University of North Alabama Foundation

Financial Report September 30, 2023 and 2022

UNIVERSITY OF NORTH ALABAMA FOUNDATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 and 2022

University of North Alabama Foundation
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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of North Alabama Foundation
Florence, Alabama

Opinion

We have audited the accompanying financial statements of the University of North Alabama Foundation (the "Foundation"), a non-profit organization, which comprise the statements of financial position as of September 30, 2023 and 2022, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the University of North Alabama Foundation as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University of North Alabama Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit

Mauldin & Jenkins, LLC

Athens, AL
February 16, 2024

University of North Alabama Foundation
Statements of Financial Position
September 30, 2023 and 2022

Assets	**2023**	**2022**
Current Assets		
Cash and Cash Equivalents	$ 1,844,867	$ 3,043,811
Certificates of Deposit	1,000,000	-
Pledges Receivable, net – Current	2,362,249	722,226
Other Receivable	-	6,000
Interest Receivable	23,295	11,871
Total Current Assets	5,230,411	3,783,908
Long-Term Investments		
Restricted Certificates of Deposit for Long Term Investments	511,042	511,042
Investments	51,574,953	44,638,529
Total Long-Term Investments	52,085,995	45,149,571
Fixed Assets		
Donated Artifacts and Collectibles	98,650	98,650
Furniture and Equipment	24,364	24,364
Construction in Progress	891,787	58,600
	1,014,801	181,614
Less: Accumulated Depreciation	(24,364)	(24,364)
Total Fixed Assets	990,437	157,250
Other Assets		
Cash Surrender Value of Life Insurance	186,656	181,696
Pledges Receivable, net – Non-Current	11,887,023	1,851,342
Total Other Assets	12,073,679	2,033,038
Total Assets	$ 70,380,522	$ 51,123,767

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statements of Financial Position
September 30, 2023 and 2022

Liabilities and Net Assets	2023	2022
Current Liabilities		
Accounts Payable	$ 1,699,845	$ 579,322
Agency Funds - North Alabama Lions Athletic Club	170,051	195,548
Obligations to Beneficiaries under		
Split-Interest Agreements – Current	23,489	30,589
Total Current Liabilities	1,893,385	805,459
Non–Current Liabilities		
Obligations to Beneficiaries under		
Split-Interest Agreements – Non-Current	131,001	164,889
Total Non–Current Liabilities	131,001	164,889
Total Liabilities	2,024,386	970,348
Net Assets		
Without Donor Restrictions	1,732,018	1,565,260
With Donor Restrictions	66,624,118	48,588,159
Total Net Assets	68,356,136	50,153,419
Total Liabilities and Net Assets	$ 70,380,522	$ 51,123,767

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statements of Activities and Changes in Net Assets
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenue and Support:			
Contributions	$ 149,876	$ 20,380,745	$ 20,530,621
In-Kind Donations	1,091,909	24,494	1,116,403
Other Income	36,211	51,747	87,958
Transfers	696,051	(696,051)	-
Net Assets Released from Restrictions	6,740,745	(6,740,745)	-
Total Support and Revenue	8,714,792	13,020,190	21,734,982
Expenses:			
Program Services	6,569,227	-	6,569,227
Management and General	996,746	-	996,746
Fundraising Expenses	817,574	-	817,574
Total Expenses	8,383,547	-	8,383,547
Change in Net Assets from Operating	331,245	13,020,190	13,351,435
Nonoperating Activities			
Interest Income	35,459	37,449	72,908
Investment Return, Net of Fees	(199,946)	4,978,320	4,778,374
Change in Net Assets from Nonoperating	(164,487)	5,015,769	4,851,282
Change in Net Assets	166,758	18,035,959	18,202,717
Net Assets at Beginning of Year	1,565,260	48,588,159	50,153,419
Net Assets at End of Year	$ 1,732,018	$ 66,624,118	$ 68,356,136

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statements of Activities and Changes in Net Assets
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities			
Revenue and Support:			
Contributions	$ 124,493	$ 14,638,872	$ 14,763,365
In-Kind Donations	1,108,500	37,572	1,146,072
Other Income	32,604	44,006	76,610
Transfers	536,020	(536,020)	-
Net Assets Released from Restrictions	3,947,160	(3,947,160)	-
Total Support and Revenue	5,748,777	10,237,270	15,986,047
Expenses:			
Program Services	3,791,598	-	3,791,598
Management and General	1,197,520	-	1,197,520
Fundraising Expenses	702,579	-	702,579
Total Expenses	5,691,697	-	5,691,697
Change in Net Assets from Operating	57,080	10,237,270	10,294,350
Nonoperating Activities			
Interest Income	21,975	25,814	47,789
Investment Return, Net of Fees	(181,019)	(7,483,151)	(7,664,170)
Change in Net Assets from Nonoperating	(159,044)	(7,457,337)	(7,616,381)
Change in Net Assets	(101,964)	2,779,933	2,677,969
Net Assets at Beginning of Year	1,667,224	45,808,226	47,475,450
Net Assets at End of Year	$ 1,565,260	$ 48,588,159	$ 50,153,419

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in Net Assets	$ 18,202,717	$ 2,677,969
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Gain on Investments	(2,072,685)	11,946,757
Bad Debt Expense	1,318,215	239,535
Change in Pledge Receivables	(12,993,919)	(1,892,717)
Change in Other Receivables	6,000	(5,924)
Change in Other Assets	(11,424)	(137)
Change in Accounts Payable	1,120,523	(70,396)
Change in Agency Funds	(25,497)	(104,157)
Change in Actuarial Obligations Under Split-Interest Agreements	(17,499)	15,567
Restricted Contributions to Endowment	(5,102,431)	(5,309,814)
Net Cash Provided by Operating Activities	424,000	7,496,683
Cash Flows from Investing Activities:		
Purchase of Investments	(17,930,848)	(24,213,425)
Change in Cash Surrender Value	(4,960)	(4,850)
Purchase of Fixed Assets	(833,187)	(58,600)
Proceeds from Investments	12,067,109	10,970,318
Net Cash Used in Investing Activities	(6,701,886)	(13,306,557)
Cash Flows from Financing Activities:		
Payments of Obligations Under Split-Interest Agreements	(23,489)	(30,589)
Contributions to Endowment	5,102,431	5,309,814
Net Cash Provided by Financing Activities	5,078,942	5,279,225
Net Decrease in Cash	(1,198,944)	(530,649)
Cash at Beginning of Year	3,043,811	3,574,460
Cash at End of Year	$ 1,844,867	$ 3,043,811

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of North Alabama Foundation (the "Foundation") was established to provide support for the private fundraising efforts of the University of North Alabama (the "University") and to manage privately donated funds. The Foundation is a nonprofit corporation organized in accordance with the laws of the State of Alabama and governed by a volunteer Board of Directors (the "Board"). The Foundation is a component unit of the University.

The private fundraising efforts of the University and the Foundation result in the Foundation receiving contributions for the benefit of the University. Contributions are either available to be used currently or restricted as an endowment to be invested in perpetuity and provide support from investment returns for student scholarships, faculty and research support, other operational support, and for facilities and equipment. Fundraising efforts also result in the creation of charitable trusts and gift annuities. When the trusts and annuities mature, the remainder interests are available for the designated purposes as current-use or endowment gifts. The Foundation is the trustee for substantially all the charitable remainder trusts. The Foundation also receives unrestricted contributions that can be used for Foundation activities. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the University.

Contributions may be received in cash, marketable securities, real property, tangible personal property, gifts-in-kind, life insurance policies, and various deferred giving vehicles. Contributions received in forms other than cash, except gifts-in-kind and life insurance policies, are generally liquidated. The proceeds, together with cash gifts, are placed in investment pools or other investments consistent with the purpose of the gift or the requirements of the trust agreement. The Foundation employs investment professionals to manage its investment pools and certain trust investments.

The Foundation provides financial support for the University's private fundraising efforts, maintains donor records, issues reports to donors, and provides certain direct University support at the request of the University.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions represent expenses incurred during the year that satisfy the restricted purpose. Of the restricted balances at September 30, 2023, $45,758,222 is restricted for scholarship purposes while $20,865,896 is restricted for instructional and program support services. Of the restricted balances at September 30, 2022, $40,009,802 is restricted for scholarship purposes while $8,578,357 is restricted for instructional and program support services.

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The composition of net assets released from restrictions for the years ended September 30, 2023 and 2022 is as follows:

	2023 With Donor Restrictions	2022 With Donor Restrictions
Program Services	$ 4,472,596	$ 2,057,918
Instruction	1,043,369	629,777
Scholarships	1,224,780	1,259,465
Total	$ 6,740,745	$ 3,947,160

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

Pledge receivables are stated net of an allowance for doubtful accounts. The Foundation estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. The allowance for doubtful accounts for pledges receivable was $1,378,593 and $253,770 at September 30, 2023 and 2022, respectively.

Fixed Assets

Furniture and Equipment is recorded at cost to the Foundation or, if donated, at estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. In the absence of donor-imposed restrictions on the use of donated asset, the Foundation has adopted a policy of reporting these donations as unrestricted support. The cost of property, plant, and equipment in excess of $5,000 is capitalized. Additions, improvements or expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. At the time items are retired or sold, the applicable cost and accumulated depreciation are removed from the accounts and the difference, net of proceeds, is charged or credited to operations. Expenses for repairs and maintenance are charged to operations as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from three to twenty years.

Donated artifacts and collectibles are recorded at cost if purchased or, if donated, at estimated fair value at the time of donation. The Foundation does not recognize depreciation on artifacts and collectibles. Collections are preserved and held for public exhibition, education and research. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. In addition, the Foundation utilizes certain facilities owned by the University. Such facilities are not recorded on the books of the Foundation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), collectively ASC 606, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). In June 2020, FASB issued ASU 2020-05, Revenue from Contract with Customers (Topic 606) and Leases (Topic 842), permitting the deferral of the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. The Foundation adopted Topic 606 effective October 1, 2020, using the modified retrospective method. Adoption of this standard did not result in an adjustment to net assets.

Income Taxes

The Foundation is exempt from paying tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation had no unrelated business activities that are subject to taxes. The Foundation's federal Exempt Organization Business Income Tax Returns for 2020, 2021 and 2022 are subject to examination by the IRS, generally for three years after they were filed.

Cash Surrender Value

Cash surrender value of life insurance is reported at surrender value as September 30, 2023 and 2022. Changes in cash surrender value of life insurance policies are reported as other income on the Statement of Activities and Changes in Net Assets.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At September 30, 2023, the Foundation had $4,230,411 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of $1,844,867, pledges receivable of $2,362,249, and interest receivable of $23,295.

At September 30, 2022, the Foundation had $3,777,908 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of $3,043,811, pledges receivable of $722,226, and interest receivable of $11,871.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSITS

The Foundation considers all time deposits, certificates of deposit and highly liquid instruments with an initial maturity of three months or less to be cash equivalents, except for investments purchased with endowment assets, which are classified as long-term investments. The Foundation maintains its cash balances with one financial institution. At September 30, 2023 and 2022, the Foundation's cash balance exceeds FDIC insurable limits by $1,640,828 and $2,793,811, respectively.

The Foundation has received certain donations that are required to be maintained in certificates of deposit with a certain bank. These certificates of deposit are associated with long term donations and are therefore considered restricted. At September 30, 2023, these certificates of deposit with donor restrictions totaled $1,511,042 and exceeded FDIC insurable limits by $1,011,042. At September 30, 2022, these certificates of deposit with donor restrictions totaled $511,042 and exceeded FDIC insurable limits by $261,042.

NOTE 4 – INVESTMENTS

The Foundation's endowment consists of approximately 392 individual funds established for the purposes of scholarships and overall support of the University, including instructional and athletic support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and, (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. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets

without donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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 effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has received various donations to establish permanent endowment funds to provide scholarships for University of North Alabama students and the terms of the donations require these funds to be segregated from other Foundation funds.

Investment Reporting

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends; realized/unrealized gains and losses are reported as investment return. Investment income attributable to amounts held for the benefit of the University is reported in net assets with donor restrictions. When the activities occur, the amounts are transferred from net assets with donor restrictions to net assets without donor restrictions and the disbursements are reported as decreases in net assets without donor restrictions. Investment income attributable to amounts held for the benefit of the Foundation is reported in net assets without donor restrictions.

Investment Return Objective Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Performance goals have been established to provide a basis upon which to judge the effectiveness of the investment objective and those responsible for implementing investment decisions on a day-to-day basis. Investment managers will be judged over a cycle of three to five years.

Spending Policy

It is the policy of the Foundation to annually distribute, at least 3-5.5% of the average market value of the Foundation’s investments (at the end of the fiscal year) over a rolling three-year period. It

shall be the responsibility of the Foundation's Investment Committee to periodically review the spending policy against actual returns in order to make adjustments necessary.

Income available for spending is determined by a total return system. The amount to be spent in the coming year is calculated and is reviewed and approved by the Foundation Executive Committee and Investment Committee.

The income that may be spent, as determined in this paragraph, may be drawn from both ordinary income earned (i.e. dividends, interest, etc.) and appreciation, both earned and unearned. All income and appreciation not needed to meet spending needs is reinvested in the investment pool.

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. When this is the case, any such deficiencies are monitored for future results. At September 30, 2023, there were $625,914 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies at September 30, 2023, the aggregate original gift amounts were $13,110,751, while the aggregate fair value amounts are $12,484,837. At September 30, 2022, there were $1,417,217 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies at September 30, 2022, the aggregate original gift amounts were $15,349,979, while the aggregate fair value amounts are $13,932,761.

Changes in endowment net assets as of September 30, 2023 and 2022, are as follows:

	With Donor Restrictions
Endowment net assets at September 30, 2021	$ 41,391,511
Contributions, net	5,309,814
Investment income	(7,483,151)
Amounts appropriated for expenditure	(807,331)
Transfer	109,243
Endowment net assets at September 30, 2022	$ 38,520,086
Contributions, net	5,102,431
Investment income	4,978,320
Amounts appropriated for expenditure	(3,531,400)
Transfer	250,553
Endowment net assets at September 30, 2023	$ 45,319,990

For the year ending September 30, 2023, investment management fees and investment income activity fees were $199,946 and $21,998, respectively.

For the year ending September 30, 2022, investment management fees and investment income activity fees were $181,019 and $27,483, respectively.

Remainder Trusts and Gift Annuities

Remainder trust agreement assets are managed on an individual account basis in a diversified portfolio designed to reduce payment volatility, consider tax implications and maximize the value of each gift. Gift annuity assets are managed as a pool.

Investments by Group

	2023		
	General Investment Pool	Remainder Trusts and Gift Annuities	Total
Cash & Money Market Funds	$ 1,421,832	$ -	$ 1,421,832
Certificate of Deposit	1,511,042	-	1,511,042
Marketable Mutual Funds	44,926,524	168,990	45,095,514
Limited Partnerships	5,057,607	-	5,057,607
Total Investments at September 30, 2023	$ 52,917,005	$ 168,990	$ 53,085,995

	2022		
	General Investment Pool	Remainder Trusts and Gift Annuities	Total
Cash & Withdrawals	$ 1,197	$ -	$ 1,197
Certificate of Deposit	511,042	-	511,042
Marketable Mutual Funds	40,934,755	246,019	41,180,774
Limited Partnerships	3,456,558	-	3,456,558
Total Investments at September 30, 2022	$ 44,903,552	$ 246,019	$ 45,149,571

NOTE 5 – FAIR VALUE MEASUREMENTS

Investment Valuation

Investments are reported at estimated fair value as determined by the Foundation, based upon a fair value hierarchy that prioritizes the input techniques used to measure fair value in accordance with Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The ASU removed the requirement to categorize by level within the fair value hierarchy all investments with fair value measured using net asset value as a practical expedient and removed all other disclosure requirements.

The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data;
- Level 3: Significant unobservable inputs for assets or liabilities.

A financial instrument's level within this fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. All transfers between fair value hierarchy levels are recognized at the beginning of each reporting period. The fair value hierarchy does not correspond to a financial instrument's relative liquidity in the market or to its level of risk.

In determining the reasonableness of the fair value measurement methodology, management, with the oversight of the Investment Committee, evaluates a variety of factors including review of existing contracts, economic conditions, and industry and market developments. Certain unobservable inputs are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

Level 1 investments are typically investments in debt and equity marketable securities but may also include money market funds, certificates of deposit, and other highly liquid investments with maturities of 90 days or less with high credit quality entities. All level 1 investments are reported at fair value.

For any level 3 investments, fair value would be determined by the Foundation to be best estimated by giving consideration to any factors which might necessitate an adjustment such as initial and ongoing due diligence monitoring, significant market or portfolio changes, and assumptions of a new hypothetical market participant. The Foundation does not have any level 3 investments.

The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2023:

	Level 1	Level 2	Level 3	At NAV	Total
Certificates of Deposit	$ 1,511,042	$ -	$ -	$ -	$ 1,511,042
Money Market	1,421,832	-	-	-	1,421,832
Mutual Funds:					
SEI Extended Mkt Index-A	897,644	-	-	-	897,644
SEI Large Cap Fund	4,556,335	-	-	-	4,556,335
SEI S&P 500 Idx-A	4,485,954	-	-	-	4,485,954
SEI Small Cap II Fund-A	902,699	-	-	-	902,699
SEI Core Fixed Income Fund	12,331,819	-	-	-	12,331,819
SEI High Yield Bond Fund	2,307,112	-	-	-	2,307,112
SEI Dynamic Asset Allocation Fund	2,688,796	-	-	-	2,688,796
SEI World Equity Ex-Us Fund	7,683,641	-	-	-	7,683,641
SEI Emerging Markets Debt Fund	1,348,520	-	-	-	1,348,520
SEI Limited Duration Bond Fund	3,333,669	-	-	-	3,333,669
SEI SIIT Real Return A Fund	1,385,899	-	-	-	1,385,899
SEI Emberging Markets Eq-A Fund	1,351,194	-	-	-	1,351,194
SEI Global MGD Volatility Fund	1,822,232	-	-	-	1,822,232
Total Mutual Funds	45,095,514	-	-	-	45,095,514
Limited Partnerships:					
Core Property	-	-	-	1,970,319	1,970,319
Private Assets	-	-	-	1,043,658	1,043,658
Real Assets	-	-	-	978,897	978,897
Private Equity	-	-	-	1,064,733	1,064,733
Total Limited Partnerships	-	-	-	5,057,607	5,057,607
	$48,028,388	$ -	$ -	$5,057,607	$53,085,995

The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2022:

	Level 1	Level 2	Level 3	At NAV	Total
Certificates of Deposit	$ 511,042	$ -	$ -	$ -	$ 511,042
Money Market	1,197	-	-	-	1,197
Mutual Funds:					
SEI Extended Mkt Index-A	733,535	-	-	-	733,535
SEI Large Cap Fund	5,734,312	-	-	-	5,734,312
SEI S&P 500 Idx-A	5,707,937	-	-	-	5,707,937
SEI Small Cap II Fund-A	762,531	-	-	-	762,531
SEI Core Fixed Income Fund #285	12,434,141	-	-	-	12,434,141
SEI High Yield Bond Fund #284	3,217,038	-	-	-	3,217,038
SEI Global MGD Volatility FD	1,531,538	-	-	-	1,531,538
SEI World Equity Ex-Us Fund	6,780,817	-	-	-	6,780,817
SEI SIIT Real Return A	812,868	-	-	-	812,868
First Eagle Global Fund	97,445	-	-	-	97,445
Gotham Neutral FD	3,368,612	-	-	-	3,368,612
Total Mutual Funds	41,180,774	-	-	-	41,180,774
Limited Partnerships:					
Core Property	-	-	-	814,992	814,992
Private Assets	-	-	-	609,704	609,704
Opportunistic	-	-	-	4,066	4,066
Real Assets	-	-	-	897,397	897,397
Private Equity	-	-	-	1,130,399	1,130,399
Total Limited Partnerships	-	-	-	3,456,558	3,456,558
	$41,693,013	$ -	$ -	$3,456,558	$45,149,571

The following table provides information related to the previously mentioned investments that are valued based on Net Asset Values (NAV) at September 30, 2023:

	Fair Value at September 30, 2023	Unfunded Commitments at September 30, 2023	Redemption Frequency	Redemption Notice Period
Core Property (a)	$ 1,970,319	$ -	Quarterly	90 Days
Private Assets (b)	1,043,658	838,260	Quarterly	90 Days
Real Assets (c)	978,897	140,000	Annual	90 Days
Private Equity (d)	1,064,733	100,000	Annual	90 Days
Total	$ 5,057,607	$ 1,078,260		

a) *Core Property* – This category generally consists of the collective investment of assets of participating tax qualified pension and profit sharing plans and relates trusts, and governmental plans (or the assets of a governmental unit used to satisfy its obligations under a governmental plan).

b) *Private Assets Fund* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

c) *Real Asset*s – This category will generally consist of managers that invest in a diverse basket of tangible assets with built-in inflation protection characteristics. These investments will primarily be long-only.

d) *Private Equity* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

NOTE 6 – PLEDGE RECEIVABLES

Pledge receivables, which are unconditional promises to give, are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. For pledges, the discount rates used to determine present values are based on the incremental borrowing rate, which is approximately 5.75%.

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2023, are as follows:

	Less Than One Year	One to Five Years	Total
Pledges			
Gross	$ 2,362,249	$ 19,028,970	$ 21,391,219
Discount	-	(5,763,354)	(5,763,354)
Allowance	-	(1,378,593)	(1,378,593)
Total Pledges at September 30, 2023	$ 2,362,249	$ 11,887,023	$ 14,249,272

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2022, are as follows:

	Less Than One Year	One to Five Years	Total
Pledges			
Gross	$ 722,226	$ 2,287,713	$ 3,009,939
Discount	-	(182,601)	(182,601)
Allowance	-	(253,770)	(253,770)
Total Pledges at September 30, 2022	$ 722,226	$ 1,851,342	$ 2,573,568

NOTE 7 – FIXED ASSETS

Fixed assets consisted of the following at September 30, 2023 and 2022:

	2023	2022
Donated artifacts and collectibles	$ 98,650	$ 98,650
Furniture and equipment	24,364	24,364
Construction in Progress	891,787	58,600
	1,014,801	181,614
Less accumulated depreciation	(24,364)	(24,364)
Total Fixed Assets	$ 990,437	$ 157,250

Depreciation expense was $0 for both the years ending September 30, 2023 and September 30, 2022.

NOTE 8 –OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS

The Foundation has entered into irrevocable charitable gift annuity agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years.

The Foundation has also entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Remainder trust obligations are an actuarially determined liability which represents the present value of estimated future payments to beneficiaries, taking into consideration their life expectancy and discounted at applicable interest rates.

A liability is recognized for the estimated present value of the both the gift annuities and the remainder trusts and the assets are recorded at their gross market value for agreements where the Foundation is the trustee. The discount rate and actuarial assumptions used in calculating the split-interest obligation are those provided in American Council on Gift Annuity guidelines and actuarial tables. The annuity payments are a general obligation of the Foundation.

Assets of the Foundation that are derived from gift annuities and charitable remainder trusts are included in investments on the statement of financial position. The values of these at September 30, 2023 are as follows:

	Split-Interest Agreement Assets
Cash	$ -
Mutual Funds	168,990
	$ 168,990

The values of these at September 30, 2022 are as follows:

	Split-Interest Agreement Assets
Cash	$ -
Mutual Funds	246,019
	$ 246,019

Changes in obligations under the gift annuity and remainder trust contracts at September 30, 2023 and 2022, were as follows:

	Total Split-Interest Liabilities
Total Obligation at September 30, 2021	$ 210,500
Obligation on New Gifts	-
Payments to Beneficiaries	(30,589)
Actuarial Value Changes	15,567
Total Obligation at September 30, 2022	$ 195,478
Obligation on New Gifts	-
Payments to Beneficiaries	(23,489)
Actuarial Value Changes	(17,499)
Total Obligation at September 30, 2023	$ 154,490

The above amounts agree to the statement of financial position as follows:

	2023	2022
Current Portion	$ 23,489	$ 30,589
Non-Current Portion	131,001	164,889
	$ 154,490	$ 195,478

NOTE 9 - RELATED PARTY

University Support

The University of North Alabama Foundation exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. During the years ended September 30, 2023 and 2022, the Foundation expensed $6,569,227 and $3,791,598, respectively, in support of the University's programs and scholarships.

At September 30, 2023, pledge receivables from University Board of Trustees and Employees/Foundation Board of Directors and Alumni Association/Lions Athletic Club were $2,463,490 and $244,000, respectively.

At September 30, 2022, pledge receivables from University Board of Trustees/Foundation Board of Directors and Alumni Association were $2,171,788 and $12,917, respectively.

During the years ended September 30, 2023 and 2022, the Foundation has payables to the University of $1,600,281 and $495,263, respectively.

Personnel Costs and Facilities

The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was $30,618 and $29,160 for the years ending September 30, 2023 and 2022, respectively. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the years ending September 30, 2023 and 2022 were $1,032,885 and $1,048,332, respectively. Supplies paid by the University for the Foundation totaled $28,407 and $30,708 for the years ending September 30, 2023 and 2022, respectively.

Funds Held for Others

The Foundation has an affiliation agreement with the North Alabama Lions Athletic Club. The North Alabama Lions Athletic Club has transferred funds to the Foundation for recordkeeping purposes. These funds are pooled together with the Foundations funds and the Foundation records a liability for such funds. As of September 30, 2023 and 2022, the liability associated with such funds was $170,051 and $195,548, respectively.

NOTE 10 – FUNCTIONAL EXPENSES

Certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and usage of assets. For 2023 natural expense accounts were allocated as follows:

	Year Ending September 30, 2023				
	Program Services	Supporting Services			
	Programs	Management and General	Fundraising	Supporting Subtotal	Total
Scholarships Awarded	$ 1,224,780	$ -	$ -	$ -	$ 1,224,780
Eminent Scholars Support	186,988	-	-	-	186,988
Academic Program Support	856,381	-	-	-	856,381
Alumni Program Support	69,127	-	-	-	69,127
Annuities	(14,441)	-	-	-	(14,441)
Athletic Department Support	3,462,478	-	-	-	3,462,478
Student and Faculty Support	269,884	-	-	-	269,884
Other Program Support	26,597	-	-	-	26,597
Capital Projects Support	487,433	-	-	-	487,433
Contract Services - Other	-	5,492	-	5,492	5,492
Supplies	-	6,476	-	6,476	6,476
Postage	-	5,699	-	5,699	5,699
Legal & Accounting	-	20,500	-	20,500	20,500
Printing & Copying	-	6,737	-	6,737	6,737
Membership Dues	-	4,589	-	4,589	4,589
Marketing	-	-	152,425	152,425	152,425
Donations & Sponsorships	-	13,880	-	13,880	13,880
Software & Maintenance	-	104,387	-	104,387	104,387
Insurance	-	15,345	-	15,345	15,345
Fees	-	20,763	-	20,763	20,763
Travel, Lodging, & Meals	-	-	33,712	33,712	33,712
Staff Development	-	21,892	-	21,892	21,892
Donor Appreciation	-	21,829	-	21,829	21,829
Special Events	-	-	122,377	122,377	122,377
In-Kind Expense	-	582,850	509,060	1,091,910	1,091,910
General Support	-	166,307	-	166,307	166,307
Total	$ 6,569,227	$ 996,746	$ 817,574	$ 1,814,320	$ 8,383,547

For 2022 natural expense accounts were allocated as follows:

	Year Ending September 30, 2022				
	Program Services	Supporting Services			
	Programs	Management and General	Fundraising	Supporting Subtotal	Total
Scholarships Awarded	$ 1,259,465	$ -	$ -	$ -	$ 1,259,465
Eminent Scholars Support	180,607	-	-	-	180,607
Academic Program Support	449,170	-	-	-	449,170
Alumni Program Support	64,632	-	-	-	64,632
Annuities	15,567	-	-	-	15,567
Athletic Department Support	1,418,340	-	-	-	1,418,340
Student and Faculty Support	298,472	-	-	-	298,472
Other Program Support	30,255	-	-	-	30,255
Capital Projects Support	75,090	-	-	-	75,090
Contract Services - Other	-	4,274	-	4,274	4,274
Supplies	-	6,619	-	6,619	6,619
Postage	-	6,771	-	6,771	6,771
Legal & Accounting	-	19,125	-	19,125	19,125
Printing & Copying	-	21,096	-	21,096	21,096
Membership Dues	-	9,489	-	9,489	9,489
Marketing	-	-	165,484	165,484	165,484
Donations & Sponsorships	-	5,850	-	5,850	5,850
Software & Maintenance	-	107,410	-	107,410	107,410
Insurance	-	19,509	-	19,509	19,509
Fees	-	25,871	-	25,871	25,871
Travel, Lodging, & Meals	-	2,146	18,788	20,934	20,934
Staff Development	-	23,929	-	23,929	23,929
Donor Appreciation	-	9,928	-	9,928	9,928
Fundraiser & Volunteer	-	-	104,923	104,923	104,923
In-Kind Expense	-	695,116	413,384	1,108,500	1,108,500
General Program Support	-	240,387	-	240,387	240,387
Total	$ 3,791,598	$ 1,197,520	$ 702,579	$ 1,900,099	$ 5,691,697