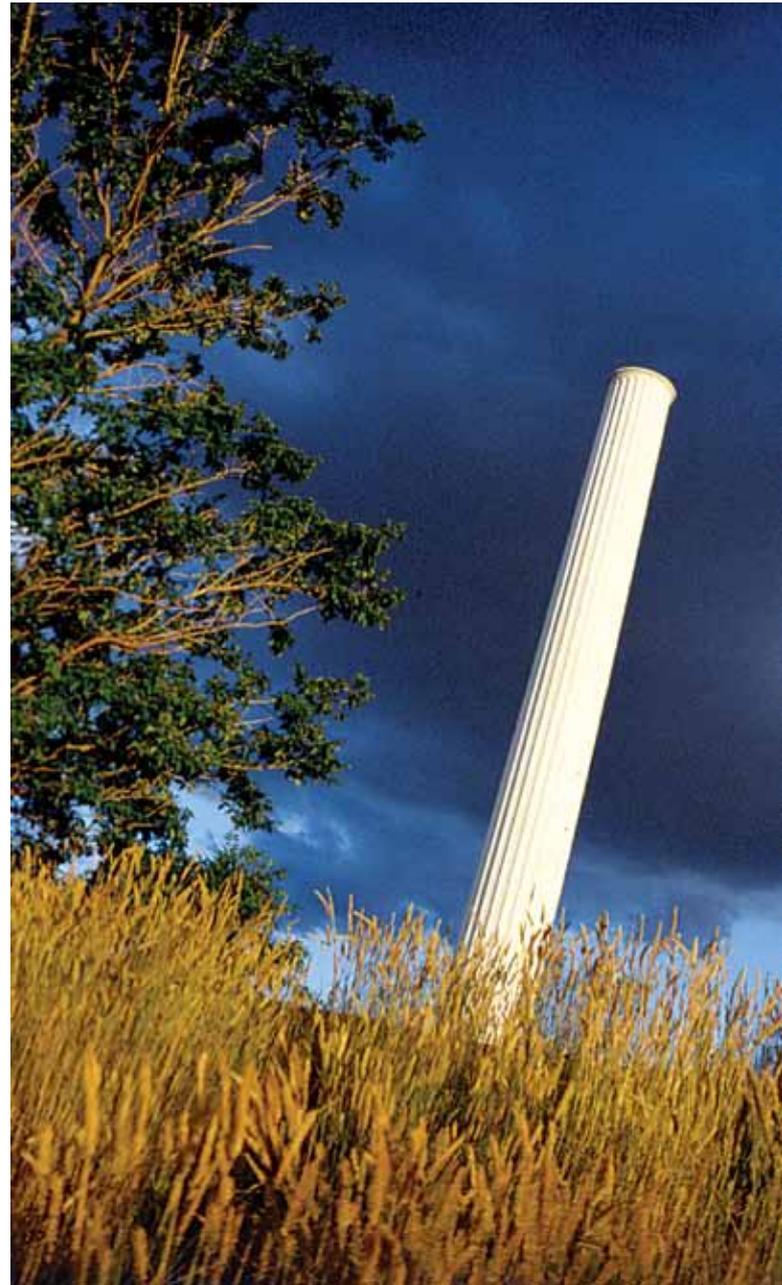
The summary of accounting policies and practices were derived from the University's audited financial statements for the fiscal years ended June 30, 2011 and 2010. Significant summary accounting policies and practices are described below to enhance the usefulness of the summary financial statements to the reader. The University's and its component unit's financial statements and related notes, which are presented in conformity with generally accepted accounting principles, may be viewed at www.isu.edu/finserv/account/ISUSingleAudit2011.pdf

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Use of Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



Cash Equivalents

The University considers all liquid investments with a remaining maturity of three months or less at the date of acquisition and all non-negotiable certificates of deposit to be cash equivalents.

Cash with Treasurer

Amounts that are required to be remitted to the State of Idaho as a result of the student fee collection process and, once remitted, these balances are under the control of the State Treasurer. Interest accruing on the balance is maintained in a separate fund and must be appropriated by the legislature before any expenditure can occur.



Pillars on Red Hill

Student Loans Receivable

Loans receivable from students bear interest at rates ranging from 3.00% to 7.00% and are generally payable to the University in installments over a 5 to 10 year period, commencing 6 or 9 months after the date of separation from the University.

Accounts Receivable

Accounts receivable consist of fees charged to students as well as auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with

reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital Assets

Capital assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at gift date. Assets are capitalized in accordance with the University's capitalization policy. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

NOTES

continued

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

The University houses collections at the Idaho Museum of Natural History that it has elected not to capitalize. The University charges these collections to operations at the time of purchase, in accordance with generally accepted accounting principles.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Student Recreation Center



Noncurrent Liabilities

Include the principal portions of revenue bonds payable, notes payable with contractual maturities greater than one year, and the net amount of other post-employment benefits payable.

Net Assets

The University's net assets are categorized as follows:

Invested in Capital Assets, Net of Related Debt

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted, Expendable

Net assets that include resources the University is legally or contractually obligated to use in accordance with restrictions imposed by external third parties.

Unrestricted

Net assets that represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the University, and may be used at the discretion of the institution to meet current expenses for any lawful purpose and in accordance with SBOE policy.

Compensated Absences

Employee vacation pay that is earned but unused is accrued at year-end for financial statement purposes. Amounts included in accrued salaries and benefits payable in the summary statement of net assets are \$4,288,645 and \$4,594,205 at June 30, 2011 and 2010, respectively.

Scholarship Discounts and Allowances

Student tuition and fee revenues are reported net of scholarship discounts and allowances in the Summary Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf.

Income and Unrelated Business Income Taxes

The University is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The University did not incur unrelated business income tax expense in the fiscal years ended June 30, 2011 or 2010.

Contingencies and Legal Matters

The University is a defendant in litigation arising from the normal course of operations. Based on present knowledge, the University's administration believes any ultimate liability in these matters will not materially affect the financial position of the University. See note 12 of the notes to the University's consolidated financial statements for more information on contingencies and legal matters at June 30, 2011.



Leading

in Opportunity and Innovation

Annual Financial Report | FY11

C.L. "Butch" Otter
Governor, State of Idaho

Idaho State Board of Education

Mike Rush
Executive Director

Tom Luna
Superintendent of Public Instruction

Richard Westerberg
President

Kenneth Edmunds
Vice President

Don Soltman
Secretary

Emma Atchley
Member

Bill Goesling
Member

Rod Lewis
Member

Milford Terrell
Member

Idaho State University Administration

Arthur C. Vailas
University President

Barbara Adamcik
Interim Provost and
Vice President
for Academic Affairs

James A. Fletcher
Vice President
for Finance and Administration

Kent Tingey
Vice President
for University Advancement

Patricia Smith Terrell
Vice President
for Student Affairs

Richard T. Jacobsen
Interim Vice President
for Research and Technology Transfer

Jeana Henley
University Controller

Idaho State
UNIVERSITY

