

FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of North Alabama Foundation

We have audited the accompanying financial statements of University of North Alabama Foundation (a nonprofit organization) as of September 30, 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of North Alabama Foundation as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the University of North Alabama Foundation's 2012 financial statements, and our report dated December 14, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Patterson, Prince and Associates, P.C.

Florence, Alabama

January 31, 2014

Members, American Institute of Certified Public Accountants & Alabama Society of Certified Public Accountants

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STATEMENTS OF FINANCIAL POSITION

University of North Alabama Foundation

September 30, 2013 and 2012

	September 30	
	2013	2012
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 3,102,783	\$ 2,419,906
Accounts Receivable	3,600	4,558
Pledges Receivable	2,009,390	446,774
Inventories	12,249	10,863
Interest Receivable	20,518	26,924
<u>Total Current Assets</u>	<u>\$ 5,148,540</u>	<u>\$ 2,909,025</u>
<u>Investments:</u>		
Cash Restricted for Long Term Investment	\$ 206,042	\$ 207,410
Investments	18,811,342	17,529,895
<u>Total Investments</u>	<u>\$ 19,017,384</u>	<u>\$ 17,737,305</u>
<u>Fixed Assets:</u>		
Donated Artifacts and Collectibles	\$ 273,950	\$ 273,950
Furniture and Equipment	40,532	34,064
	<u>\$ 314,482</u>	<u>\$ 308,014</u>
Less: Accumulated Depreciation	34,064	34,064
<u>Total Fixed Assets</u>	<u>\$ 280,418</u>	<u>\$ 273,950</u>
<u>Other Assets</u>		
Pledges Receivable (Net) Non-Current	\$ 980,186	\$ 1,099,204
<u>Total Other Assets</u>	<u>\$ 980,186</u>	<u>\$ 1,099,204</u>
<u>TOTAL ASSETS</u>	<u>\$ 25,426,528</u>	<u>\$ 22,019,484</u>

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENTS OF FINANCIAL POSITION

University of North Alabama Foundation

September 30, 2013 and 2012

	September 30	
	<u>2013</u>	<u>2012</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 989,221	\$ 438,941
Unearned Revenue	11,340	11,340
Obligations under Annuity Contracts - Current Portion	<u>69,533</u>	<u>69,992</u>
<u>Total Current Liabilities</u>	\$ 1,070,094	\$ 520,273
<u>Long-Term Liabilities:</u>		
Obligations under Annuity Contracts - Deferred Portion	<u>\$ 309,279</u>	<u>\$ 327,181</u>
<u>Total Long-Term Liabilities</u>	<u>\$ 309,279</u>	<u>\$ 327,181</u>
<u>Total Liabilities</u>	\$ 1,379,373	\$ 847,454
<u>Net Assets:</u>		
Unrestricted	\$ 307,602	\$ 125,566
Temporarily Restricted	6,526,311	5,908,755
Permanently Restricted	<u>17,213,242</u>	<u>15,137,709</u>
<u>Total Net Assets</u>	\$ 24,047,155	\$ 21,172,030
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 25,426,528</u>	<u>\$ 22,019,484</u>

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENTS OF ACTIVITIES

University of North Alabama Foundation

For the Year Ended September 30, 2013 with Summarized Financial Information for the Year Ended September 30, 2012

	2013				2012
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<u>SUPPORT AND REVENUE:</u>					
<u>Support:</u>					
Contributions	\$ 259,945	\$ 1,182,153	\$ 2,049,533	\$ 3,491,631	\$ 2,925,781
In-Kind Donations	625,387	37,132	-	662,519	120,865
Other Income	4,028	265,096	-	269,124	228,015
Transfers	198,389	(225,389)	27,000	-	-
Net Assets Released from Restriction	2,152,054	(2,152,054)	-	-	-
<u>Total Support</u>	\$ 3,239,803	\$ (893,062)	\$ 2,076,533	\$ 4,423,274	\$ 3,274,661
<u>Revenue:</u>					
Interest and Dividend Income	\$ -	\$ 427,722	\$ -	\$ 427,722	\$ 443,053
Net Unrealized and Realized Gain (Loss) on Investments	-	1,082,896	-	1,082,896	1,940,861
<u>Total Revenue</u>	\$ -	\$ 1,510,618	\$ -	\$ 1,510,618	\$ 2,383,914
<u>TOTAL SUPPORT AND REVENUE</u>	\$ 3,239,803	\$ 617,556	\$ 2,076,533	\$ 5,933,892	\$ 5,658,575
 <u>EXPENSES:</u>					
Program Services	\$ 2,076,358	\$ -	\$ 1,000.00	\$ 2,077,358	\$ 1,730,701
Support Services	981,409	-	-	981,409	429,065
<u>TOTAL EXPENSES</u>	\$ 3,057,767	\$ -	\$ 1,000	\$ 3,058,767	\$ 2,159,766
 Net Change in Net Assets	\$ 182,036	\$ 617,556	\$ 2,075,533	\$ 2,875,125	\$ 3,498,809
<u>Net Assets at Beginning of Year</u>	125,566	5,908,755	15,137,709	21,172,030	17,673,221
<u>NET ASSETS AT END OF YEAR</u>	\$ 307,602	\$ 6,526,311	\$ 17,213,242	\$ 24,047,155	\$ 21,172,030

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENTS OF FUNCTIONAL EXPENSES

Schedule of Program Services

University of North Alabama Foundation

For the Years Ended September 30, 2013 and 2012

	2013 Total Program Services	2012 Total Program Services
Scholarships Awarded	\$ 352,687	\$ 610,460
Eminent Scholars Support	139,433	166,791
Academic Program Support	210,816	176,830
Alumni Program Support	63,866	75,136
Annuities	55,492	49,586
Athletic Department Support	452,612	455,048
Student and Faculty Support	46,975	6,533
Other Program Support (See Note 5)	<u>755,477</u>	<u>190,317</u>
<u>TOTAL PROGRAM SERVICES</u>	<u>\$ 2,077,358</u>	<u>\$ 1,730,701</u>

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENTS OF FUNCTIONAL EXPENSES

Schedule of Support Services

University of North Alabama Foundation

For the Year Ended September 30, 2013 with Summarized Financial Information for the Year Ended September 30, 2012

	Management & General	Fund Raising	2013 Total Support Services	2012 Total Support Services
Contract Services - Other	\$ 2,726	\$ 43,685	\$ 46,411	\$ 129,185
Supplies	37,303	23,509	60,812	74,466
Cost of Sales	-	-	-	768
Postage	1,431	16,184	17,615	11,597
Legal and Accounting	13,895	-	13,895	14,305
Telephone	23	-	23	115
Printing and Copying	1,920	16,377	18,297	28,633
Membership Dues	3,635	785	4,420	4,098
Advertising	-	-	-	150
Donations and Sponsorships	8,125	5,241	13,366	11,800
NAA Events	-	23,420	23,420	26,069
Software and Maintenance	67,955	695	68,650	10,315
Insurance	1,809	-	1,809	12,268
Fees	-	7,466	7,466	10,389
Travel, Lodging, and Meals	6,071	8,992	15,063	18,624
Staff Development	550	13,243	13,793	2,620
Donor Appreciation	-	3,049	3,049	-
Gifts and Flowers	6,557	4,410	10,967	13,338
Awards	5,211	4,150	9,361	5,678
Banquets and Meals	6,731	13,379	20,110	10,952
In-Kind Expense	333,202	294,811	628,013	41,404
General Program Support	-	-	-	1,680
Bad Debt Expense	-	1,456	1,456	500
Miscellaneous Expenses	615	2,798	3,413	111
<u>TOTAL SUPPORT SERVICES</u>	<u>\$ 497,759</u>	<u>\$ 483,650</u>	<u>\$ 981,409</u>	<u>\$ 429,065</u>

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENTS OF CASH FLOWS

University of North Alabama Foundation

For the Years Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ 2,875,125	\$ 3,498,809
Adjustments to Reconcile Change in Net Assets to Net		
Cash provided by (used for) Operating Activities:		
Realized and Unrealized Gain on Investments	(1,082,896)	(1,940,862)
Change in Amortization of Discount on Pledges Receivable	(2,845)	21,143
Change in Accounts Receivable	958	53,792
Change in Pledges Receivable	(1,440,753)	(1,087,484)
Change in Prepaid Expense	-	5,250
Change in Inventories	(1,386)	(7,565)
Change in Interest Receivable	6,406	(10,092)
Change in Accounts Payable	550,280	172,976
Change in Unearned Revenue	-	11,340
Change in Obligations Under Annuity Contracts	(18,361)	77,082
Donated Equipment included in Contributions	(6,468)	-
Contributions Restricted for Long-Term Investment	<u>(2,049,533)</u>	<u>(460,287)</u>
Net Cash Provided by (Used for) Operating Activities	\$ (1,169,473)	\$ 334,102
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net of Purchase and Sale of Investments	\$ <u>(197,183)</u>	\$ <u>(187,754)</u>
Net Cash Used for Investing Activities	\$ (197,183)	\$ (187,754)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Receipts of Contributions Restricted for Long-Term Investment	\$ <u>2,049,533</u>	\$ <u>460,287</u>
Net Cash Provided by Financing Activities	\$ <u>2,049,533</u>	\$ <u>460,287</u>
Increase in Cash and Cash Equivalents	\$ 682,877	\$ 606,635
Cash and Cash Equivalents at Beginning of Year	<u>2,419,906</u>	<u>1,813,271</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 3,102,783</u>	<u>\$ 2,419,906</u>
<u>SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:</u>		
Donated Equipment	<u>6,468</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION'S ACTIVITIES

The University of North Alabama Foundation (the Foundation), is a nonprofit organization existing to assist the University of North Alabama (the University), a public institution of higher education, in promoting, sponsoring, fostering and carrying out activities to broaden educational opportunities for and services to the students and alumni.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

BASIS OF PRESENTATION

Net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the foundation to use all or part of the income earned on the asset based on the donor-imposed restrictions.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less, except for investments purchased with endowment assets, which are classified as long-term investments. All cash is secured by the bank through a repurchase agreement or FDIC Insurance.

ACCOUNTS RECEIVABLE

Accounts receivable include student accounts receivable and is non-interest bearing. The Foundation extends unsecured credit to students in connection with their studies. Student accounts receivable represent amounts due for fees and books that are generally payable by the end of the school term by currently enrolled and former students. Accounts receivable are stated at the amount management expects to collect from outstanding balances.

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORIES

Inventories are stated at the lower of cost or market, using the first-in, first-out method of inventory valuation.

FIXED ASSETS

Furniture and Equipment is recorded at cost to the Foundation or, if donated, at estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation follows the practice of capitalizing, at cost all expenditures for furniture and equipment in excess of \$5,000.00. Depreciation is computed using the straight-line method over the estimated useful lives of the assets acquired. Donated artifacts and collectibles are recorded at cost if purchased and at fair value at the date of accession if donated. The Foundation does not recognize depreciation on artifacts and collectibles. In addition, the Foundation utilizes certain facilities owned by the University. Such facilities are not recorded on the books of the Foundation.

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2012, from which the summarized information was derived.

CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivables is provided based upon management's judgment.

INCOME TAXES

The Foundation is a nonprofit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

NOTE 2: INVESTMENTS

The Foundation's endowment consists of approximately 220 individual funds established for the purposes discussed in Note 8. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 2: INVESTMENTS (Continued)

The Board of Directors of the Foundation has interpreted the State Prudent management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

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

INVESTMENT RETURN OBJECTIVE, RISK PARAMETERS AND STRATEGIES

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

SPENDING POLICY

It is the policy of the Foundation to annually distribute, at least 3-5% of the average market value of the Foundation (at the beginning of a fiscal year) over a rolling three-year period. It shall be the responsibility of the Foundation Executive Committee, Investment Committee and Investment Manager to periodically review the spending policy against actual returns in order to make adjustments necessary.

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

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 2: INVESTMENTS (Continued)

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

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature that are reported in unrestricted net assets were \$31,051.00 as of September 30, 2013. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Changes in endowment net assets as of September 30, 2013 are as follows:

	<u>Assets</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	\$17,529,895	\$ 0	\$ 2,620,098	\$14,909,797
Contributions	390,056			390,056
Investment Income	1,207,279		1,207,279	
Net appreciation (depreciation)	116,560		116,560	
Excess Loss to Unrestricted		(31,051)	31,051	
Amounts appropriated for expenditure	459,448		459,448	
Transfer	<u>27,000</u>	<u>0</u>	<u>0</u>	<u>27,000</u>
Endowment net assets, end of year	<u>\$18,811,342</u>	<u>\$ (31,051)</u>	<u>\$ 3,515,540</u>	<u>\$15,326,853</u>

Investment management fees and investment income activity fees for the year ending September 30, 2013 are as follows:

Management Fees	\$ 160,533
Investment income activity fees	<u>117,784</u>
<u>TOTAL FEES</u>	<u>\$ 278,317</u>

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 3: PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Unconditional promises to give at September 30, 2013, are as follows:

Promises to give expected to be collected in:	
Less than one year	\$ 2,009,390
One to five years	<u>1,051,926</u>
	\$ 3,061,316
Less allowance for uncollectible promises to give	(31,676)
Less discount at 1.2% on promises to give	<u>(40,064)</u>
<u>NET UNCONDITIONAL PROMISES TO GIVE</u>	<u>\$ 2,989,576</u>

NOTE 4: CONDITIONAL PROMISES TO GIVE

During 2013, the Foundation received promises to give totaling \$351,340 that contained donor conditions (primarily athletic sponsorship requirements). Since these pledges represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met.

NOTE 5: PROGRAM SUPPORT

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated to Other Program Support as follows:

Academics Commons Building	\$ 634,894
Other Program Support	<u>120,583</u>
<u>TOTAL PROGRAM SUPPORT</u>	<u>\$ 755,477</u>

NOTE 6: FIXED ASSETS

Fixed Assets consisted of the following at September 30:

Donated Artifacts and Collectibles	\$ 273,950
Furniture and Equipment	30,832
Computer Software	<u>9,700</u>
	\$ 314,482
Less Accumulated Depreciation	<u>34,064</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 280,418</u>

Depreciation expense for year ending September 30, 2013 was \$0.

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 7: FAIR VALUE MEASUREMENTS

Fair value measurements for assets reported at fair value on a recurring basis were determined based on:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market	741,578	741,578	-	-
Fixed Income				
Government Obligatons	1,090,073	1,090,073	-	-
Corporate Obligations	1,009,717	1,009,717	-	-
Domestic Mutual Funds	1,735,258	1,735,258	-	-
International Mutual Funds	964,199	964,199	-	-
Other	186,970	186,970	-	-
Total Fixed Income	4,986,217	4,986,217	-	-
Equities				
International Equities	666,610	666,610	-	-
Domestic Mutual Funds	2,150,377	2,150,377	-	-
International Mutual Funds	2,880,402	2,880,402	-	-
Other	2,734,353	2,734,353	-	-
Total Equities	8,431,742	8,431,742	-	-
Complementary Strategies				
Hedge Investments	283,167	-	265,707	17,460
Other	2,219,033	767,556	1,039,567	411,910
Total Complementary Strategies	2,502,200	767,556	1,305,274	429,370
Real Assets				
Real Asset Funds	2,109,700	2,109,700	-	-
Other	39,905	39,905	-	-
Total Real Assets	2,149,605	2,149,605	-	-
<u>Total Investments</u>	<u>18,811,342</u>	<u>17,076,698</u>	<u>1,305,274</u>	<u>429,370</u>

The Foundation recognizes transfers into and out of levels at the end of the reporting period. There were transfers from Level 1 to Level 2 and Level 3 during the year ending September 30, 2013.

Fair values from investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Some assets in Level 2 & 3 use modeling for valuations.

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 8: RESTRICTIONS ON NET ASSETS:

Net assets released from restrictions during year ending September 30, 2013 were comprised of the following:

Program Services	\$ 1,450,118
Instruction	350,249
Scholarships	<u>351,687</u>
<u>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</u>	<u>\$ 2,152,054</u>

Temporarily restricted net assets at September 30, 2013, are available for the following purposes:

Program Services	\$ 3,844,515
Instruction	1,457,268
Scholarships	<u>1,224,528</u>
<u>TOTAL TEMPORARILY RESTRICTED NET ASSETS</u>	<u>\$ 6,526,311</u>

Permanently restricted net assets of the following at September 30, 2013:

Program Services	\$ 208,394
Instruction	4,925,936
Scholarships	<u>12,078,912</u>
<u>TOTAL PERMANENTLY RESTRICTED NET ASSETS</u>	<u>\$17,213,242</u>

NOTE 9: ANNUITY GIFTS AND OBLIGATIONS

Gifts are made to the Foundation in the form of gift annuities. A gift annuity is a simple contract between the donor and the Foundation. In exchange for the donor's contribution, the Foundation promises to make fixed, guaranteed payment for life to the annuitant. The amount is based on the age of the annuitant, in accordance with the Foundation's rate schedule. This rate schedule is suggested by the American Council on Gift Annuities. The annuity payments are a general obligation of the Foundation.

Obligations under annuity contracts at September 30, 2013 are as follows:

Current Portion	\$ 69,533
Deferred Portion	<u>309,279</u>
<u>TOTAL ANNUITY OBLIGATIONS</u>	<u>\$ 378,812</u>

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2013

NOTE 10: FUNCTIONAL ALLOCATON OF EXPENSES

The costs of providing the Foundation's various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 11: RELATED PARTY TRANSACTIONS

The University of North Alabama Foundation exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. At September 30, 2013, pledge receivables from the Alumni Association and University board members and directors were \$50,000 and \$192,126 respectively. The Foundation has payables to the University, its board members, and directors of \$847,432. The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was \$20,720 for the year ending September 30, 2013. The Foundation employees are paid by the University. The salaries and benefits for year ending September 30, 2013 was \$577,838.

The Foundation has an affiliation agreement with the University of North Alabama Sportsman's Club. The Foundation has a pledge receivable from the Sportsman's Club of \$150,000 at September 30, 2013. The Foundation owes \$112,133 to the Sportsman's Club at September 30, 2013.

NOTE 12: SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through January 31, 2014, the date which the financial statements were available to be issued.

NOTE 13: UNCERTAIN TAX POSITIONS

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being recognized upon ultimate settlement. There were no unrecognized tax benefits identified as liabilities for fiscal year 2013.

The Organization files forms 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2009.