



TABLE OF CONTENTS

Management’s Discussion and Analysis 2

University of North Alabama Financial Statements

 Statement of Net Assets 11

 Statement of Revenues, Expenses, and Changes in Net Assets..... 12

 Statement of Cash Flows 13

University of North Alabama Foundation Financial Statements

 Statement of Financial Position..... 15

 Statement of Activities 15

Notes to Financial Statements..... 16

Board of Trustees and University of North Alabama Administration..... 31

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 reader with an overview of the financial statements. Only the comparative figures for FY 2010 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 4.9% in the current fiscal year to \$96.5 million.

ASSETS	2011	2010
Current Assets		
Cash and Short-term Investments	\$ 50,284,289	\$ 39,226,956
Receivables	5,631,693	7,226,273
Inventory, Prepaid Expenses, and Other	501,037	459,203
Total Current Assets	56,417,019	46,912,432
Non-Current Assets		
Restricted Cash and Long-term Investments	32,969,979	16,085,541
Long-term Receivables	1,464,254	1,668,858
Other Non Current Assets	1,549,164	699,540
Capital Assets, Net of Depreciation	68,824,570	64,983,673
Total Non-Current Assets	104,807,967	83,437,612
Total Assets	\$ 161,224,986	\$ 130,350,044
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,347,925	\$ 2,715,379
Deferred Revenue	13,314,476	12,864,357
Deposits Held in Custody for Others	552,880	532,424
Other Long-term Liabilities-Current Portion	921,729	1,139,060
Total Current Liabilities	18,137,010	17,251,219
Non-Current Liabilities		
Long-term Liabilities	46,595,803	21,131,563
Total Liabilities	64,732,813	38,382,782
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 48,784,895	\$ 44,245,991
Restricted	11,382,335	11,575,432
Unrestricted	36,324,943	36,145,839
Total Net Assets	96,492,173	91,967,262
TOTAL LIABILITIES AND NET ASSETS	\$ 161,224,986	\$ 130,350,044

Cash and short-term investments increased by \$11 million. This was due to maturing certificates of deposit reinvested in short term money market accounts. 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 decreased \$1.6 million due to a decrease in student and federal receivables.

Restricted cash and long-term investments, which include both unrestricted and endowment investments, increased by \$16.9 million. The University monitors the investment portfolio to insure proper adherence to investment guidelines. This net increase is due to the receipt of bond proceeds and conversion of long-term certificates of deposit to short-term money market accounts.

Capital assets (net) increased \$3.8 million primarily due to the completion of the transportation facility project.

Accounts payable and accrued liabilities increased \$633,000 due primarily to outstanding payments for ongoing capital projects.

Long-term liabilities increased by \$25 million due to the issuance of the 2010 bond series.

Net assets increased 4.9% overall. The University's net capital assets increased due to an increase in capital projects.



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

	2011	2010
Operating Revenues		
Student Tuition and Fees	\$ 34,543,346	\$ 32,524,654
Auxiliary Enterprises Revenue (net of scholarship allowances)	7,817,686	7,723,159
Grants and Contracts	6,847,668	7,195,968
Athletic Revenue	968,049	835,992
Other Operating Revenue	988,719	1,187,236
Total Operating Revenues	\$ 51,165,468	\$ 49,467,010
EXPENSES		
Operating Expenses	85,082,167	82,680,495
Net Operating Income (Loss)	(33,916,699)	(33,213,485)
Non-Operating Revenues (Expenses)		
State Appropriations	25,444,717	25,644,646
Federal Grants and Contracts	10,839,239	9,667,936
Gifts (Including Endowment)	153,476	3,750
Capital Grants, Contracts, and Gifts	3,460,189	3,578,192
Investment Income	284,402	555,580
Other Non-Operating Expense	(1,740,413)	(964,576)
Total Non-Operating Revenues-Net	38,441,610	38,485,527
Increase (Decrease) in Net Assets	4,524,911	5,272,042
Net Assets-Beginning of Year	\$ 91,967,262	\$ 86,695,220
Net Assets-End of Year	\$ 96,492,173	\$ 91,967,262

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 6.2% in FY 2011. Gross tuition revenue was up \$3 million. Scholarship allowances increased \$1.2 million.

Auxiliary revenue (net) 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. Operational revenue remained steady as compared to FY2010.

Grants and contracts revenue dropped 4.8% due to a decrease in AMSTI funding and the completion of the HRSA grant.

Athletic revenue increased 15.8%, primarily due to an increase in ticket sales and external athletic fundraising.

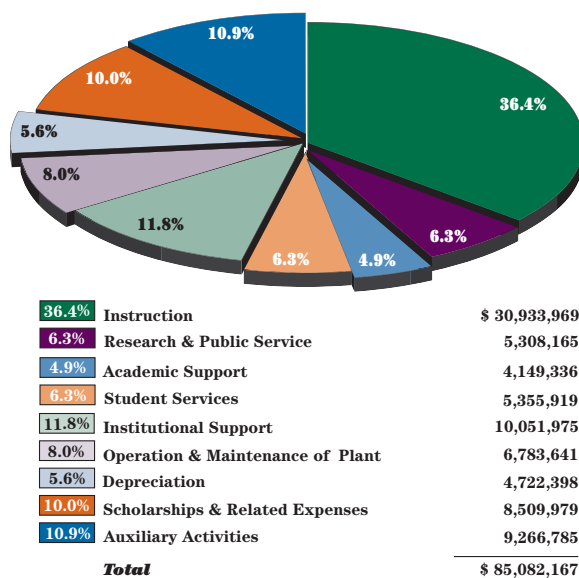
Operating expenses increased by \$2.4 million, or 2.9%. Each category is discussed in detail on page six.

Federal grants and contracts increased \$3.9 million 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 two decades are held in the UNA Foundation, but small gifts are received in the University from year to year, and increased in FY2011 by \$150,000.

Investment income decreased 48.8% during the fiscal year, primarily due to market changes.



**2011 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 increased 2.7% from FY 2010 to FY 2011 primarily due to faculty / staff promotions, salary adjustments and an increase in benefits expense.

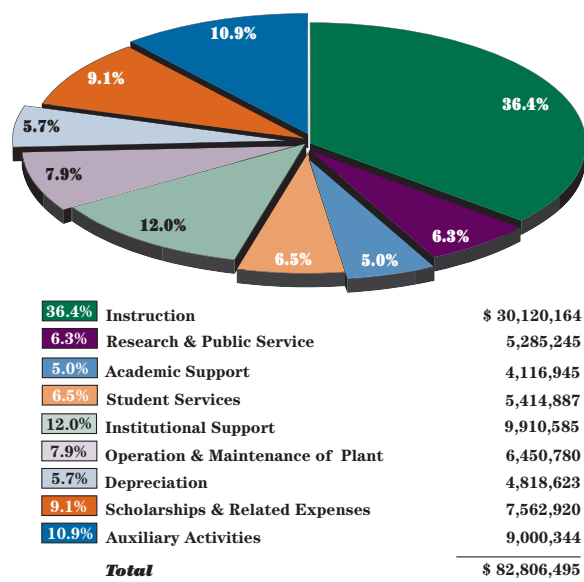
Academic support expenditures remained level with the previous fiscal year.

Student service, institutional support and operation and maintenance of plant expenditures remained at about the same level as FY 2010.

Depreciation expense decreased 2.0% from the previous year due to the completed depreciation of certain assets.

Scholarship expenses increased 12.5% due to additional institutional scholarships and an increase in Pell awards.

Auxiliary expenditures increased 3% from FY 2010. This is a result of additional expenses in student health services offset by student fee increases and replacement of aging equipment in food service operations.

**2010 Operating Expenses
Functional Classification**

Operating Expenses by Natural Classification

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

Salary expenses increased 2.0%. Some positions were not replaced during the year in response to the reduction in State appropriations.

Benefits expense grew by 5.1% due primarily to increased health insurance costs for employees and retirees.

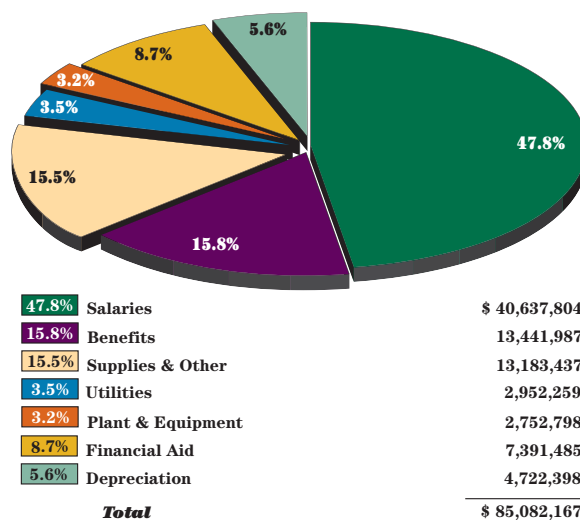
Supplies and other expenses decreased 1.3% due in part to reductions in State funding.

Plant and equipment expenses increased 11.8% due to planned renovation and repair of facilities.

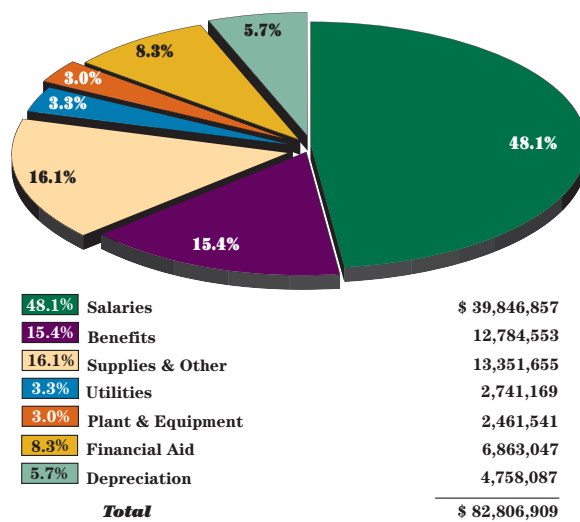
Financial aid expense increased 7.7% due to additional University funded scholarships and increased federal grants awarded.

Depreciation expense decreased 2.0% due primarily to the completed depreciation of certain assets.

2011 Operating Expenses Natural Classification



2010 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.

	2011	2010
Cash Provided (Used) By:		
Operating Activities	\$ (26,231,616)	\$ (29,540,110)
Non-capital Financing Activities	36,437,432	35,308,332
Capital and Related Financing Activities	(7,470,032)	(6,825,69)
Investing Activities	(13,963,994)	(13,963,994)
Net Increase (Decrease) in Cash	11,114,573	(14,932,679)
Cash, Beginning of Year	38,705,626	53,727,092
Cash, End of Year	\$ 49,820,199	\$ 38,705,626

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 the Transportation Facility. On November 30, 2010 the University issued 2010A and B General Fee Revenue Bonds in the amount of \$35,765,000, to refinance the 1999 Series Bonds and to issue new debt in the amount of \$25,915,00 in Build America Bonds. The new debt was issued to finance the construction of the Science and Engineering Technology Facility.

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 and FY 2010. The reduction for FY 2011 amounted to an additional \$210,341. The University continues to monitor the economic climate of the State as budgeting plans are considered.

The University recorded a small decrease in enrollment for Fall 2011 while efforts are ongoing to attract and retain students are ongoing.

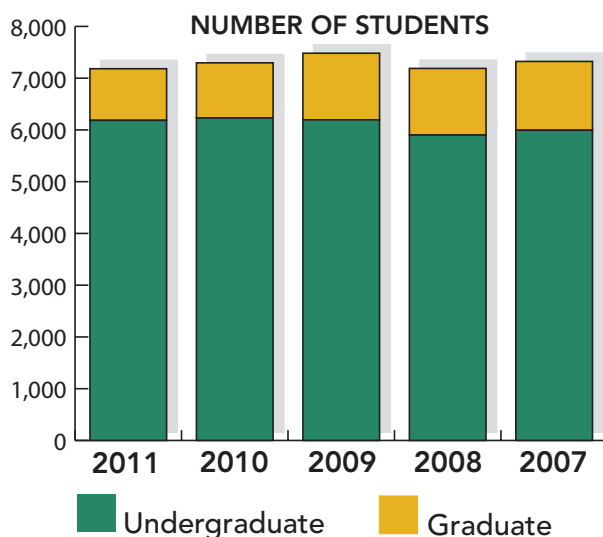
STUDENT FALL ENROLLMENT DATA (head count)

	2011	%	2010	%	2009	%	2008	%	2007	%
Undergraduate	6,185	86%	6,231	85%	6,195	85%	5,901	82%	5,994	82%
Graduate	997	14%	1,065	15%	1,287	15%	1,287	18%	1,329	18%
Total	7,182		7,279		7,260		7,188		7,323	
FALL ENROLLMENT BREAKDOWN										
Graduate	997	14%	1,048	14%	1,065	15%	1,287	18%	1,329	18%
Seniors	1,394	19%	1,384	19%	1,388	19%	1,428	20%	1,385	19%
Juniors	1,248	17%	1,128	16%	1,171	16%	1,128	16%	1,063	15%
Sophomores	1,262	18%	1,298	18%	1,157	16%	1,091	15%	1,111	15%
Freshmen	1,718	24%	1,917	26%	2,004	28%	1,733	24%	1,698	23%
Special *	563	8%	504	7%	462	6%	521	7%	694	17%
In-State	5,508	77%	5,498	76%	5,398	74%	5,284	74%	4,965	68%
International	362	5%	669	9%	485	7%	948	13%	1,181	16%
Out-of-State	1,312	18%	1,112	15%	1,377	19%	956	13%	1,177	16%
Full-Time	5,214	73%	5,461	75%	5,338	74%	5,248	73%	5,173	71%
Part-Time	1,968	27%	1,818	25%	1,922	26%	1,940	27%	2,150	29%
Female	4,098	57%	4,191	58%	4,088	56%	3,994	56%	4,056	55%
Male	3,084	43%	3,087	42%	3,172	44%	3,193	44%	3,267	45%
Not-Reported			1	—			1	—		
White	5,188	72%	5,251	70%	5,102	70%	4,714	64%	4,714	64%
Black	848	12%	867	12%	883	12%	688	10%	643	9%
Other	1,146	16%	1,161	16%	1,275	18%	1,921	26%	1,581	23%

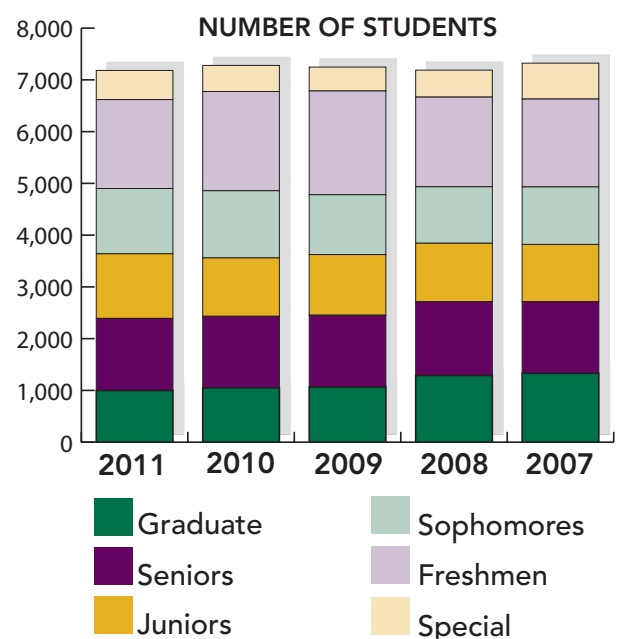
* Special includes all Non-classified, ESL and Postbaccalaureate

ENROLLMENT FALL SEMESTER**Five Year History**

Graduate and Undergraduate

**ENROLLMENT FALL SEMESTER****Five Year History**

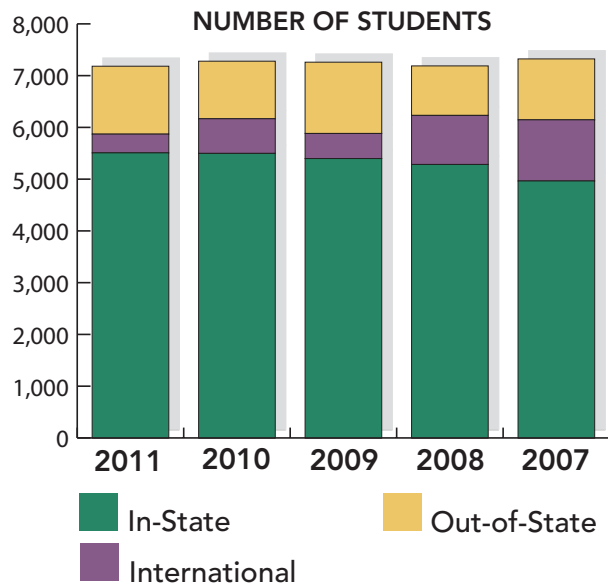
Graduate, Seniors, Juniors Sophomores, Freshmen and Special



ENROLLMENT FALL SEMESTER

Five Year History

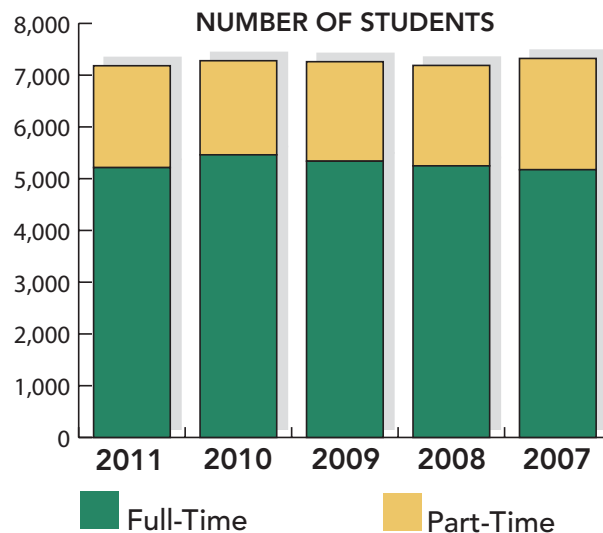
In-State, International
and Out-of-State



ENROLLMENT FALL SEMESTER

Five Year History

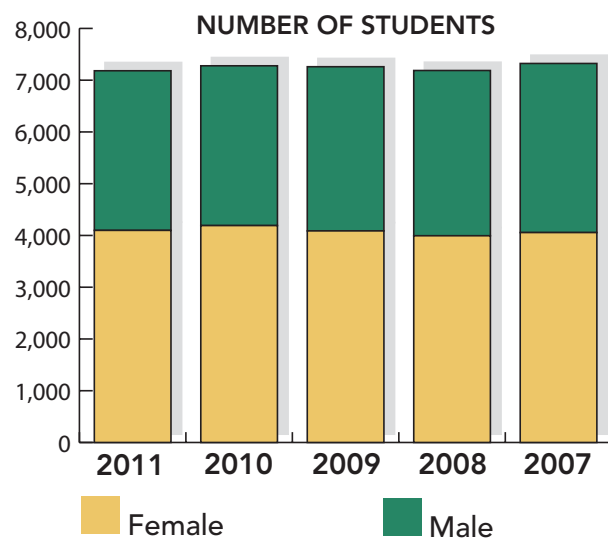
Full-Time and Part-Time



ENROLLMENT FALL SEMESTER

Five Year History

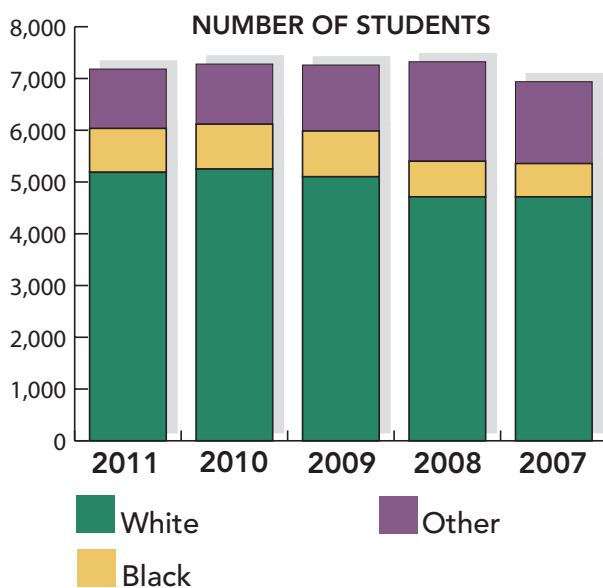
Female and Male



ENROLLMENT FALL SEMESTER

Five Year History

White, Black and Other



STATEMENT OF NET ASSETS**ASSETS**

Current Assets

	As of September 30	
	2011	2010
Cash and Cash Equivalents	\$ 49,689,034	\$ 38,638,446
Short-term Investments	595,255	588,511
Accounts Receivable	5,355,358	6,959,192
Inventories	24,788	23,502
Notes Receivable	276,335	267,081
Stadium Use Agreement	33,891	30,887
Other Assets	442,358	404,813
Total Current Assets	56,417,019	46,912,432

Non-Current Assets

Restricted Cash and Cash Equivalents	131,165	67,180
Long-term Investments	32,838,814	16,018,361
Bond Issuance and Discount	1,262,303	377,321
Notes Receivable	1,464,254	1,668,858
Stadium Use Agreement	286,861	322,219
Capital Assets, Net	68,824,570	64,983,673
Total Non-Current Assets	104,807,967	83,437,612

TOTAL ASSETS

\$ 161,224,986	\$ 130,350,044
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LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities	\$ 3,347,925	\$ 2,715,379
Deferred Revenue	13,314,476	12,864,357
Deposits	69,205	67,705
Deposits Held in Custody for Others	483,675	464,719
Bonds Payable	855,000	1,045,000
Compensated Absences	66,729	94,060
Total Current Liabilities	18,137,010	17,251,219

Non-Current Liabilities

Bonds Payable	45,455,000	20,100,000
Compensated Absences	1,140,803	1,031,563
Total Non-Current Liabilities	46,595,803	21,131,563

Total Liabilities

64,732,813	38,382,782
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NET ASSETS

Invested in Capital Assets, Net of Related Debt

48,784,895	44,245,991
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Restricted

Nonexpendable:

Scholarships and Fellowships	2,529,352	2,418,475
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Expendable:

Instructional	5,828,078	6,014,876
Loans	2,288,808	2,265,608
Debt Service	736,097	876,473

Unrestricted

36,324,943	36,145,839
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Total Net Assets

96,492,173	91,967,262
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Total Liabilities and Net Assets

\$ 161,224,986	\$ 130,350,044
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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	
	2011	2010
Operating Revenues		
Student Tuition and Fees (Net of Scholarship Allowances)	\$ 34,543,346	\$ 32,524,654
Federal Grants and Contracts	3,603,037	3,958,312
State and Local Grants and Contracts	2,921,000	3,155,013
Nongovernmental Grants and Contracts	323,631	82,643
Auxiliary Enterprises Revenue (Net of Scholarship Allowances)	7,817,686	7,723,159
Athletic Revenue	968,049	835,992
Other Operating Revenue	988,719	1,187,236
Total Operating Revenues	51,165,468	49,467,010

EXPENSES

Operating Expenses		
Educational and General		
Instruction	30,933,969	30,120,164
Research	313,011	197,730
Public Service	4,995,153	5,087,515
Academic Support	4,149,336	4,116,945
Student Services	5,355,919	5,414,887
Institutional Support	10,051,975	9,910,585
Operation and Maintenance of Plant	6,783,641	6,450,780
Depreciation	4,722,398	4,818,623
Scholarships and Related Expenses	8,509,979	7,562,920
Auxiliary Enterprises	9,266,786	9,000,344
Total Operating Expenses	85,082,167	82,680,495
Operating Income / (Loss)	\$ (33,916,699)	\$ (33,213,485)

Non-Operating Revenues / (Expenses)

State Appropriations	25,444,717	25,644,646
Federal Grants and Contracts	10,839,238	9,667,936
Investment Revenue - Net	284,402	555,580
Build America Bond Interest Rebate	244,019	0
Interest Expense on Capital Asset Related Debt	(1,852,383)	(1,047,890)
Other Non-operating Rev/ (Exp)	(132,049)	83,314
Net Non-Operating Revenues	34,827,944	34,903,585

Income Before Other Revenues, Expenses, Gains or Losses

	\$ 911,245	\$ 1,690,100
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Other Revenues

Capital Grants, Contracts, and Gifts	3,460,190	3,578,192
Additions to Permanent Endowments	153,476	3,750
Total Other Revenues	3,613,666	3,581,942

Increase / (Decrease) in Net Assets

	\$ 4,524,911	\$ 5,272,042
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NET ASSETS

Net Assets - Beginning of Year	\$ 91,967,262	\$ 86,695,220
Net Assets - End of Year	\$ 94,492,173	\$ 91,967,262

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****2011****2010**

Tuition and Fees	\$ 36,435,419	\$ 29,991,589
Grants and Contracts	5,006,813	9,399,677
Payments to Suppliers	(15,325,218)	(16,428,683)
Payments to Employees	(40,637,804)	(39,846,857)
Payments for Scholarships	(7,391,485)	(6,863,047)
Payments for Benefits	(13,360,077)	(12,789,351)
Payments for Utilities	(2,952,259)	(2,741,169)
Auxiliary Enterprises Revenue	8,355,457	8,815,613
Athletics Revenue	968,049	835,992
Collection of Loans, Net	195,350	64,489
Other Receipts	2,474,139	110,423

Net Cash Provided (Used) by Operating Activities**(26,231,616)****(29,540,110)****CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

State Appropriations	25,444,717	25,644,646
Private Gifts for Endowment Purposes	153,476	3,750
Federal Grants and Contracts	10,839,239	9,656,936

Net Cash Provided (Used) by Non-Capital Financing Activities**36,437,432****35,308,332****CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Bond Issue-Principle	35,765,00	0
Build America Bond Rebate	244,019	0
Capital Grants and Gifts Received	3,460,189	3,578,192
Purchases of Capital Assets	(8,563,295)	(8,032,142)
Principal Paid on Capital Debt	(1,045,000)	(1,323,994)
Interest Paid on Capital Debt	(1,828,046)	(1,047,890)
1999 Bond Defeasance	(9,424,498)	0
Bond Discount and Issuance	(1,119,264)	0
Deposit with Trustee	(24,959,136)	140

**Net Cash Provided (Used) by
Capital and Related Financing Activities****(7,470,032)****(6,825,694)****CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds From Sales and Maturities of Investments	10,295,451	(176,607)
Investment Revenue	284,402	765,308
Purchase of Investments	(2,201,065)	(14,552,696)

Net Cash Provided (Used) by Investing Activities**8,378,789****(13,963,994)****NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS****11,114,573****(15,021,466)****CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR****38,705,626****53,727,092****CASH AND EQUIVALENTS - END OF YEAR****\$ 49,820,199****\$ 38,705,626**

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

	2011	2010
	\$ (33,916,699)	(33,331,900)
Operating Loss		
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,722,398	4,758,088
Change in Assets and Liabilities:		
(Increase)/Decrease in Receivables	1,603,834	(414,622)
(Increase)/Decrease in Inventories	(1,286)	3,740
(Increase)/Decrease in Notes Receivable	195,350	64,489
(Increase)/Decrease in Prepaid Assets	20,244	(87,839)
Increase/(Decrease) in Accounts Payable	632,547	(531,387)
Increase/(Decrease) in Deferred Revenue	450,119	(46,566)
Increase/(Decrease) in Deposits	1,500	(4,665)
Increase/(Decrease) in Deposits Held for Others	18,956	55,351
Increase/(Decrease) in Compensated Absences	81,909	(4,798)
Net Cash Provided (Used) by Operating Activities	\$ (26,231,616)	(29,540,110)

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



UNIVERSITY OF NORTH ALABAMA FOUNDATION**STATEMENT OF FINANCIAL POSITION****ASSETS****As of September 30**

Current Assets:

	2011	2010
Cash and Cash Equivalents	\$ 1,813,217	\$ 1,551,454
Accounts Receivable	58,350	29,623
Pledges Receivable	187,503	195,546
Inventories and Prepaids	8,548	5,179
Interest Receivable	16,832	16,870
Total Current Assets	2,084,534	1,798,673
Total Investments	15,608,689	15,200,211

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
Total Fixed Assets	273,950	273,950

Other Assets:

Pledges Receivable	292,104	133,623
Total Other Assets	292,104	0

TOTAL ASSETS**\$ 18,259,277** **\$ 17,406,457****LIABILITIES AND NET ASSETS**

Current Liabilities:

Accounts Payable	\$ 265,965	\$ 141,331
Obligations under Annuity Contracts - Current Portion	67,249	67,249
Total Current Liabilities	333,214	208,580
Obligations under Annuity Contracts - Deferred Portion	252,842	281,804
Total Liabilities	586,056	394,421

Net Assets:

Unrestricted	71,872	33,585
Temporarily Restricted	2,923,927	3,706,758
Permanently Restricted	14,677,422	13,175,730
Total Net Assets	17,673,221	16,916,073

TOTAL LIABILITIES AND NET ASSETS**\$ 18,259,277** **\$ 17,406,457****STATEMENT OF ACTIVITIES****SUPPORT AND REVENUE**

Support:

Contributions	\$ 2,845,751	\$ 2,171,977
In-Kind Contributions	359,970	152,750
Other Income	221,393	118,423
Total Support	3,427,114	2,443,150

Revenue:

Interest and Dividends	455,384	379,620
Net Unrealized and Realized/Gain (Loss) on Investments	(588,127)	815,766
Total Revenue	(132,743)	1,195,386

TOTAL SUPPORT AND REVENUE**\$ 3,294,371** **\$ 3,638,536****EXPENSES**

Program Services	\$ 1,981,086	\$ 1,547,308
Support Services	556,137	558,214
TOTAL EXPENSES	2,537,223	2,105,522

Net Change in Assets 757,148 1,533,014

Net Assets - Beginning of Year **\$ 16,916,073** **\$ 15,383,059****Net Assets - End of Year** **\$ 17,673,221** **\$ 16,916,073**

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 completed. 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, 2010 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.

The following tables provide information as of September 30, 2011 concerning the fair value of investments, interest rate risk, and foreign currency risk for University investments.

Type of Investment	University of North Alabama Investment Maturities at Fair Value (in Years)				Total Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Debt Securities:					
U.S. Agency Securities	\$ 75,092	\$ 383,856	\$ 129,100	\$ 11,320	\$ 599,368
Repurchase Agreements	595,255				595,255
Corporate Bonds		44,549	184,401		228,950
International Bonds	9,630				9,630
Total Debt Securities	\$ 679,977	\$ 428,405	\$ 313,501	\$ 11,320	\$ 1,433,203
Domestic Stocks					27,930
Certificates of Deposit					2,000,000
Money Market Accounts					29,972,936
Total Investments					\$ 33,434,069

The following tables provide information concerning credit risk for the University's investments as of September 30, 2011.

University of North Alabama
Credit Quality Ratings of Fixed Maturities

<u>Moody's Ratings*</u>	<u>Fair Value</u>
AAA	\$ 585,399
A1	44,549
A2	23,125
A3	23,191
AA2	22,893
BAA1	0
BAA2	91,714
Not Rated	701,954
Total	<u>\$ 1,433,203</u>

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

Note 3 Receivables

Receivables for the University are summarized as follows:

	9/30/11	9/30/10
Accounts Receivable:		
Federal and State Agencies	\$ 1,343,218	\$ 2,398,963
Third-Party Contracts	1,410,755	1,284,815
Students	2,520,573	2,884,537
Other	80,812	390,877
Total Accounts Receivable	\$ 5,355,358	\$ 6,959,192
Student Notes Receivable:		
Current	\$ 276,335	\$ 267,080
Noncurrent	1,464,254	1,668,858
Total Student Notes Receivable	\$ 1,740,589	\$ 1,935,938

Note 4 Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Schedule of Changes in Fixed Assets			
	Balance 9/30/10	Additions	Transfers	Reductions
Land	\$ 3,757,429	\$ 3,300		
Buildings	82,284,601	52,275	\$ 4,573,740	
Improvements and Betterments	12,657,966			
Equipment	10,294,392	195,519		
Banner Software	7,615,055			
Library Books	21,360,639	1,053,328		\$ (329,654)
Construction in Progress	1,610,948	7,258,873	(4,573,740)	
Total	\$ 139,581,030	\$ 8,563,295	\$ —	\$ (329,654)

	Schedule of Depreciation		
	Accumulated Depreciation 9/30/10	Depreciation FYE 9/30/11	Accumulated Depreciation 9/30/11
Buildings	\$ 37,166,725	\$ 1,911,726	\$ 39,078,452
Improvements and Betterments	5,211,833	462,306	5,674,138
Equipment	8,573,643	533,533	9,107,176
Banner Software	2,284,516	761,505	3,046,022
Library Books	21,360,639	1,053,328	22,084,313
Total	\$ 74,597,357	\$ 4,722,398	\$ 78,990,101
Capital Assets			
Net of Depreciation	\$ 64,983,673	\$ 3,840,897	\$ 68,824,570

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, were required by statute to contribute 5 percent of their salary to the Teachers' Retirement System through 9/30/11. 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	2011	2010	2009
Total percentage of Covered Payroll	17.51%	17.51%	17.07%
Contributions:			
Percentage Contributed by the University	12.51%	12.51%	12.07%
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	\$ 4,725,007	\$ 4,634,799	\$ 4,511,773
Contributed by Employees	1,894,342	1,857,886	1,874,130
Total Contributed	\$ 6,619,349	\$ 6,492,685	\$ 6,385,903

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 2011
	Effective
	10/1/10 - 9/30/11
Individual Coverage – Non-Medicare Eligible	\$ 146.00
Individual Coverage – Medicare Eligible	10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	381.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	245.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	245.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	109.00
Surviving Spouse – Non-Medicare Eligible	701.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	890.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	859.00
Surviving Spouse – Medicare Eligible	369.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	558.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	527.00

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 University retiree participating in the plan. 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>
2011	\$ 1,432,200	100%
2010	1,263,656	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

Subsequent to September 30, 2011 the University of North Alabama continued with the planning and construction of the new Science and Engineering Technology Facility, the Black Box Theatre, and the Academic Centre and Student Commons Building.

Accounts Payable

Note 8

Accounts payable and accrued liabilities represent amounts due at September 30, 2011 for goods and services received prior to the end of the fiscal year, as follows:

<u>Accounts Payable and Accrued Liabilities:</u>	<u>9/30/11</u>	<u>9/30/10</u>
Salaries and Wages	\$ 587,514	\$ 712,374
Benefits	93,393	192,783
Interest Payable	527,217	432,006
Supplies and Utilities	1,776,277	982,747
Other	363,524	395,469
Total Accounts Payable and Accrued Liabilities	\$ 3,347,925	\$ 2,715,379

Note 9 Long-Term Liabilities

On November 30, 2010 the University issued 2010A and B General Fee Revenue Bonds in the amount of \$ 35,765,000, to refund the 1999 Series Bonds and to issue new debt in the amount of \$25,915,000 in Build America Bonds. The new debt was issued to finance the construction of the Science and Engineering Technology Facility.

Long-term liabilities activity for the year ended September 30, 2011 was as follows:

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011	Current Portion	NonCurrent Portion
Bonds Payable	\$ 21,145,000	\$ 35,765,000	\$ 10,600,000	\$ 46,310,000	\$ 855,000	\$ 45,455,000
Long-term Portion of Compensated Absences						\$ 1,140,803
Total Long-term Debt and Other Obligations						\$ 46,595,803

Debt obligations of the University consist of the following:

	Balance September 30, 2011	Balance September 30, 2010
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.	\$ 0	\$ 10,355,000
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.	10,545,000	10,790,000
2010A General Fee Revenue Bonds with an interest rate of 2.00% to 4.00% payable in installments to maturity in 2024, collateralized by general student fees.	9,850,000	0
2010B General Fee Revenue Bonds with an interest rate of 5.75% to 6.55% payable in installments to maturity in 2041, collateralized by general student fees	25,915,000	0
Total Debt Obligations	\$ 46,310,000	\$ 21,145,000

Revenue from student tuition and fees and housing revenue sufficient to pay annual debt service is pledged to secure the 2010 and 2010 bonds. Principal and interest maturity requirements on bond debt are as follows:

Debt Service Requirements as of 9/30/11

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2012	855,000	1,836,754	2,691,754
FY 2013	875,000	1,813,694	2,688,694
FY 2014	900,000	1,789,219	2,689,219
FY 2015	925,000	1,765,681	2,690,681
FY 2016	950,000	1,741,619	2,691,619
FY 2017-2021	5,180,000	8,268,149	13,448,146
FY 2022-2026	6,295,000	7,203,868	13,498,868
FY 2027-2031	8,005,000	5,694,660	13,699,660
FY 2032-2036	9,970,000	3,744,837	13,714,837
FY 2037-2041	12,355,000	1,359,739	13,714,739
Total Debt Service Requirements	\$ 46,310,000	\$ 35,218,217	\$ 81,528,217

A. Bond Issuance Costs and Premiums

The University prepaid bond issuance costs and bond discounts in connection with the issuance of its 2003 and 2010 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	(106,025)	(186,486)
Balance 9/30/10	161,227	246,091
Net Additions	385,267	558,096
Current Year Amount Amortized	(16,743)	(24,337)
Balance 9/30/11	\$ 529,751	\$ 779,850

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 selfinsured 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.

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

The University anticipates construction will begin on the Academic Centre and Student Commons and the Science and Engineering Technology Facility in FY2012, and expects a minimal amount of debt to be issued for these projects.

The University also plans to complete construction of the Black Box Theatre in FY 2012. No additional debt is expected to be issued for this project.



THE BOARD OF TRUSTEES

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Governor, State of Alabama

Joseph B. Morton
*State Superintendent,
Department of Education
(term ended August 2011)*

Larry Craven
*Interim State Superintendent,
Department of Education*

Uchenna Akalonu
*President, Student Government Association
(non-voting)*

GUBERNATORIAL APPOINTMENTS

Billy Don Anderson

Richard H. Cater

Lisa G. Ceci

John B. Cole

Ronnie G. Flippo

Rodney L. Howard

Libby Watts Jordan

Steven F. Pierce

Harvey F. Robbins



For additional information regarding this report, contact:

W. Steven Smith
Vice President for Business and Financial Affairs
University of North Alabama
UNA Box 5003
Florence, Alabama 35632-0001

For additional information regarding the University, contact:

Josh Woods
Director of University Communications
University of North Alabama
UNA Box 5026
Florence, Alabama 35632-0001

ADMINISTRATION

William G. Cale, Jr.
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Birdie I. Bailey
*Dean, College of Nursing and
Allied Health*

Donna Ford Tipps
Controller

*The Financial Report was prepared by
the Office of Business and Financial Affairs.*

