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University of North Alabama

Management's Discussion and Analysis
Fiscal Year Ended September 30, 2008

Management's Discussion and Analysis

The purpose of this annual report is to provide readers with financial information about the activities and financial condition of the University of North Alabama (University) and its component unit the University of North Alabama Foundation (Foundation). The report consists of three basic financial statements that provide information on the University and two statements providing information on the Foundation.

The University statements presented are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements begin on page 12, and should be read in conjunction with the Notes to the Financial Statements starting on page 17. The Foundation's statements presented are the Statement of Financial Position and Statement of Activities, shown on page 16.

The following summary and management discussion of financial information is intended to provide the readers with an overview of the financial statements. The comparative figures for FY 2007 appearing throughout this report are audited figures.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting. Net assets, the difference between assets and liabilities, is one way to measure the financial health of the University. Net assets increased 7.9% in the current fiscal year to \$88.9 million.

ASSETS	2008	2007
Current Assets		
Cash and Short-term Investments	\$ 51,237,764	\$ 46,001,283
Receivables	5,649,484	5,287,528
Inventory, Prepaid Expenses, and Other	1,284,556	1,443,065
Total Current Assets	58,171,804	52,731,876
Non-Current Assets		
Restricted Cash and Long-term Investments	6,056,714	7,785,819
Long-term Receivables	1,663,221	1,528,368
Other Non Current Assets	383,994	413,480
Capital Assets, Net of Depreciation	63,285,322	60,026,134
Total Non-Current Assets	71,389,251	69,753,801
Total Assets	\$ 129,561,055	\$ 122,485,677
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,863,648	\$ 2,438,171
Deferred Revenue	10,997,065	11,130,891
Deposits Held in Custody for Others	667,789	598,124
Other Long-term Liabilities-Current Portion	1,608,892	841,964
Total Current Liabilities	17,137,394	15,009,150
Non-Current Liabilities		
Long-term Liabilities	23,429,147	24,969,662
Total Liabilities	40,566,541	39,978,812
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 39,713,314	\$ 35,699,125
Restricted	10,554,712	10,766,586
Unrestricted	38,726,488	36,041,154
Total Net Assets	88,994,514	82,506,865
Total Liabilities and Net Assets	\$ 129,561,055	\$ 122,485,677

Cash and short-term investments increased by \$5.2 million. This was due to an increase in cash and cash equivalents of \$5.1 million, and an increase in short-term investments of approximately \$122,000. The increase in cash and cash equivalents reflects an increase in student enrollment, including on-line MBA, international student programs, and residual budget funds from 2007. Short-term investments are defined as those with maturities of less than one year.

Receivables include grants, state appropriations, student notes, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Overall current receivables increased approximately \$362,000 due to an increase in student receivables and receivables from other agencies.

Restricted cash and long-term investments, which include both unrestricted and endowment investments, decreased by approximately \$1.7 million due to market losses. The University monitors the investment portfolio to insure proper adherence to investment guidelines.

Capital assets (net) increased by \$3.2 million due primarily to the renovation of various buildings on campus and costs incurred for a University-wide administrative software upgrade (Banner). These additions, net of depreciation and disposals, are summarized in the footnotes to the financial statements.

Accounts payable and accrued liabilities increased \$1.4 million due to an increase in payables for salaries and supplies.

Deferred revenue decreased 1.2% due to additional booked revenue resulting from a longer fall semester through 9/30/08.

Long-term liabilities decreased by \$1.5 million due to scheduled payment of bond principal and the conversion of a note payable from long term to short term.

Net assets increased 7.9% overall, reflecting growth that occurred during the year. The University's capital assets grew due to the continuation of the administrative software upgrade and the renovation of various buildings on campus. Restricted net assets decreased as a result of market losses on endowments. Unrestricted net assets reflect an increase in reserves for capital projects and future debt service.



Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University, as well as the non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

REVENUES

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Student Tuition and Fees	\$ 31,275,407	\$ 29,312,214
Auxiliary Enterprises Revenue	7,050,777	5,907,102
Grants and Contracts	12,428,175	11,273,607
Athletic Revenue	610,250	589,641
Other Operating Revenue	965,170	1,108,517
Total Operating Revenues	\$ 52,329,779	\$ 48,191,081

EXPENSES

Operating Expenses	82,167,705	71,215,787
Net Operating Income (Loss)	<u>(29,837,926)</u>	<u>(23,024,706)</u>
Non-Operating Revenues (Expenses)		
State Appropriations	34,875,031	31,179,580
Gifts (Including Endowment)	2,730	0
Capital Grants, Contracts, and Gifts	1,967,162	743,284
Investment Income	643,967	2,920,477
Other Non-Operating Expense	(1,163,314)	(1,193,382)
Total Non-Operating Revenues-Net	36,325,576	33,649,959
Increase in Net Assets	<u>6,487,650</u>	<u>10,625,253</u>
Net Assets-Beginning of Year	\$ 82,506,865	\$ 71,881,612
Net Assets-End of Year	\$ 88,994,515	\$ 82,506,865

The main categories of revenue for the University are: tuition and fees, state appropriations, auxiliary activities and grants and contracts.

Tuition and fees (net) increased by 6.7% in FY 2008. The increase was due to an average tuition rate increase of approximately 3% and an enrollment increase of 5.4% (based on data for fall semesters).

Auxiliary revenue consists of income from various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public. These entities are intended to be self-supporting, and charge a fee for their goods or services. Revenue from residence halls, apartments, food services, university health services, rental property, and other student related activities are included in this total. The 19.4% increase in FY 2008 reflects an increase in housing, general auxiliary revenue, and international student fees.

Grants and contracts revenue increased by 10.2% as a result of additional federal and other grants and contracts.

Athletic revenue increased 3.5%, primarily due to an increase in external athletic fundraising.

Operating expenses increased by \$10.9 million, or 15.4%. Each category is discussed in detail on page six.

State appropriations increased 11.9% over the previous year.

Endowment gifts reflect revenue to the University endowments. The majority of endowments established for the past decade are held in the UNA Foundation, but small gifts are received in the University from year to year.

Capital grants, contracts and gifts for FY 2008 increased due to revenue received for the renovation of Rogers Hall, the construction of the synthetic athletic field and baseball stadium, and AMSTI lab renovations.

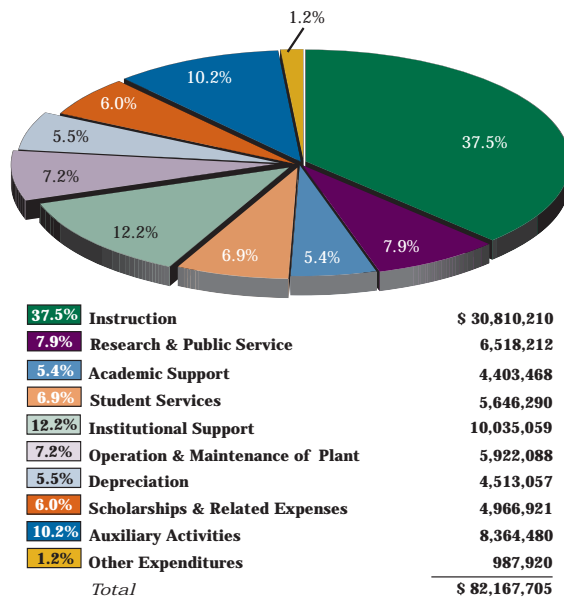
Investment income decreased during the fiscal year as a result of a decline in interest rates and unrealized losses in equity funds.



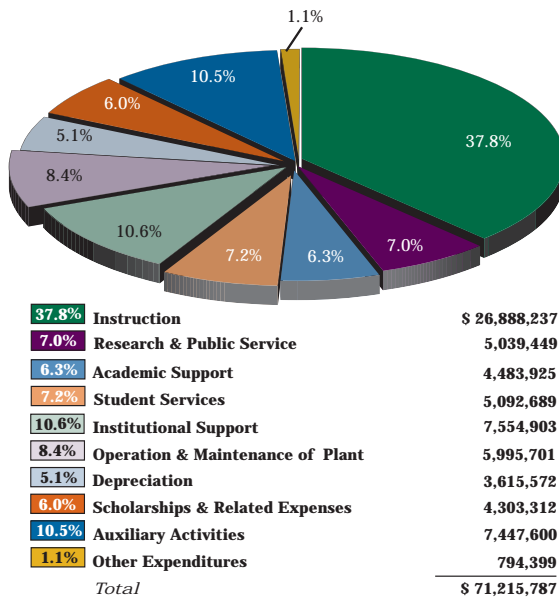
University of North Alabama

Management's Discussion and Analysis
Fiscal Year Ended September 30, 2008

2008 Operating Expenses Functional Classification



2007 Operating Expenses Functional Classification



Operating Expenses by Functional Classification

Functional classifications are the traditional categories that universities have used to report annual expenditures. They represent the type of programs and services that the University provides.

Instructional expenditures grew by \$3.9 million from FY 2007 to FY 2008 primarily due to increased costs for employee salaries and benefits including faculty development and additional faculty positions. Increases in expenses for recruitment and retention of minority faculty and staff funded by Knight v. Alabama appropriations, campus technology upgrades, and supplies and other expenses also contributed to the growth.

Research and public service expenditures increased 29.3% due primarily to the increase in funding from the Alabama Math, Science and Technology Initiative (AMSTI), and increased Intensive English Program activity.

Academic support expenditures remained at about the same level as FY 2007.

Student services expenditures increased due to growth in employee salaries, benefits, supplies, and other expenses as well as the addition of staff positions.

The increase in institutional support expenditures from the previous year is due to additional salary expenses for level increases, increased benefit costs, and the addition of staff positions. There were also several one time expenses including the staff compensation study.

Operation and maintenance of plant expenditures remained at about the same level as FY 2007.

Depreciation expense increased due to the addition of new capital assets, and the initial depreciation of the Banner software system.

Scholarship expenses increased due to additional scholarship awards.

Auxiliary expenditures increased due to the reclassification of budget units from the education and general fund to the auxiliary fund.

Operating Expenses by Natural Classification

Operating expenses when summarized by natural classification categorizes expenditures across functional programs.

Salary expenses increased due to additional faculty and staff positions created as a result of enrollment growth. Additionally, faculty and staff salaries increased due to planned level increases, promotions, and cost of living adjustments.

Benefits expense grew due to increased overall costs for employees and retirees

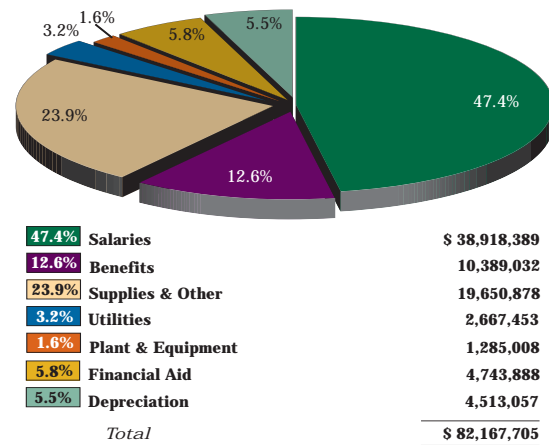
Supplies and other expenses increased due to a rise in fixed costs and additional University funding for supplies and travel.

Plant and equipment expenses increased due to additional utility costs and University funding for renovation and repair of facilities.

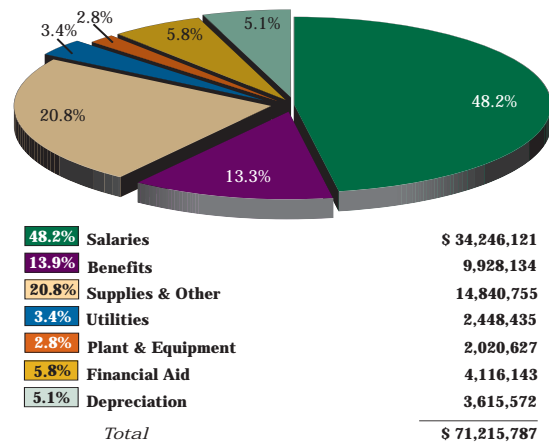
Financial aid expense increased due to additional University funded scholarships and increased federal grants awarded.

Depreciation expense increased due to the addition of capital assets.

2008 Operating Expenses Natural Classification



2007 Operating Expenses Natural Classification



Statement of Cash Flows

The Statement of Cash Flows provides information about cash inflows and outflows during the period. It classifies cash flows as those related to operating, non-capital financing, capital financing, and investing activities. This statement assists users to assess the University's ability to generate future net cash flows, to meet obligations as they come due, and to assess its need for external financing.

	<u>2008</u>	<u>2007</u>
Cash Provided (Used) By:		
Operating Activities	\$ (24,290,954)	\$ (17,396,485)
Non-capital Financing Activities	34,877,761	31,179,580
Capital and Related Financing Activities	(7,691,719)	(7,896,441)
Investing Activities	2,209,988	592,142
Net Increase (Decrease) in Cash	5,105,076	6,478,796
Cash, Beginning of Year	42,445,353	35,966,557
Cash, End of Year	\$ 47,550,429	\$ 42,445,353

Cash receipts from operating activities consist primarily of tuition, grants, contracts, food service, and housing revenues. Cash outlays include payment of wages, benefits, supplies, utilities, and scholarships.

State appropriation is the primary source of non-capital financing. Accounting standards require this source of revenue to be reported as non-operating although the University's budget depends on this funding to continue the current level of operations.

Cash flows from capital and related financing activities consist of capital grants and gifts less expenditures for capital asset construction and purchases.

Net cash inflow for investing activities reflects increased investment income and proceeds from sales of investments..

Significant Capital Asset and Debt Activity

Construction projects conducted and completed during the year included renovations to Collier Library, Rogers Hall, and the East Campus. Additionally, the final phase of the electrical transformer replacement project was completed and implementation of the administrative software project continued. No new debt was acquired during this reporting period.

Economic and Enrollment Factors That Will Affect the Future

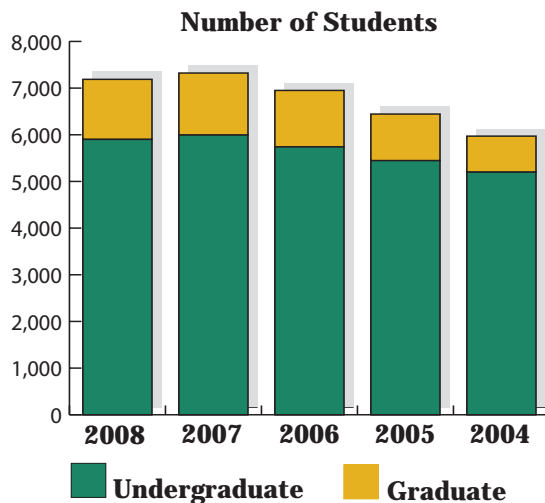
The level of State support, compensation increases, student tuition and fee increases, and energy costs directly affects the University's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

The University recorded another record increase in enrollment for Fall 2007 and continues its ongoing effort to attract and retain students.

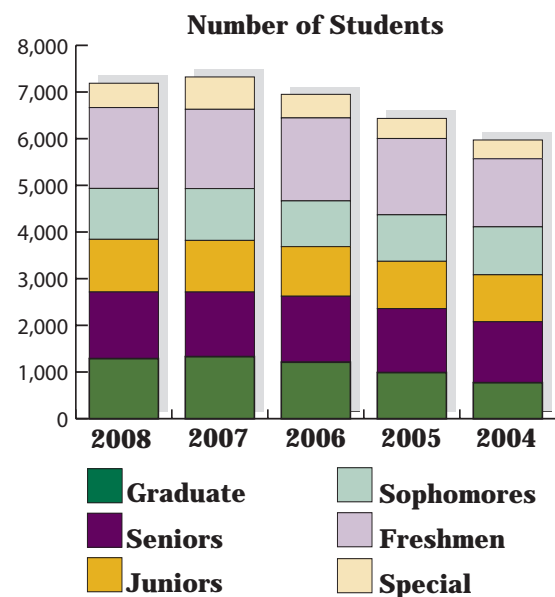
Student Fall Enrollment Data (head count)

	2008	%	2007	%	2006	%	2005	%	2004	%
Undergraduate	5,901	82%	5,994	82%	5,740	83%	5,446	85%	5,200	87%
Graduate	1,287	18%	1,329	18%	1,210	17%	998	15%	771	13%
Total	7,188		7,323		6,950		6,444		5,971	
Fall Enrollment Breakdown										
Graduate	1,287	18%	1,329	18%	1,210	17%	998	15%	771	13%
Seniors	1,428	20%	1,385	19%	1,414	20%	1,371	21%	1,306	22%
Juniors	1,128	16%	1,106	15%	1,063	16%	1,013	16%	1,007	17%
Sophomores	1,091	15%	1,111	15%	980	14%	997	15%	1,027	17%
Freshmen	1,733	24%	1,698	23%	1,778	26%	1,635	25%	1,458	24%
Special	521	7%	694	10%	505	7%	430	8%	402	7%
In-State	5,284	74%	4,965	68%	4,857	70%	4,695	73%	4,431	74%
International	948	13%	1,181	16%	752	11%	433	7%	337	6%
Out-of-State	956	13%	1,177	16%	1,341	19%	1,316	20%	1,203	20%
Full-Time	5,248	73%	5,173	71%	5,033	72%	4,650	72%	4,435	74%
Part-Time	1,940	27%	2,150	29%	1,917	28%	1,765	28%	1,536	26%
Female	3,994	56%	4,056	55%	3,921	56%	3,679	57%	3,436	58%
Male	3,193	44%	3,267	45%	3,029	44%	2,765	43%	2,535	42%
Not-Reported	1	—								
White	4,683	65%	4,714	64%	4,726	68%	4,657	72%	4,500	75%
Black	730	10%	688	10%	643	9%	607	9%	546	9%
Other	1,775	25%	1,921	26%	1,581	23%	1,180	19%	925	16%

Enrollment Fall Semester
Five Year History
Graduate and Undergraduate



Enrollment Fall Semester
Five Year History
Graduate, Seniors, Juniors, Sophomores,
Freshmen and Special

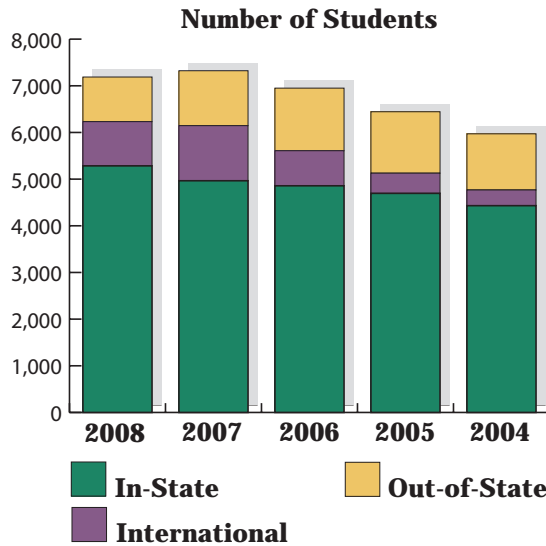


University of North Alabama

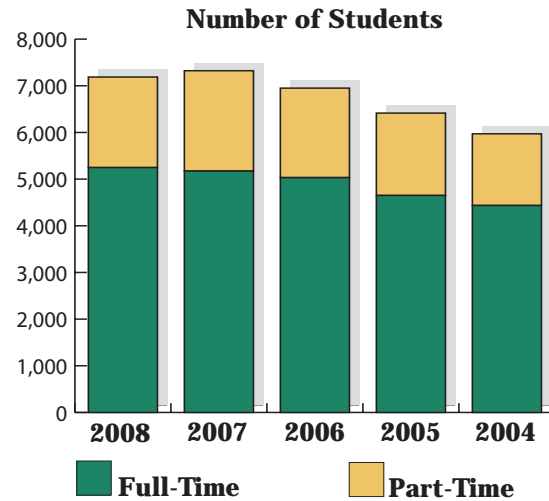
Management's Discussion and Analysis

Fiscal Year Ended September 30, 2008

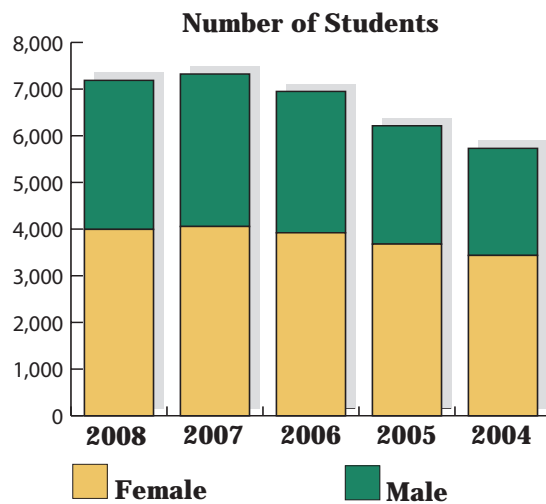
*Enrollment Fall Semester
Five Year History
In-State, International
and Out-of-State*



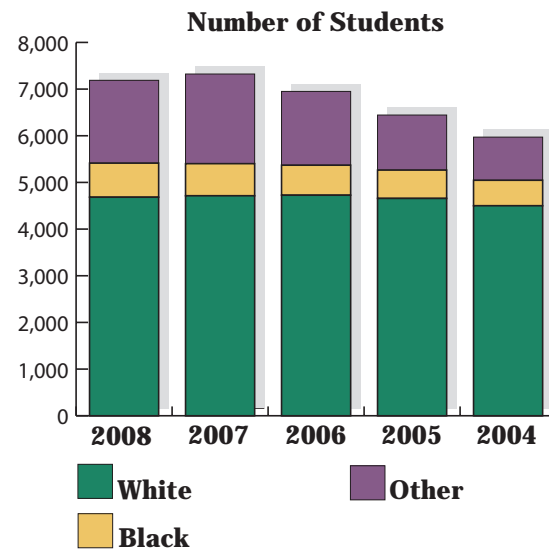
*Enrollment Fall Semester
Five Year History
Full-Time and Part-Time*



*Enrollment Fall Semester
Five Year History
Female and Male*



*Enrollment Fall Semester
Five Year History
White, Black and Other*



Financial Statements



University of North Alabama

Financial Statements
September 30, 2008

STATEMENT OF NET ASSETS

ASSETS

Current Assets

	As of September 30	
	2008	2007
Cash and Cash Equivalents	\$ 47,193,695	\$ 42,079,611
Short-term Investments	4,044,069	3,921,672
Accounts Receivable	5,338,664	5,001,642
Inventories	26,742	35,835
Notes Receivable	310,820	285,886
Stadium Use Agreement	29,486	28,150
Other Assets	1,228,328	1,379,080
Total Current Assets	58,171,804	52,731,876

Non-Current Assets

Restricted Cash and Cash Equivalents	356,734	365,742
Long-term Investments	5,699,980	7,420,077
Notes Receivable	1,663,221	1,528,368
Stadium Use Agreement	383,994	413,480
Capital Assets, Net	63,285,322	60,026,134
Total Non-Current Assets	71,389,251	69,753,801

Total Assets

\$ 129,561,055	\$ 122,485,677
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LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities	\$ 3,863,648	\$ 12,438,171
Deferred Revenue	10,997,065	11,130,891
Deposits	77,312	68,922
Deposits Held in Custody for Other	590,476	529,202
Stadium Use Agreement Payable	29,487	28,150
Notes Payable	642,008	0
Bonds Payable	845,000	755,000
Compensated Absences	92,398	58,814
Total Current Liabilities	17,137,394	15,009,150

Non-Current Liabilities

Stadium Use Agreement Payable	383,994	413,480
Notes Payable	0	642,008
Bonds Payable	22,085,000	22,930,000
Compensated Absences	960,153	984,174
Total Non-Current Liabilities	23,429,147	24,969,662

Total Liabilities

40,566,541	39,978,812
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NET ASSETS

Invested in Capital Assets, Net of Related Debt

Restricted

Nonexpendable:		
Scholarships and Fellowships	2,162,445	2,138,457
Expendable:		
Scholarships and Fellowships	1,945,384	3,191,814
Research and Public Service	610,580	442,961
Instructional Department Uses	3,602,748	2,759,500
Loans	2,233,555	2,233,854
Unrestricted	38,726,489	36,041,154

Total Net Assets

88,994,515	82,506,865
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Total Liabilities and Net Assets

\$ 129,561,055	\$ 122,485,677
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The accompanying Notes to the Financial Statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

REVENUES	Year Ended September 30	
	2008	2007
Operating Revenues		
Student Tuition and Fees (Net of Scholarship Allowances)	\$ 31,275,407	\$ 29,312,214
Federal Grants and Contracts	6,186,796	5,661,867
State and Local Grants and Contracts	4,472,387	3,336,944
Nongovernmental Grants and Contracts	1,768,992	2,274,796
Auxiliary Enterprises Revenue (Net of Scholarship Allowances)	7,050,777	5,907,102
Athletic Revenue	610,250	589,641
Other Operating Revenue	965,170	1,108,517
Total Operating Revenues	52,329,779	48,191,081
EXPENSES		
Operating Expenses		
Educational and General		
Instruction	30,810,210	26,888,237
Research and Public Service	6,518,212	5,039,449
Academic Support	4,403,468	4,483,924
Student Services	5,646,290	5,092,689
Institutional Support	10,035,059	7,554,903
Operation and Maintenance of Plant	5,922,088	5,995,701
Depreciation	4,513,057	3,615,572
Scholarships and Related Expenses	4,966,921	4,303,311
Auxiliary Enterprises	8,364,480	7,447,600
Loan Administrative Fees and Collection Cost	20,892	23,357
Other Expenditures	967,028	771,043
Total Operating Expenses	82,167,705	71,215,786
Operating Income / (Loss)	\$ (29,837,926)	\$ (23,024,706)
Non-Operating Revenues / (Expenses)		
State Appropriations	34,875,031	31,179,580
Investment Revenue - Net	643,967	2,920,477
Interest Expense on Capital Asset Related Debt	(1,163,314)	(1,193,382)
Net Non-Operating Revenues	34,355,684	32,906,675
Income Before Other Revenues, Expenses, Gains or Losses	\$ 4,517,758	\$ 9,881,969
Other Revenues		
Capital Grants, Contracts, and Gifts	1,967,162	743,284
Additions to Permanent Endowments	2,730	0
Total Other Revenues	1,969,892	743,284
Increase / (Decrease) in Net Assets	\$ 6,487,650	\$ 10,625,253
NET ASSETS		
Net Assets - Beginning of Year as Restated (Note #14)	\$ 82,506,865	\$ 71,881,612
Net Assets - End of Year	\$ 88,994,515	\$ 82,506,865

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS**CASH FLOWS FROM OPERATING ACTIVITIES**

	Year Ended September 30	
	2008	2007
Tuition and Fees	\$ 30,533,246	\$ 29,591,427
Grants and Contracts	12,926,289	12,305,964
Payments to Suppliers	(19,350,565)	(16,558,190)
Payments to Employees	(38,918,389)	(34,246,121)
Payments for Scholarships	(4,743,888)	(4,116,143)
Payments for Benefits	(10,379,469)	(9,814,661)
Payments for Utilities	(2,667,453)	(2,448,435)
Auxiliary Enterprises Rev	7,004,079	6,082,743
Athletics Rev	610,250	589,641
Loans Issued to Students and Employees	(344,122)	(354,414)
Collection of Loans	184,335	245,602
Other Receipts	854,733	1,326,102
Net Cash Provided (Used) by Operating Activities	(24,290,954)	(17,396,485)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	34,875,031	31,179,580
Private Gifts for Endowment Purposes	2,730	0
Net Cash Provided (Used) by Non-Capital Financing Activities	34,877,761	31,179,580

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Deposit With Trustee	31,679	(68,007)
Capital Grants and Gifts Received	1,967,162	743,284
Purchases of Capital Assets	(7,772,246)	(6,703,336)
Principal Paid on Capital Debt	(755,000)	(675,000)
Interest Paid on Capital Debt	(1,163,314)	(1,193,382)
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,691,719)	(7,896,441)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds From Sales and Maturities of Investments	1,811,049	(711,043)
Investment Income	643,967	2,920,477
Purchase of Investments	(245,028)	(1,617,292)
Net Cash Provided (Used) by Investing Activities	2,209,988	592,142

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,105,076	6,478,796
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	42,445,353	35,966,557
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CASH AND EQUIVALENTS - END OF YEAR	\$ 47,550,429	\$ 42,445,353
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**RECONCILIATION OF NET OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES**

	<u>2008</u>	<u>2007</u>
Operating Loss	\$ (29,837,926)	\$ (23,024,706)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,513,057	3,615,572
Change in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(337,020)	322,342
(Increase)/Decrease in Inventories	9,093	(3,376)
(Increase)/Decrease in Notes Receivable	(159,787)	(108,812)
(Increase)/Decrease in Prepaid Assets	150,752	39,559
Increase/(Decrease) in Accounts Payable	1,425,477	267,009
Increase/(Decrease) in Deferred Revenue	(133,826)	1,293,551
Increase/(Decrease) in Deposits	8,390	(10,064)
Increase/(Decrease) in Deposits Held for Others	61,274	98,966
Increase/(Decrease) in Compensated Absences	9,562	113,474
Net Cash Provided (Used) by Operating Activities	<u>\$ (24,290,954)</u>	<u>\$ (17,396,485)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

University of North Alabama

Financial Statements

Year Ended September 30, 2008

UNIVERSITY OF NORTH ALABAMA FOUNDATION

STATEMENT OF FINANCIAL POSITION

	As of September 30	
	2008	2007
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,207,567	\$ 3,965,049
Accounts Receivable	66,400	23,108
Pledges Receivable	41,216	25,000
Inventories	5,169	2,734
Interest Receivable	26,937	7,385
Total Current Assets	1,347,289	4,023,276
Total Investments	14,521,328	13,681,565
Fixed Assets:		
Donated Artifacts and Collectibles	273,950	263,650
Furniture and Equipment	34,064	34,064
	308,014	297,714
Less: Accumulated Depreciation	34,064	33,801
Total Fixed Assets	273,950	263,913
Other Assets:		
Pledges Receivable	45,208	74,691
Total Other Assets	45,208	74,691
TOTAL ASSETS	\$ 16,187,775	\$ 18,043,445
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 26,416	\$ 3,151
Obligations under Annuity Contracts - Current Portion	65,854	65,197
Total Current Liabilities	92,270	68,348
Obligations under Annuity Contracts - Deferred Portion	217,846	197,792
Total Liabilities	310,116	266,140
Net Assets:		
Unrestricted	320,890	292,934
Temporarily Restricted - Restated	3,240,763	5,993,666
Permanently Restricted	12,316,006	11,490,705
Total Net Assets	15,877,659	17,777,305
TOTAL LIABILITIES AND NET ASSETS	\$ 16,187,775	\$ 18,043,445

STATEMENT OF ACTIVITIES

SUPPORT AND REVENUE		
Support:		
Contributions	\$ 1,487,472	\$ 1,024,411
In-Kind Contributions	35,354	50,000
Other Income	58,927	64,858
Total Support	1,581,753	1,139,269
Revenue:		
Interest and Dividends	416,863	461,611
Net Unrealized and Realized/Gain (Loss) on Investments	(2,280,484)	1,469,881
Total Revenue	(1,863,621)	1,931,492
TOTAL SUPPORT AND REVENUE	\$ (281,868)	\$ 3,070,761
EXPENSES		
Program Services	\$ 1,139,519	\$ 264,690
Support Services	453,259	265,646
Loss on Pledges	25,000	15,000
TOTAL EXPENSES	1,617,778	545,336
Net Change in Assets	(1,899,646)	2,525,425
Net Assets - Beginning of Year	\$ 17,777,305	\$ 15,251,880
Net Assets - End of Year	\$ 15,877,659	\$ 17,777,305

The accompanying Notes to the Financial Statements are an integral part of this statement.

Note 1 Summary of Significant Accounting Policies

The financial statements of the University of North Alabama are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the University of North Alabama are described below.

A. Reporting Entity

The University of North Alabama a publicly supported, state funded institution, is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement No. 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the University of North Alabama's Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University of North Alabama is considered for financial reporting purposes to be a component unit of the State of Alabama.

During FY 2005 the University adopted GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". This statement provides criteria for determining whether organizations for which a government is not financially accountable, should be reported as component units. Because of the significance of the relationship between the University and the University of North Alabama Foundation, the University has determined the Foundation to be a component unit under GASB 39, and therefore has included the UNA Foundation statements in this report. Since the UNA Foundation reporting format is governed by the Financial Accounting Standards Board (FASB), rather than GASB as required for the University, the statements are presented separately to allow for formatting differences.

The UNA Foundation is governed by its own board of directors, is exempt for federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code, and is a qualified charitable organization established to solicit individual and corporate donations for the direct benefit of the University. Contributions to the University are primarily received through the UNA Foundation, and are deductible by donors as provided under Section 170(b)(1)(A)(iv) of the Internal Revenue Code.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation University of North Alabama

The financial statements of the University of North Alabama have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The University of North Alabama follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

It is the policy of the University to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net assets are available.

The Statement of Revenues, Expenses, and Changes in Net Assets distinguishes between operating and non-operating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University of North Alabama. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the University of North Alabama's principal activities, such as investment income and from all nonexchange transactions such as state appropriations.

C. Assets, Liabilities, and Net Assets *University of North Alabama*

Cash and Cash Equivalents

The University has defined cash to include currency on hand and demand deposits with financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the University may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Restricted cash and cash equivalents consist of funds in University bank accounts restricted for endowment purposes.

Investments

Investments are reported at fair value based on quoted market prices.

Receivables

Accounts receivable relate to amounts due from federal grants, state appropriations, third party tuition, auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings. An allowance for doubtful accounts has been established.

Inventories

The inventories are comprised of consumable supplies and are valued at cost. Inventories are valued using the first in/first out (FIFO) method.

Capital Assets

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

The method of depreciation and useful lives of the capital assets are as follows:

Asset	Depreciation Method	Useful Lives
Buildings and Improvements	Straight Line	50 Years
Improvements Other Than Buildings	Straight Line	25 Years
Equipment	Straight Line	5 Years
Software	Straight Line	10 Years
Library Materials	Composite	10 Years

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

Compensated Absences

The Board of Trustees determines annual and sick leave policies for the University's employees. No liability is recorded for sick leave. Staff and department-head employees earn and accumulate annual leave at the following rates:

Years of Employment	Number of Days Each Year	Maximum Days Accumulation
Up to 2 Years	10 Days	25 Days
After 2 Years	12 Days	25 Days
After 3 Years	13 Days	25 Days
After 4 Years	14 Days	25 Days
After 5 Years	15 Days	25 Days
After 6 Years	16 Days	25 Days
After 7 Years	17 Days	25 Days
After 8 Years	18 Days	25 Days
After 9 Years	19 Days	25 Days
After 10 Years	20 Days	25 Days

Faculty of the University do not earn annual leave. Payment is not made to employees for unused sick leave at termination or retirement.

Deferred Tuition and Fee Revenue

Tuition and fee revenues received but related to the period after September 30, 2008 have been deferred.

Net Assets

Net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in Capital Assets, net of related debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- **Restricted**
 - Nonexpendable*** – Net assets subject to externally imposed stipulations that they be maintained permanently by the University of North Alabama. Such assets include the University of North Alabama's permanent endowment funds.
 - Expendable*** – Net assets whose use by the University of North Alabama is subject to externally imposed stipulations that can be fulfilled by actions of the University of North Alabama pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.
- **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees

Federal Financial Assistance Programs

The University participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the Office of Management and Budget (OMB) Compliance Supplement.

Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and /or third parties making payments on behalf of the student. The University uses the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

D. Significant Accounting Policies

University of North Alabama Foundation

In most cases the Foundation follows the accounting policies of the University with the following additional policies.

Basis of Accounting and Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting. The Foundation's net assets are segregated into three groups as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions. Items included in this net asset category include receipt of unrestricted gifts and earnings on unrestricted endowments, and idle funds.

- **Temporarily Restricted Net Assets** – Net assets subject to donor imposed restrictions that may or will be met by actions of the Foundation or the passage of time. Items included in this net asset category include restricted gifts and earnings on endowment funds expendable for purposes stipulated by the donor. These amounts are reclassified to unrestricted net assets when such restrictions, primarily purpose restrictions, are met or have expired.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation. Items included in this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income be made available for expenditure.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted funds held in demand deposit accounts. Cash restricted or designated for investment is included in investments.

Foundation Investments

Investments consist primarily of stocks, bonds and mutual funds. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position, with all net realized and unrealized gains (losses) reflected in the statement of activities.

Contributions

Contribution revenue is recorded at the fair value of the asset or service received. Unconditional promises to give cash and other assets are recorded at the date the promise is received at its net realizable value. The contributions are recorded as unrestricted revenue in the period the asset is received or the unconditional promise is received if there are no donor stipulations that limit the use of the asset. The contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2 Deposits and Investments

A. Deposits

The University's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The statement of net assets classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. Investments

Investments are subject to certain types of risks including credit risk, interest rate risk, and foreign currency risk. A description of each of these types of risk, and the University's and Foundation's policies to minimize these risks, are described below:

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This type of risk falls into the three categories described below:

Credit Quality

Nationally recognized statistical rating organizations provide ratings of debt securities quality, which provide investors with information about the issuer's ability to meet its obligations. The University's and Foundation's investment policies require that at least 85% of market value of the total equity portfolio shall be stocks rated "B" or better by Standard & Poor's, with preference given to "Blue Chip" stocks. "No Load" funds with excellent earnings and growth history are preferred. All fixed income securities must have at least "A" rating by Moody's or Standard & Poor's at the time of purchase. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or Board. In addition, the policy specifically prohibits eleven types of high risk transactions, such as futures, commodities, and margin purchases.

Custodial Credit Risk

Custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if that party fails. The University's and Foundation's custodial risk is limited. All investments are in the name of the University or Foundation. Securities held by a third party are either collateralized or part of the SAFE program previously mentioned in the Deposits section.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The University's and Foundation's investment policies reduce risk of this type of loss. The policies require that equity investments be diversified so that no single issue shall exceed 5% nor shall any single industry exceed 10% of the market value of the total equity securities or any one issuing corporation. Shares in externally managed equity mutual funds may only be purchased with prior approval of the University or Foundation President or Board. These same criteria apply to fixed income investments.

Interest Rate Risk

Interest rate risk involves the adverse effect changes in interest rates could have on the fair value of an investment. As a means of limiting its exposure to fair value losses arising from interest rates, the University's and Foundation's investment policies require that maturities of investments be matched against cash flow needs to maximize yields.

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The policies of the University and the Foundation limit global stocks to a target of 6% of total investments thereby guarding against foreign currency risk.

The following tables provide information as of September 30, 2008 concerning the fair

University of North Alabama

Notes to the Financial Statements
Year Ended September 30, 2008

value of investments, interest rate risk, and foreign currency risk for University investments and Foundation investments.

University of North Alabama Investment Maturities at Fair Value (in Years)

Type of Investment	Less Than 1	1 - 5	6 - 10	More Than 10	Total Fair Value
<i>Debt Securities:</i>					
U.S. Agency Securities	\$	\$ 37,215	\$ 123,789	\$ 124,928	\$ 285,932
Repurchase Agreements	4,044,069				4,044,069
Total Debt Securities	\$ 4,044,069	\$ 37,215	\$ 123,789	\$ 124,928	\$ 4,330,001
Domestic Stocks					35,915
International Mutual Funds					3,915,736
Certificates of Deposit					95,857
Money Market Accounts					1,366,540
Total Investments					\$ 9,744,049

University of North Alabama Foundation Investment Maturities at Fair Value (in Years)

Type of Investment	Less Than 1	1 - 5	6 - 10	More Than 10	Total Fair Value
<i>Debt Securities:</i>					
U.S. Agency Securities	\$	\$ 1,894,440	\$ 532,865	\$	\$ 2,427,305
Total Debt Securities		\$ 1,894,440	\$ 532,865	\$	\$ 2,427,305
Domestic Stocks					3,725,955
Mutual Funds					4,335,259
International Mutual Funds					598,462
Money Market Accounts					3,399,692
Mastered Limited Partnerships					34,655
Total Investments					\$ 14,521,328

The following tables provide information concerning credit risk for the University's invest-

ments, and for the Foundation's investments as of September 30, 2008.

University of North Alabama
Credit Quality Ratings of Fixed Maturities

Moody's Ratings*	Fair Value
AAA	\$ 285,932
Not Rated	4,044,069
Total	\$ 4,330,001

University of North Alabama Foundation
Credit Quality Ratings of Fixed Maturities

Moody's Ratings*	Fair Value
AAA	\$ 2,217,926
AA2	139,517
A2	69,862
Total	\$ 2,427,305

*Moody's ratings are used when available
denoted above by (S&P).

used when Moody's is not available,

University of North Alabama

Notes to the Financial Statements
Year Ended September 30, 2008

Note 3 Receivables

Receivables for the University are summarized as follows:

Accounts Receivable:	9/30/08	9/30/07
Federal and State Agencies	\$ 1,375,524	\$ 854,931
Third-Party Contracts	1,164,469	1,789,049
Students	2,539,022	2,262,512
Other	259,649	95,150
Total Accounts Receivable	\$ 5,338,664	\$ 5,001,642
Student Notes Receivable:		
Current	\$ 310,820	\$ 285,886
Noncurrent	1,663,221	1,528,368
Total Student Notes Receivable	\$ 1,974,041	\$ 1,814,254

Note 4 Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

Schedule of Changes in Fixed Assets

	Balance 9/30/07	Additions	Transfers	Reductions	Balance 9/30/08
Land	\$ 3,732,429				\$ 3,732,429
Buildings	71,778,085		\$ 4,227,445		76,005,530
Improvements and Betterments	10,281,106		1,788,234		12,069,340
Equipment	14,974,838	\$ 391,430	(5,054,682)		10,311,586
Banner Software	0	1,336,429	5,054,682		6,391,111
Library Books	18,897,714	800,190		\$ (21,231)	19,676,673
Construction in Progress	1,711,614	5,244,197	(6,015,679)		940,132
Total	\$ 121,375,786	\$ 7,772,246	\$ 0	\$ (21,231)	\$ 129,126,801

Schedule of Depreciation

	Accumulated Depreciation 9/30/07	Depreciation FYE 9/30/08	Transfers	Reductions	Accumulated Depreciation 9/30/08
Buildings	\$ 31,874,732	\$ 1,758,503			\$ 33,633,235
Improvements and Betterments	3,792,423	468,489			4,260,912
Equipment	6,784,783	846,765			7,631,548
Banner Software	0	639,111			639,111
Library Books	18,897,714	800,190		\$ (21,231)	19,676,673
Total	\$ 61,349,652	\$ 4,513,058	\$ 0	\$ (21,231)	\$ 65,841,479
Capital Assets Net of Depreciation	\$ 60,026,134	\$ 3,259,188	\$ 0	\$ 0	\$ 63,285,322

Note 5 Defined Benefit Pension Plan

A. Plan Description

The University contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the University are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the University of North Alabama. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Teachers' Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the Code of Alabama 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Employees, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. As of January 1, 2001, full-time law enforcement officers (as defined by Act No. 2000-669, Acts of Alabama, Page 1335) are required by statute to contribute 6 percent of their salary to the Teachers' Retirement System. The University of North Alabama is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the University of North Alabama and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30	2008	2007	2006
Total percentage of Covered Payroll	17.75%	14.98%	13.17%
Contributions:			
Percentage Contributed by the University	11.75%	9.98%	8.17%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Additional Percentage Contributed by Law Enforcement Employees	1.00%	1.00%	1.00%
Contributed by the University	\$ 4,491,405	\$ 3,209,364	\$ 2,300,212
Contributed by Employees	1,773,776	1,612,724	1,411,095
Total Contributed	\$ 6,265,181	\$ 4,822,088	\$ 3,711,307

University of North Alabama

Notes to the Financial Statements
Year Ended September 30, 2008

Note 6 Construction and Other Significant Commitments

As of September 30, 2008 the University of North Alabama had been awarded approximately \$4.5 million in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 7 Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2008 for goods and services received prior to the end of the fiscal year, as follows:

Accounts Payable and Accrued Liabilities:	9/30/08	9/30/07
Salaries and Wages	\$ 481,207	\$ 523,185
Benefits	89,616	65,482
Interest Payable	475,318	488,282
Supplies and Utilities	2,371,614	562,530
Other	445,893	798,692
Total Accounts Payable and Accrued Liabilities	\$ 3,863,648	\$ 2,438,171

Note 8 Lease Obligations

A. Operating Leases

The University is obligated under a certain lease accounted for as an operating lease for the use of Braly Stadium. Operating leases do not give rise to property rights. During the fiscal year ended September 30, 2008, the University paid a total of \$49,127 for operating leases.

The following is a schedule by fiscal year of future minimum rental payments required under operating leases for facilities that have an initial or remaining noncancelable lease term in excess of one year as of September 30, 2008:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2009	\$ 29,487	\$ 19,640	\$ 49,127
FY 2010	30,887	18,240	49,127
FY 2011	32,354	16,773	49,127
FY 2012	33,891	15,236	49,127
FY 2013	35,501	13,626	49,127
FY 2014	37,187	11,940	49,127
FY 2015-2019	214,173	31,463	245,636
Total Minimum Payments Required	\$ 413,480	\$ 126,918	\$ 540,398

Note 9 Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2008 was as follows:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008	Current Portion	NonCurrent Portion
Bonds Payable	\$ 23,685,000		\$ 755,000	\$ 22,930,000	\$ 845,000	\$ 22,085,000
Notes Payable	642,008			642,008	642,008	0
Leases Payable	441,630		28,150	413,480	29,486	383,994
Total Long-Term Obligations	\$ 24,768,638		\$ 783,150	\$ 23,985,488	\$ 1,516,494	\$ 22,468,994
Long-term Portion of Compensated Absences						\$ 960,153
Total Long-term Debt and Other Obligations						\$ 23,429,147

Debt obligations of the University consist of the following:

Bonds Payable

1999-A General Fee Revenue Bonds
with an interest rate of 3.65% to 5.40%
payable in installments to maturity in
2018, collateralized by general student fees.

	Balance September 30, 2008	Balance September 30, 2007
	\$ 11,665,000	\$ 12,190,000

2003 Student Housing Revenue Bonds with an
interest rate of 1.35% to 5.00% payable
in installments to maturity in 2035, collateralized
by net student housing revenues.

	11,265,000	11,495,000
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Notes Payable

Note - Wachovia
Variable Interest Rate - 4.2%
Interest payments due quarterly with lump sum
principal due February 4, 2009.

	642,008	642,008
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Leases Payable

Payable to the City of Florence for University
use of Braly Stadium. Payments due
annually at 4.75% interest through
March 1, 2019.

	413,480	441,630
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Total Debt Obligations

	\$ 23,985,488	\$ 24,768,638
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Revenue from student tuition and fees and housing revenue sufficient to pay annual debt service is pledged to secure the 1999 and 2003 bonds, respectively. Principal and interest maturity requirements on bond debt are as follows:

Debt Service Requirements

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2009	845,000	1,095,900	1,940,900
FY 2010	940,000	1,057,674	1,997,674
FY 2011	1,045,000	1,013,016	2,058,016
FY 2012	1,165,000	961,906	2,126,906
FY 2013	1,300,000	900,800	2,200,800
FY 2014-2018	8,980,000	3,295,668	12,275,668
FY 2019-2023	1,975,000	1,828,694	3,803,694
FY 2024-2028	2,315,000	1,350,012	3,665,012
FY 2029-2033	2,965,000	700,919	3,665,919
FY 2034-2035	1,400,000	67,213	1,467,213
Total Debt Service Requirements	\$ 22,930,000	\$ 12,271,802	\$ 35,201,802

A. Bond Issuance Costs and Premiums

The University prepaid bond issuance costs and bond discounts in connection with the issuance of its 1999 and 2003 Revenue Bonds. The issuance costs and bond discounts are being amortized using the straight line method over the life of the bonds.

	<u>Issuance Costs</u>	<u>Discounts</u>
Total Prepaid Issuance Costs and Discounts	\$ 267,252	\$ 432,577
Amount Amortized Prior Years	(72,515)	(130,008)
Balance 9/30/07	194,737	302,569
Current Year Amount Amortized	(11,171)	(18,826)
Balance 9/30/08	<u>\$ 183,566</u>	<u>\$ 283,743</u>

Note 10 Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The University purchases commercial insurance for its automobile coverage, intramural catastrophic, athletic medical and catastrophic, and professional legal liability coverage. In addition, the University has fidelity bonds on the University's president, vice president of business and financial affairs, controller, and all other University personnel who handle funds.

Employee health insurance for the University of North Alabama is provided through Blue Cross/Blue Shield of Alabama. The plan was established to provide a uniform plan of health insurance for employees of the University. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The University contributes a specified amount monthly to the plan for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

Note 11 Endowments

Endowments are held in both the University and the Foundation. The policy described below for University endowment funds is also applicable to Foundation endowment funds.

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Trustees is required to consider the University's "long and short term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic condition." Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The Board of Trustees chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by the Board, 3-6 percent of the market value of endowment investments at the end of the previous calendar year has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income.

Note 12 Related Parties

University of North Alabama Foundation

The University of North Alabama Foundation was incorporated as a non-profit corporation to promote the advancement of the University of North Alabama, to further scientific, literary, and educational purposes, and to encourage and support students and faculty. This report contains financial statements of the University of North Alabama Foundation.

The majority of funds the Foundation raises are restricted for specific schools, colleges or programs of the University. These may be transferred to the University for its use, expended for the benefit of University schools, colleges or programs, or in the case of endowments, invested according to donor restriction and the earnings transferred to or expended for the University's benefit.

The President of the University serves as an ex officio member of the Foundation's Board of Directors. The University is the primary recipient of Foundation expenditures and maintains the Foundation's accounting records.

University of North Alabama Alumni Association

The University of North Alabama Alumni Association was also created to promote the advancement of the University of North Alabama, to further scientific, literary, and educational purposes, and to encourage and support students and faculty. This report contains financial activity of the University of North Alabama Alumni Association, as a component of the University of North Alabama Foundation financial statements.

Note 13 Subsequent Events

No events occurred subsequent to September 30, 2008 that will significantly impact these financial statements.

Note 14 Net Asset Restatement

The following prior period adjustments have been made as outlined below:

Net Assets Reported as of September 30, 2006	\$ 71,766,593
Increase in Equipment	206,022
Increase in Accumulated Depreciation	(91,033)
Total Increase in Fund Balance	115,019
Adjusted Net Assets as of September 20, 2006	<u>\$ 71,881,612</u>



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