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# University of North Alabama

Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2009

## 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 11, and should be read in conjunction with the Notes to the Financial Statements starting on page 16. The Foundation's statements presented are the Statement of Financial Position and Statement of Activities, shown on page 15.

The following summary and management discussion of financial information is intended to provide the readers with an overview of the financial statements. Only the comparative figures for FY 2008 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 decreased 2.9% in the current fiscal year to \$86.7 million.

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
Current Assets		
Cash and Short-term Investments	\$ 49,940,481	\$ 51,237,764
Receivables	6,767,095	5,649,484
Inventory, Prepaid Expenses, and Other	298,550	419,434
<b>Total Current Assets</b>	<b>57,006,126</b>	<b>57,306,682</b>
Non-Current Assets		
Restricted Cash and Long-term Investments	5,664,040	6,056,714
Long-term Receivables	1,777,902	1,663,221
Other Non Current Assets	782,766	821,307
Capital Assets, Net of Depreciation	61,703,226	64,013,540
<b>Total Non-Current Assets</b>	<b>69,927,934</b>	<b>72,554,782</b>
<b>Total Assets</b>	<b>\$ 126,934,060</b>	<b>\$ 129,861,464</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,246,765	\$ 3,863,648
Deferred Revenue	12,910,923	10,997,065
Deposits Held in Custody for Others	481,738	667,789
Other Long-term Liabilities-Current Portion	1,069,176	1,608,892
<b>Total Current Liabilities</b>	<b>17,708,602</b>	<b>17,137,394</b>
Non-Current Liabilities		
Long-term Liabilities	22,530,239	23,429,146
<b>Total Liabilities</b>	<b>40,238,841</b>	<b>40,566,540</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 39,618,226	\$ 41,550,851
Restricted	12,486,495	11,909,296
Unrestricted	34,590,498	35,834,777
<b>Total Net Assets</b>	<b>86,695,219</b>	<b>89,294,924</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 126,934,060</b>	<b>\$ 129,861,464</b>

**Cash and short-term investments** decreased by \$1.3 million. This was due to a decrease in State funding and lower earnings on investments. Short-term investments are defined as those with maturities of less than one year.

**Receivables** include grants, state appropriations, student accounts, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Overall current receivables increased approximately \$1.2 million 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 \$393,000 due to market losses. The University monitors the investment portfolio to insure proper adherence to investment guidelines.

**Capital assets (net)** decreased by \$2.3 million due to fewer capital projects being completed in FY 2009.

**Accounts payable and accrued liabilities** decreased \$576,000 due primarily to a decrease in end of year spending attributable to reduced State funding.

**Deferred revenue** increased 17.4% due to reduced booked revenue resulting from a shorter semester through 9/30/09.

**Long-term liabilities** decreased by \$900,000 due to scheduled payment of bond principal.

**Net assets** decreased 2.9% overall. The University's net capital assets decreased due to a reduced number of capital projects completed. Restricted net assets decreased as a result of market losses on endowments, and an increase in scholarships awarded. Unrestricted net assets reflect a decrease 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**

	<b>2009</b>	<b>2008</b>
Operating Revenues		
Student Tuition and Fees	\$ 29,737,093	\$ 30,967,040
Auxiliary Enterprises Revenue	6,918,426	7,046,836
Grants and Contracts	7,042,057	7,739,671
Athletic Revenue	776,947	610,250
Other Operating Revenue	1,405,858	965,170
<b>Total Operating Revenues</b>	<b>\$ 45,880,381</b>	<b>\$ 47,328,967</b>

### **EXPENSES**

Operating Expenses	82,268,485	81,807,140
Net Operating Income (Loss)	<b>(36,388,104)</b>	<b>(34,478,173)</b>
<b>Non-Operating Revenues (Expenses)</b>		
State Appropriations	28,475,819	35,125,031
Federal Grants and Contracts	5,745,209	4,940,655
Gifts (Including Endowment)	1,600	2,730
Capital Grants, Contracts, and Gifts	164,785	1,717,162
Investment Income	501,243	643,967
Other Non-Operating Expense	(1,100,257)	(1,163,314)
<b>Total Non-Operating Revenues-Net</b>	<b>33,788,399</b>	<b>41,266,231</b>
Increase in Net Assets	(2,599,705)	6,788,058
<b>Net Assets-Beginning of Year</b>	<b>\$ 89,294,924</b>	<b>\$ 82,506,865</b>
<b>Net Assets-End of Year</b>	<b>\$ 86,695,219</b>	<b>\$ 89,294,924</b>

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

**Tuition and fees (net)** decreased by 4.0% in FY 2009. While tuition revenue increased by \$1.1 million, scholarship, grants and loans to students increased as well and affected the reportable net tuition and fees revenue due to the scholarship allowance calculation.

**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 1.8% decrease in FY 2009 reflects a decrease in international student fees.

**Grants and contracts revenue** decreased by 9.0% as a result of a decrease in federal grants and contracts.

**Athletic revenue** increased 27.3%, primarily due to an increase in external athletic fundraising.

**Operating expenses** increased by \$461,000, or 0.6%. Each category is discussed in detail on page six.

**State appropriations** decreased \$6.6 million, or 18.9% from the previous year.

**Federal grants and contracts** increased \$800,000 due to an increase in revenue from Pell Grants.

**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 2009 decreased due to a decline in capital projects.

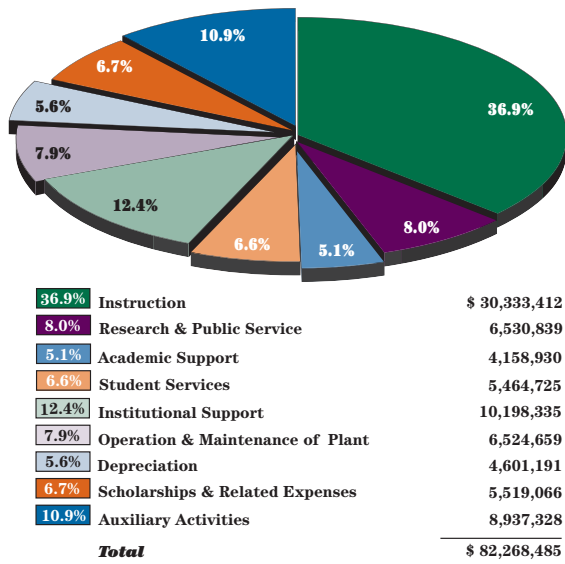
**Investment income** decreased during the fiscal year as a result of a decline in interest rates and unrealized losses in equity funds.



# University of North Alabama

Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2009

## 2009 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 decreased by \$477,000 from FY 2008 to FY 2009 primarily due to reduced expenditures, as a result of a proration in State funding.

Decreased expenditures for academic support is also a result of reduction in State funding.

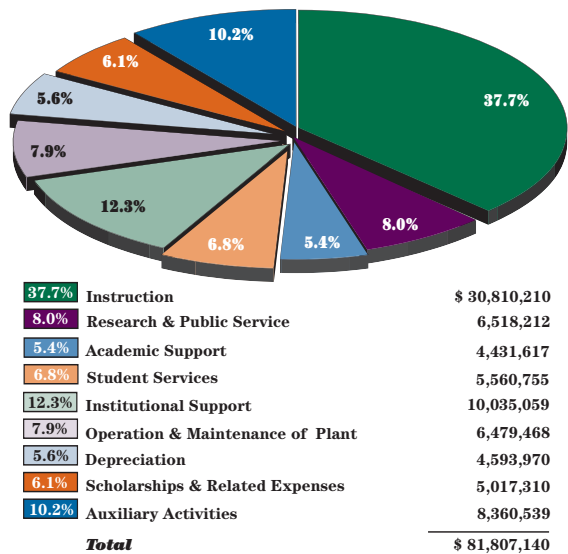
Student service, institutional support and operation and maintenance of plant expenditures remained at about the same level as FY 2008.

Depreciation expense remained the same for FY 2009.

Scholarship expenses increased due to additional scholarship awards.

Auxiliary expenditures increased due to a reclassification of budget accounts from the education and general fund to the auxiliary fund as well as expenditures to address deferred maintenance and increased utilities costs.

## 2008 Operating Expenses Functional Classification



## Operating Expenses by Natural Classification

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

Salary expenses increased due to planned level increases, and promotions.

Benefits expense grew due primarily to increased health insurance costs for employees and retirees' health insurance.

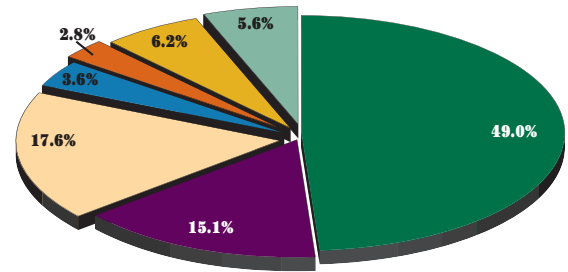
Supplies and other expenses decreased due to reduced expenditures as a result of a decrease in State appropriations.

Plant and equipment expenses decreased due to reduced funding for renovation and repair of facilities.

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

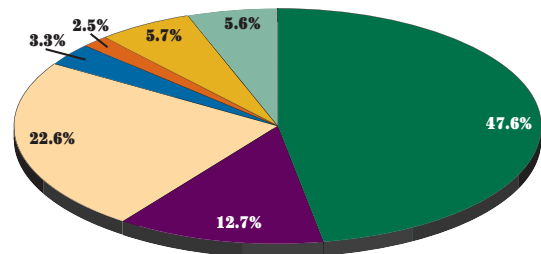
No increase in depreciation expense was noted in FY 2009.

## 2009 Operating Expenses Natural Classification



49.0%	Salaries	\$ 40,324,605
15.1%	Benefits	12,409,404
17.6%	Supplies & Other	14,508,424
3.6%	Utilities	2,977,129
2.8%	Plant & Equipment	2,320,745
6.2%	Financial Aid	5,126,987
5.6%	Depreciation	4,601,191
<b>Total</b>		<b>\$ 82,268,485</b>

## 2008 Operating Expenses Natural Classification



47.6%	Salaries	\$ 38,918,389
12.7%	Benefits	10,389,032
22.6%	Supplies & Other	18,488,378
3.3%	Utilities	2,667,453
2.5%	Plant & Equipment	2,066,187
5.7%	Financial Aid	4,683,731
5.6%	Depreciation	4,593,970
<b>Total</b>		<b>\$ 81,807,140</b>

## **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>2009</u>	<u>2008</u>
<b>Cash Provided (Used) By:</b>		
Operating Activities	\$ (31,700,471)	\$ (24,290,954)
Non-capital Financing Activities	34,222,628	34,877,761
Capital and Related Financing Activities	(4,235,108)	(7,691,719)
Investing Activities	7,889,614	2,209,988
<b>Net Increase (Decrease) in Cash</b>	<b>6,176,663</b>	<b>5,105,076</b>
<b>Cash, Beginning of Year</b>	<b>47,550,429</b>	<b>42,445,353</b>
<b>Cash, End of Year</b>	<b>\$ 53,727,092</b>	<b>\$ 47,550,429</b>

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 the East Campus {for the Culinary Arts program}. 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 has experienced a significant reduction in its appropriation from the State of Alabama. The reduction amounted to approximately \$6.6 million for FY 2009. The University continues to monitor the economic climate of the State as budgeting plans are considered.

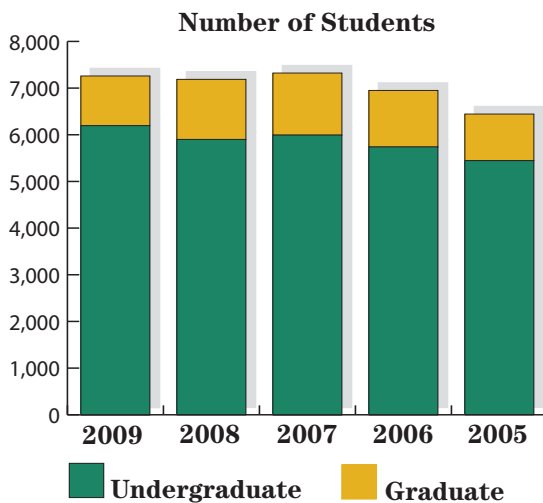
The University recorded another record increase in enrollment for Fall 2009 and continues its ongoing effort to attract and retain students.



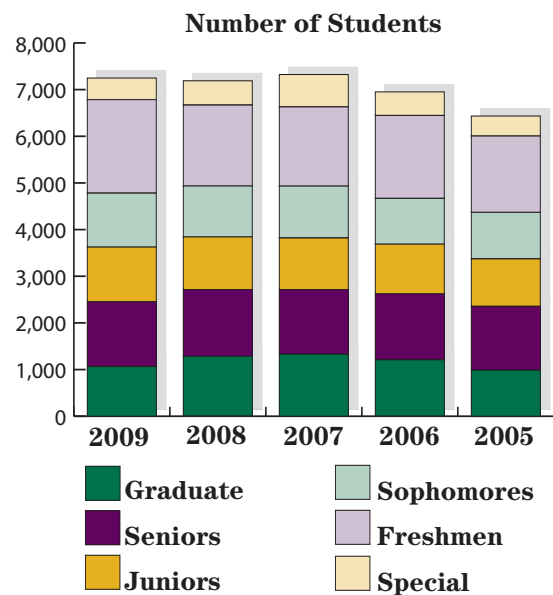
## Student Fall Enrollment Data (head count)

	2009	%	2008	%	2007	%	2006	%	2005	%
<i>Undergraduate</i>	6,195	85%	5,901	82%	5,994	82%	5,740	83%	5,446	85%
<i>Graduate</i>	1,065	15%	1,287	18%	1,329	18%	1,210	17%	998	15%
<b>Total</b>	<b>7,260</b>		<b>7,188</b>		<b>7,323</b>		<b>6,950</b>		<b>6,444</b>	
<b>Fall Enrollment Breakdown</b>										
<i>Graduate</i>	1,065	15%	1,287	18%	1,329	18%	1,210	17%	998	15%
<i>Seniors</i>	1,388	19%	1,428	20%	1,385	19%	1,414	20%	1,371	21%
<i>Juniors</i>	1,171	16%	1,128	16%	1,106	15%	1,063	16%	1,013	16%
<i>Sophomores</i>	1,157	16%	1,091	15%	1,111	15%	980	14%	997	15%
<i>Freshmen</i>	2,004	28%	1,733	24%	1,698	23%	1,778	26%	1,635	25%
<i>Special</i>	462	6%	521	7%	694	10%	505	7%	430	8%
<i>In-State</i>	5,398	74%	5,284	74%	4,965	68%	4,857	70%	4,695	73%
<i>International</i>	485	7%	948	13%	1,181	16%	752	11%	433	7%
<i>Out-of-State</i>	1,377	19%	956	13%	1,177	16%	1,341	19%	1,316	20%
<i>Full-Time</i>	5,338	74%	5,248	73%	5,173	71%	5,033	72%	4,650	72%
<i>Part-Time</i>	1,922	26%	1,940	27%	2,150	29%	1,917	28%	1,765	28%
<i>Female</i>	4,088	56%	3,994	56%	4,056	55%	3,921	56%	3,679	57%
<i>Male</i>	3,172	44%	3,193	44%	3,267	45%	3,029	44%	2,765	43%
<i>Not-Reported</i>			1	—						
<i>White</i>	5,102	70%	4,714	64%	4,714	64%	4,726	68%	4,657	72%
<i>Black</i>	883	12%	688	10%	688	10%	643	9%	607	9%
<i>Other</i>	1,275	18%	1,921	26%	1,921	26%	1,581	23%	1,180	19%

**Enrollment Fall Semester  
Five Year History**  
Graduate and Undergraduate



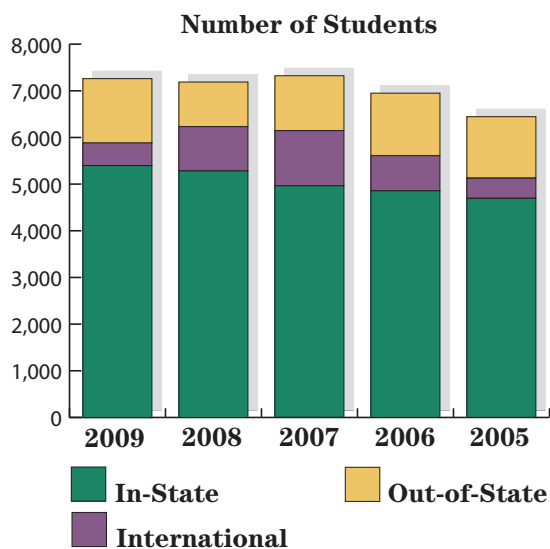
**Enrollment Fall Semester  
Five Year History**  
Graduate, Seniors, Juniors, Sophomores,  
Freshmen and Special



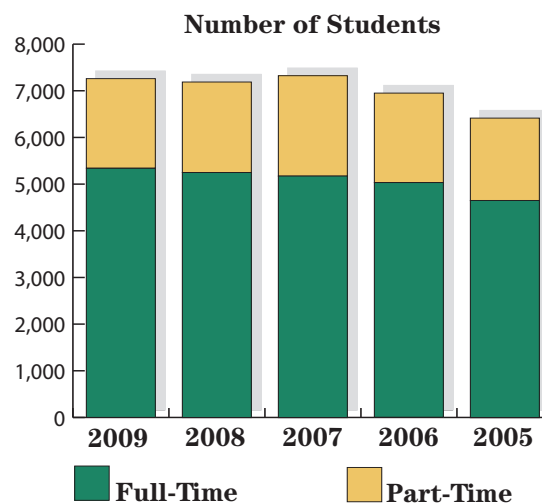
# University of North Alabama

Management's Discussion and Analysis  
Fiscal Year Ended September 30, 2009

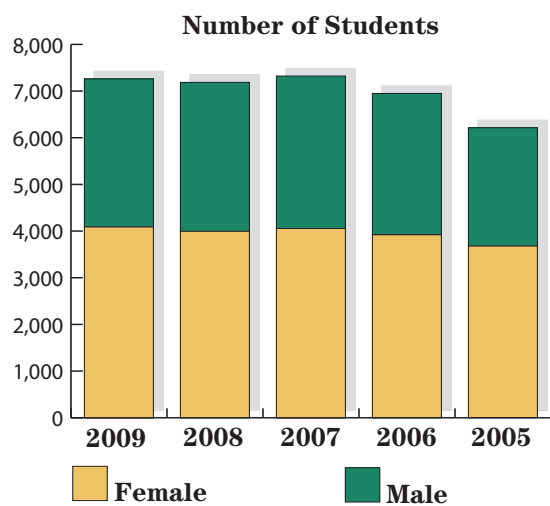
**Enrollment Fall Semester  
Five Year History  
In-State, International  
and Out-of-State**



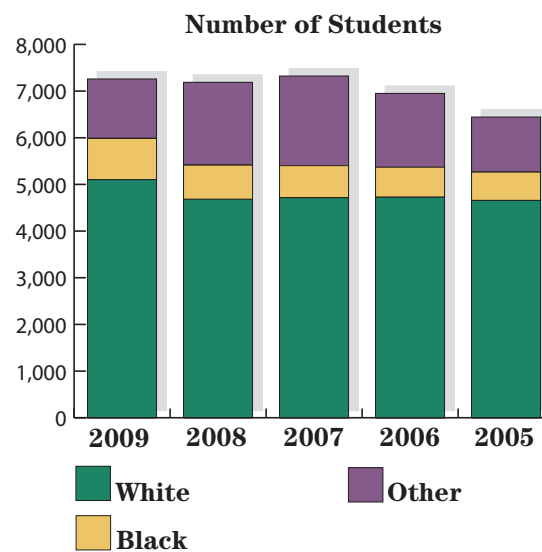
**Enrollment Fall Semester  
Five Year History  
Full-Time and Part-Time**



**Enrollment Fall Semester  
Five Year History  
Female and Male**



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



# University of North Alabama

Financial Statements  
September 30, 2009

## STATEMENT OF NET ASSETS

ASSETS	As of September 30	
	2009	2008
Current Assets		
Cash and Cash Equivalents	\$ 49,358,638	\$ 47,193,695
Short-term Investments	581,843	4,044,069
Accounts Receivable	6,544,570	5,338,664
Inventories	27,242	26,742
Notes Receivable	222,526	310,821
Stadium Use Agreement	30,887	29,487
Other Assets	240,421	363,204
<b>Total Current Assets</b>	<b>57,006,126</b>	<b>57,306,682</b>
Non-Current Assets		
Restricted Cash and Cash Equivalents	4,368,454	356,734
Long-term Investments	1,295,586	5,699,980
Bond Issuance and Discount	429,659	437,314
Notes Receivable	1,777,902	1,663,221
Stadium Use Agreement	353,106	383,994
Capital Assets, Net	61,703,226	64,013,539
<b>Total Non-Current Assets</b>	<b>69,927,934</b>	<b>72,554,782</b>
<b>Total Assets</b>	<b>\$ 126,934,060</b>	<b>\$ 129,861,464</b>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,246,765	\$ 3,863,648
Deferred Revenue	12,910,923	10,997,064
Deposits	72,370	77,312
Deposits Held in Custody for Others	409,368	590,476
Stadium Use Agreement Payable	30,887	29,487
Notes Payable	0	642,008
Bonds Payable	940,000	845,000
Compensated Absences	98,288	92,398
<b>Total Current Liabilities</b>	<b>17,708,602</b>	<b>17,137,393</b>
Non-Current Liabilities		
Stadium Use Agreement Payable	353,107	383,994
Bonds Payable	21,145,000	22,085,000
Compensated Absences	1,032,132	960,153
<b>Total Non-Current Liabilities</b>	<b>22,530,239</b>	<b>23,429,147</b>
<b>Total Liabilities</b>	<b>40,238,841</b>	<b>40,566,540</b>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	39,618,226	41,550,851
Restricted		
Nonexpendable:		
Scholarships and Fellowships	2,291,704	2,162,445
Expendable:		
Scholarships and Fellowships	990,038	1,945,384
Research and Public Service	603,035	610,580
Instructional Department Uses	4,390,008	3,602,748
Loans	2,235,377	2,233,555
Debt Service	1,976,333	1,354,583
Unrestricted	34,590,498	35,834,777
<b>Total Net Assets</b>	<b>86,695,219</b>	<b>89,294,924</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 126,934,060</b>	<b>\$ 129,861,464</b>

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

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

<b>REVENUES</b>	<b>Year Ended September 30</b>	
	<b>2009</b>	<b>2008</b>
Operating Revenues		
Student Tuition and Fees (Net of Scholarship Allowances)	\$ 29,737,093	\$ 30,967,040
Federal Grants and Contracts	1,960,388	1,477,884
State and Local Grants and Contracts	4,264,519	4,492,795
Nongovernmental Grants and Contracts	817,149	1,768,992
Auxiliary Enterprises Revenue (Net of Scholarship Allowances)	6,918,426	7,046,836
Athletic Revenue	776,947	610,250
Other Operating Revenue	1,405,859	965,170
<b>Total Operating Revenues</b>	<b>45,880,381</b>	<b>47,328,967</b>
<b>EXPENSES</b>		
Operating Expenses		
Educational and General		
Instruction	30,333,412	30,810,210
Research	58,576	90,573
Public Service	6,472,263	6,427,639
Academic Support	4,158,930	4,431,617
Student Services	5,464,725	5,560,755
Institutional Support	10,198,335	10,035,059
Operation and Maintenance of Plant	6,524,659	6,479,468
Depreciation	4,601,191	4,593,970
Scholarships and Related Expenses	5,519,066	5,017,310
Auxiliary Enterprises	8,937,328	8,360,539
<b>Total Operating Expenses</b>	<b>82,268,485</b>	<b>81,807,140</b>
<b>Operating Income / (Loss)</b>	<b>\$ (36,388,104)</b>	<b>\$ (34,478,173)</b>
<b>Non-Operating Revenues / (Expenses)</b>		
State Appropriations	28,475,819	35,125,031
Federal Grants and Contracts	5,745,209	4,940,655
Investment Revenue - Net	501,243	643,967
Interest Expense on Capital Asset Related Debt	(1,100,257)	(1,163,314)
<b>Net Non-Operating Revenues</b>	<b>33,622,014</b>	<b>39,546,339</b>
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	<b>\$ (2,766,090)</b>	<b>\$ 5,068,166</b>
<b>Other Revenues</b>		
Capital Grants, Contracts, and Gifts	164,785	1,717,162
Additions to Permanent Endowments	1,600	2,730
<b>Total Other Revenues</b>	<b>166,385</b>	<b>1,719,892</b>
<b>Increase / (Decrease) in Net Assets</b>	<b>\$ (2,599,705)</b>	<b>\$ 6,788,058</b>
<b>NET ASSETS</b>		
<b>Net Assets - Beginning of Year as Restated (Note #15)</b>	<b>\$ 89,294,924</b>	<b>\$ 82,506,865</b>
<b>Net Assets - End of Year</b>	<b>\$ 86,695,219</b>	<b>\$ 89,294,924</b>

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**

**2009                      2008**

Tuition and Fees	\$ 31,137,476	\$ 30,224,878
Grants and Contracts	6,813,699	8,237,785
Payments to Suppliers	(17,316,113)	(19,350,566)
Payments to Employees	(40,324,605)	(38,918,389)
Payments for Scholarships	(5,126,987)	(4,683,731)
Payments for Benefits	(12,331,534)	(10,379,469)
Payments for Utilities	(2,977,128)	(2,667,453)
Auxiliary Enterprises Rev	6,501,673	7,000,137
Athletics Rev	776,947	610,250
Loans Issued to Students and Employees	(222,526)	(344,122)
Collection of Loans	196,139	184,335
Other Receipts	1,172,486	854,733

<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(31,700,471)</b>	<b>(29,231,611)</b>
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**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State Appropriations	28,475,819	34,875,031
Private Gifts for Endowment Purposes	1,600	2,730
Federal Grants and Contracts	5,745,209	4,940,655

<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>34,222,628</b>	<b>39,818,416</b>
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**CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Deposit With Trustee	478,250	31,679
Capital Grants and Gifts Received	164,784	1,967,162
Purchases of Capital Assets	(2,290,877)	(7,772,246)
Principal Paid on Capital Debt	(1,487,008)	(755,000)
Interest Paid on Capital Debt	(1,100,257)	(1,163,314)

<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(4,235,108)</b>	<b>(7,691,719)</b>
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds From Sales and Maturities of Investments	7,556,154	1,811,049
Investment Revenue	501,244	643,967
Purchase of Investments	(167,784)	(245,026)

<b>Net Cash Provided (Used) by Investing Activities</b>	<b>7,889,614</b>	<b>2,209,989</b>
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<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,176,663</b>	<b>5,105,075</b>
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<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>47,550,429</b>	<b>42,445,353</b>
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<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<b>\$ 53,727,092</b>	<b>\$ 47,550,429</b>
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**RECONCILIATION OF NET OPERATING LOSS TO  
NET CASH USED BY OPERATING ACTIVITIES**

	<u>2009</u>	<u>2008</u>
Operating Loss	\$ (36,388,103)	\$ (35,206,390)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,601,191	4,513,056
Change in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(1,205,906)	(337,022)
(Increase)/Decrease in Inventories	(500)	9,093
(Increase)/Decrease in Notes Receivable	(26,387)	(159,787)
(Increase)/Decrease in Prepaid Assets	130,439	578,561
Increase/(Decrease) in Accounts Payable	(616,883)	1,425,477
Increase/(Decrease) in Deferred Revenue	1,913,859	(133,826)
Increase/(Decrease) in Deposits	(4,942)	8,390
Increase/(Decrease) in Deposits Held for Others	(181,108)	61,274
Increase/(Decrease) in Compensated Absences	77,869	9,562
Net Cash Provided (Used) by Operating Activities	<u>\$ (31,700,471)</u>	<u>\$ (29,231,611)</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, 2009

### UNIVERSITY OF NORTH ALABAMA FOUNDATION

#### STATEMENT OF FINANCIAL POSITION

	As of September 30	
	2009	2008
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,279,229	\$ 1,207,567
Accounts Receivable	30,272	66,400
Pledges Receivable	2,823	41,216
Inventories	27,894	26,937
Interest Receivable	6,939	5,169
<b>Total Current Assets</b>	<b>1,347,157</b>	<b>1,347,289</b>
<b>Total Investments</b>	<b>14,156,374</b>	<b>14,521,328</b>
Fixed Assets:		
Donated Artifacts and Collectibles	273,950	273,950
Furniture and Equipment	34,064	34,064
	308,014	308,014
Less: Accumulated Depreciation	34,064	34,064
<b>Total Fixed Assets</b>	<b>273,950</b>	<b>273,950</b>
Other Assets:		
Pledges Receivable	0	45,208
<b>Total Other Assets</b>	<b>0</b>	<b>45,208</b>
<b>TOTAL ASSETS</b>	<b>\$ 15,777,481</b>	<b>\$ 16,187,775</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts Payable	\$ 51,427	26,416
Obligations under Annuity Contracts - Current Portion	78,889	65,854
<b>Total Current Liabilities</b>	<b>130,316</b>	<b>92,270</b>
Obligations under Annuity Contracts - Deferred Portion	264,105	217,846
<b>Total Liabilities</b>	<b>394,421</b>	<b>310,116</b>
Net Assets:		
Unrestricted	287,208	320,890
Temporarily Restricted	2,642,041	3,240,763
Permanently Restricted	12,453,811	12,316,006
<b>Total Net Assets</b>	<b>15,383,060</b>	<b>15,877,659</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,777,481</b>	<b>\$ 16,187,775</b>

#### STATEMENT OF ACTIVITIES

<b>SUPPORT AND REVENUE</b>		
Support:		
Contributions	\$ 950,259	\$ 1,487,472
In-Kind Contributions	0	35,354
Other Income	79,712	58,927
<b>Total Support</b>	<b>1,029,971</b>	<b>1,581,753</b>
Revenue:		
Interest and Dividends	522,950	416,863
Net Unrealized and Realized/Gain (Loss) on Investments	(274,921)	(2,280,484)
<b>Total Revenue</b>	<b>248,029</b>	<b>(1,863,621)</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 1,278,000</b>	<b>\$ (281,868)</b>
<b>EXPENSES</b>		
Program Services	\$ 1,153,793	\$ 1,139,519
Support Services	541,128	453,259
Loss on Pledges	77,678	25,000
<b>TOTAL EXPENSES</b>	<b>1,772,599</b>	<b>1,617,778</b>
Net Change in Assets	(494,599)	(1,899,646)
<b>Net Assets - Beginning of Year</b>	<b>\$ 15,877,659</b>	<b>\$ 17,777,305</b>
<b>Net Assets - End of Year</b>	<b>\$ 15,383,060</b>	<b>\$ 15,877,659</b>

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 functional expense categories. 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:

<b>Asset</b>	<b>Depreciation Method</b>	<b>Useful Lives</b>
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:

<b>Years of Employment</b>	<b>Number of Days Each Year</b>	<b>Maximum Days Accumulation</b>
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, 2009 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" shocks. "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.

## University of North Alabama

Notes to the Financial Statements  
Year Ended September 30, 2009

The following tables provide information as of September 30, 2009 concerning the fair 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	\$	\$ 38,224	\$ 126,570	\$ 130,005	\$ 294,799
Repurchase Agreements	581,843				581,843
<b>Total Debt Securities</b>	<b>\$ 581,843</b>	<b>\$ 38,224</b>	<b>\$ 126,570</b>	<b>\$ 130,005</b>	<b>\$ 876,642</b>
Domestic Stocks					28,384
Certificates of Deposit					96,070
Money Market Accounts					876,333
<b>Total Investments</b>					<b>\$ 1,877,429</b>

### 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	\$	\$ 2,008,199	\$ 575,273	\$	\$ 2,583,472
<b>Total Debt Securities</b>		<b>\$ 2,008,199</b>	<b>\$ 575,273</b>	<b>\$</b>	<b>\$ 2,583,472</b>
Domestic Stocks					3,299,612
Mutual Funds					4,965,558
International Mutual Funds					1,173,507
Money Market Accounts					2,112,431
Mastered Limited Partnerships					21,794
<b>Total Investments</b>					<b>\$ 14,156,374</b>

The following tables provide information concerning credit risk for the University's investments, and for the Foundation's investments as of September 30, 2008.

***University of North Alabama***  
**Credit Quality Ratings of Fixed Maturities**

<u>Moody's Ratings*</u>	<u>Fair Value</u>
AAA	\$ 290,138
Not Rated	586,504
<b>Total</b>	<b>\$ 876,642</b>

***University of North Alabama Foundation***  
**Credit Quality Ratings of Fixed Maturities**

<u>Moody's Ratings*</u>	<u>Fair Value</u>
AAA	\$ 1,662,617
A1	339,284
A2	160,261
A3	82,828
AA2	85,737
BAA1	93,736
BAA2	159,009
<b>Total</b>	<b>\$ 2,583,472</b>

*\*Moody's ratings are used when available. Standard & Poor's ratings are used when Moody's is not available, denoted above by (S&P).*

# University of North Alabama

Notes to the Financial Statements  
Year Ended September 30, 2009

## Note 3 Receivables

Receivables for the University are summarized as follows:

Accounts Receivable:	9/30/09	9/30/08
Federal and State Agencies	\$ 1,883,183	\$ 1,375,524
Third-Party Contracts	1,322,976	1,164,469
Students	3,012,087	2,539,022
Other	326,324	259,649
Total Accounts Receivable	\$ 6,544,570	\$ 5,338,664
Student Notes Receivable:		
Current	\$ 222,526	\$ 310,820
Noncurrent	1,777,902	1,663,221
Total Student Notes Receivable	\$ 2,000,428	\$ 1,974,041

## Note 4 Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

### Schedule of Changes in Fixed Assets

	Balance 9/30/08	Additions	Transfers	Reductions	Balance 9/30/09
Land	\$ 3,732,429	\$ 16,400			\$ 3,748,829
Buildings	76,005,530	65,187	\$ 460,515		76,531,232
Improvements and Betterments	12,069,340		49,975		12,119,315
Equipment	10,311,586	270,592			10,582,178
Banner Software	7,200,241	414,814			7,615,055
Library Books	19,676,673	839,865		\$ (32,928)	20,483,610
Construction in Progress	940,132	684,020	(510,490)		1,113,662
<b>Total</b>	<b>\$ 129,935,931</b>	<b>\$ 2,290,878</b>	<b>\$ —</b>	<b>\$ (32,928)</b>	<b>\$ 132,193,881</b>

### Schedule of Depreciation

	Accumulated Depreciation 9/30/08	Depreciation FYE 9/30/09	Transfers	Reductions	Accumulated Depreciation 9/30/09
Buildings	\$ 33,633,235	\$ 1,680,760			\$ 35,313,995
Improvements and Betterments	4,260,912	467,366			4,728,278
Equipment	7,631,548	846,765			8,478,313
Banner Software	720,024	766,435			1,486,459
Library Books	19,676,673	839,865		\$ (32,928)	20,483,610
<b>Total</b>	<b>\$ 65,922,392</b>	<b>\$ 4,601,191</b>	<b>\$ —</b>	<b>\$ (32,928)</b>	<b>\$ 70,490,655</b>
<b>Capital Assets Net of Depreciation</b>	<b>\$ 64,013,539</b>	<b>\$ (2,310,313)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 61,703,226</b>



**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:

<b>Fiscal Year Ended September 30</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total percentage of Covered Payroll	17.07%	16.75%	14.36%
<b>Contributions:</b>			
Percentage Contributed by the University	12.07%	11.75%	9.36%
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	\$ 4,511,773	\$ 4,491,405	\$ 3,209,364
Contributed by Employees	1,874,130	1,773,776	1,612,724
<b>Total Contributed</b>	<b>\$ 6,385,903</b>	<b>\$ 6,265,181</b>	<b>\$ 4,822,088</b>

**Note 6 Other Postemployment Benefits (OPEB)**

**A. Plan Description**

The University contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16 as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

**B. Funding Policy**

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2009 Effective 10/1/08 - 9/30/09
Individual Coverage – Non-Medicare Eligible	\$ 97.54
Individual Coverage – Medicare Eligible	1.14
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	284.94
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	188.54
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	188.54
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	92.14
Surviving Spouse – Non-Medicare Eligible	585.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	717.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	676.00
Surviving Spouse – Medicare Eligible	290.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	422.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	381.00

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

The University is required to contribute at a rate specified by the State for each active employee. The University's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

<u>Fiscal Year Ended 9/30</u>	<u>Total Amount Paid Attributable</u>	<u>Percentage of Required Amount Contributed</u>
2009	\$ 1,217,052	100%
2008	1,136,232	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

## **Note 7 Construction and Other Significant Commitments**

As of September 30, 2009 the University of North Alabama had been awarded approximately \$4 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 8 Accounts Payable**

Accounts payable and accrued liabilities represent amounts due at September 30, 2009 for goods and services received prior to the end of the fiscal year, as follows:

<b>Accounts Payable and Accrued Liabilities:</b>	<b><u>9/30/09</u></b>	<b><u>9/30/08</u></b>
Salaries and Wages	\$ 583,309	\$ 481,207
Benefits	251,631	89,616
Interest Payable	460,029	475,318
Supplies and Utilities	1,328,428	2,371,614
Other	623,368	445,893
<b>Total Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 3,246,765</u></b>	<b><u>\$ 3,863,648</u></b>

## University of North Alabama

Notes to the Financial Statements  
Year Ended September 30, 2009

### Note 9 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, 2009, 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, 2009:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
<b>Total Minimum Payments Required</b>	<b>\$ 383,993</b>	<b>\$ 107,278</b>	<b>\$ 491,271</b>

### Note 10 Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2009 was as follows:

	<u>Balance October 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2009</u>	<u>Current Portion</u>	<u>NonCurrent Portion</u>
Bonds Payable	\$ 22,930,000		\$ 845,000	\$ 22,085,000	\$ 940,000	\$ 21,145,000
Notes Payable	642,008		642,008	0	0	0
Leases Payable	413,480		29,486	383,993	30,887	353,106
<b>Total Long-Term Obligations</b>	<b>\$ 23,985,488</b>		<b>\$ 1,516,494</b>	<b>\$ 22,468,993</b>	<b>\$ 970,887</b>	<b>\$ 21,498,106</b>
Long-term Portion of Compensated Absences						\$ 1,032,132
<b>Total Long-term Debt and Other Obligations</b>						<b>\$ 22,530,238</b>

Debt obligations of the University consist of the following:

#### Bonds Payable

	<u>Balance September 30, 2009</u>	<u>Balance September 30, 2008</u>
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.	\$ 11,055,000	\$ 11,665,000
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.	11,030,000	11,265,000

#### Notes Payable

Note - Wachovia Variable Interest Rate - 4.2% Interest payments due quarterly with lump sum principal paid off February 4, 2009.	0	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.	383,993	413,480
<b>Total Debt Obligations</b>	<b>\$ 22,468,993</b>	<b>\$ 23,985,488</b>

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 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	1,445,000	831,086	2,276,086
FY 2015-2019	8,005,000	2,863,832	10,868,832
FY 2020-2024	1,925,000	1,743,731	3,668,731
FY 2025-2029	2,430,000	1,232,438	3,662,438
FY 2030-2035	3,830,000	571,419	4,401,419
<b>Total Debt Service Requirements</b>	<b>\$ 22,085,000</b>	<b>\$ 11,175,902</b>	<b>\$ 33,260,902</b>

**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	(83,686)	(148,834)
Balance 9/30/08	183,566	283,743
Current Year Amount Amortized	(11,171)	(18,826)
Balance 9/30/09	\$ 172,395	\$ 264,917

**Note 11 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 12 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 13 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 14 Subsequent Events**

No events occurred subsequent to September 30, 2009 that will significantly impact these financial statements.

## Note 15 Net Asset Restatement

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

Net Assets Reported as of September 30, 2008	\$ 88,566,707
Increase in Banner Software	809,130
Increase in Accumulated Depreciation	(80,913)
Total Increase in Fund Balance	728,217
Adjusted Net Assets as of September 20, 2008	\$ 89,294,924



**The Board of Trustees**

***Ex Officio***

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**Libby Watts**

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*Dean of Enrollment Services and  
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Enrollment Management*

**Donna Ford Tipps**  
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