

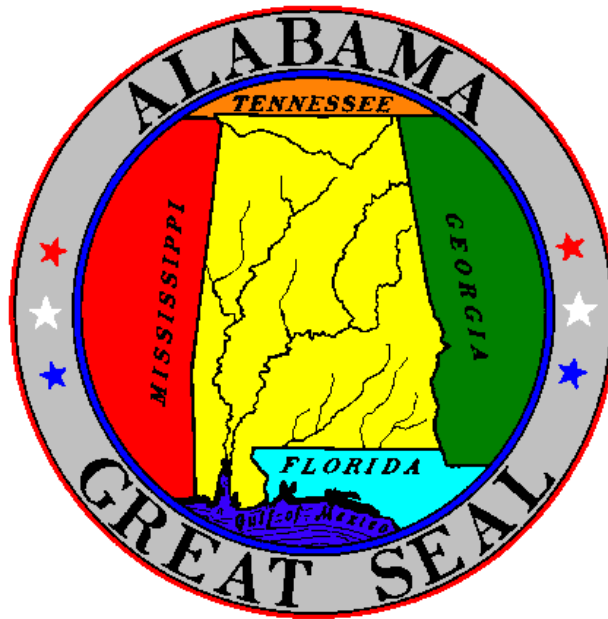
Report on the

# University of North Alabama

Florence, Alabama

October 1, 2006 through September 30, 2007

Filed: September 26, 2008



**Department of  
Examiners of Public Accounts**  
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*Ronald L. Jones, Chief Examiner*



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Ronald L. Jones  
*Chief Examiner*

State of Alabama  
Department of  
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Honorable Ronald L. Jones  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-14, we submit this report on the University of North Alabama (the "University") for the period October 1, 2006 through September 30, 2007 and its component unit, the University of North Alabama Foundation and Subsidiary for the years ended September 30, 2007 and 2006. The University of North Alabama Foundation and Subsidiary was audited by other auditors.

**SCOPE AND OBJECTIVES**

This report encompasses an audit of the financial statements of the University and its component unit and a review of compliance by the University with applicable laws and regulations of the State of Alabama and federal financial assistance programs. The audit of the University was conducted in accordance with government auditing standards generally accepted in the United States of America for financial audits. The audit of the component unit was conducted in accordance with financial auditing standards generally accepted in the United States of America for financial audits. The objectives of the audits were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the University has complied with applicable laws and regulations.

**CONTENTS OF REPORT**

This report includes the following segments:

1. **Report to the Chief Examiner** – contains items pertaining to state legal compliance, agency operations and other matters.
2. **Independent Auditor's Report** – reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations.

3. **Management's Discussion and Analysis (MD&A)** – a component of Required Supplementary Information (RSI) prepared by the management of the University introducing the basic financial statements and providing an analytical overview of the University's financial activities for the year. This information is supplementary information required by the Governmental Accounting Standards Board (GASB). This information has not been audited, and as a result, no opinion is provided about the fairness of the information in accordance with generally accepted accounting principles.
4. **Financial Section** – includes basic financial statements (Exhibits 1 through 3) of the University and (Exhibits 4 and 5) of the component unit and Notes to the Financial Statements of the University and its component unit.
5. **Supplementary Information** – includes the Schedule of Expenditures of Federal Awards (Exhibit 6), which details federal awards expended during the audit period and Notes to the Schedule of Expenditures of Federal Awards, of the University.
6. **Additional Information** – contains basic information related to the University (Exhibit 7) and the following reports and item required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits:

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards** (Exhibit 8) – a report on internal control related to the financial statements and on whether the University has complied with laws and regulations which could have a direct and material effect on the University's financial statements.

**Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133** (Exhibit 9) – a report on the University's internal control over compliance with requirements of laws, regulations, contracts and grants applicable to major federal programs and an opinion on whether the University complied with laws, regulations, and the provisions of contracts or grant agreements which could have a direct and material effect on each major program.

**Schedule of Findings and Questioned Costs** (Exhibit 10) – a report on the University summarizing the results of the audit findings relating to the financial statements as required by ***Government Auditing Standards*** and the University's findings and questioned costs for federal awards as required by OMB Circular A-133.

### **AUDIT COMMENTS**

The University of North Alabama is a comprehensive, regional, state university, offering undergraduate and graduate degrees, and serving both residential and commuting students. The governing control of the University is vested in a Board of Trustees established by action of the State Legislature. The Board is composed of the Governor as president ex officio, the State Superintendent as a member ex officio, and nine members. The chief administrative officer of the University is the President.



Sworn to and subscribed before me this  
the 11<sup>th</sup> day of September, 20 08.

Sandra E Shirley  
Notary Public

Sworn to and subscribed before me this  
the 11<sup>th</sup> day of September, 20 08.

Sandra E Shirley  
Notary Public

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Respectfully submitted,

Lola Fuqua-Haney  
Lola Fuqua-Haney  
Examiner of Public Accounts

Johnny D. Goodwin  
Johnny D. Goodwin  
Examiner of Public Accounts

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## **Independent Auditor's Report**

We have audited the accompanying basic financial statements of the University of North Alabama, a component unit of the State of Alabama, as of and for the year ended September 30, 2007, as listed in the table of contents as Exhibits 1 through 3. These basic financial statements are the responsibility of the University of North Alabama's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the University of North Alabama Foundation and Subsidiary, a component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of North Alabama Foundation and Subsidiary is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the University of North Alabama Foundation and Subsidiary were not audited in accordance with ***Government Auditing Standards***. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of North Alabama, as of September 30, 2007, and the University of North Alabama Foundation and Subsidiary, as of September 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 25, 2008, on our consideration of the University of North Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of North Alabama, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 6) is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Ronald L. Jones".

Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

August 25, 2008

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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

# 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 should be read in conjunction with the Notes to the Financial Statements. The Foundation's statements presented are the Statement of Financial Position and Statement of Activities.

The following summary and management discussion of financial information is intended to provide the readers with an overview of the financial statements. The comparative figures for FY 2006 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, are one way to measure the financial health of the University. Net assets increased 14.8% in the current fiscal year to \$82.4 million.

### Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>
<b><u>Current Assets</u></b>		
Cash and Short-term Investments	\$ 46,001,283	\$ 39,373,843
Receivables	5,315,678	5,592,711
Inventory, Prepaid Expenses, and Other	<u>1,033,389</u>	<u>1,477,970</u>
<b>Total Current Assets</b>	<b>52,350,350</b>	<b>46,444,524</b>
<b><u>Non-Current Assets</u></b>		
Restricted Cash and Long-term Investments	7,785,820	5,538,121
Long-term Receivables	1,528,368	1,436,716
Other Non Current Assets	880,792	441,630
Capital Assets, Net of Depreciation	<u>59,911,114</u>	<u>56,823,351</u>
<b>Total Non-Current Assets</b>	<b>70,106,094</b>	<b>64,239,818</b>
<b>Total Assets</b>	<b>122,456,444</b>	<b>110,684,342</b>
<b><u>Current Liabilities</u></b>		
Accounts Payable and Accrued Liabilities	2,438,171	2,171,162
Deferred Revenue	11,130,891	9,837,340
Deposits Held in Custody for Others	683,910	509,221
Long-term Liabilities-Current Portion	<u>841,964</u>	<u>747,198</u>
<b>Total Current Liabilities</b>	<b>15,094,936</b>	<b>13,264,921</b>
<b><u>Non-Current Liabilities</u></b>		
Long-term Liabilities	<u>24,969,662</u>	<u>25,652,828</u>
<b>Total Liabilities</b>	<b>40,064,598</b>	<b>38,917,749</b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	36,723,422	31,821,343
Restricted	12,152,848	8,583,472
Unrestricted	<u>33,515,576</u>	<u>31,361,778</u>
<b>Total Net Assets</b>	<b>82,391,846</b>	<b>71,766,593</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 122,456,444</b>	<b>\$ 110,684,342</b>

Cash and short-term investments increased by \$6.6 million. This was due to an increase in cash and cash equivalents of \$6.4 million, and an increase in short-term investments of approximately \$200,000. The increase in cash and cash equivalents reflects an increase in student enrollment, including on-line MBA, international student programs, and residual budget funds from 2007. Short-term investments are defined as those with maturities of less than one year.

Receivables include grants, state appropriations, student notes, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Overall current receivables decreased approximately \$300,000 due to a decrease in student receivables and receivables from other agencies.

Restricted cash and long-term investments, which include both unrestricted and endowment investments, increased by approximately \$2.2 million due to the conversion of cash into investments in the Common Fund and investment gains. The University monitors the investment portfolio to insure proper adherence to investment guidelines.

Capital assets (net) increased by \$3.1 million due primarily to the renovation of various buildings on campus and costs incurred for a University-wide administrative software upgrade (Banner). These additions, net of depreciation and disposals, are summarized in the footnotes to the financial statements.

Accounts payable and accrued liabilities increased 12.3% due to an increase in payables for salaries and supplies.

Deferred revenue increased by 13.1%. This reflects increased Fall 2007 enrollment along with increased tuition, fees, room and board revenue for the semester. Increases in the facilities and technology fees, and an increase in enrollment in the on-line MBA program are represented.

Long-term liabilities decreased by \$683,000 due to a scheduled payment of bond principal.

Net assets increased 14.8% overall, reflecting growth that occurred during the year. The University's capital assets grew due to the continuation of the administrative software upgrade and the renovation of various buildings on campus. Restricted net assets increased as a result of external private funding. Unrestricted net assets reflect an increase in reserves for capital projects and future debt service.

### **Statement of Revenues, Expenses and Changes in Net Assets**

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

**Condensed Statement of Revenues, Expenses and Changes in Net Assets  
for the year ended September 30,**

	<u>2007</u>	<u>2006</u>
<b><u>Operating Revenue</u></b>		
Student Tuition and Fees	\$ 29,312,214	\$ 25,895,749
Auxiliary Sales and Services	5,907,102	5,667,312
Grant and Contracts	11,273,607	9,697,456
Athletic Revenue	589,641	540,474
Other Operating Revenue	<u>1,108,517</u>	<u>710,288</u>
<b>Total Operating Revenue</b>	<b>48,191,081</b>	<b>42,511,279</b>
Operating Expenses	<u>71,215,787</u>	<u>63,519,611</u>
Net Operating Income/(Loss)	(23,024,706)	(21,008,332)
<b><u>Non-Operating Revenues/(Expenses)</u></b>		
State Appropriations	30,133,495	26,648,541
Capital Grants, Contracts, and Gifts	743,284	171,052
Non capital gifts and grants	1,046,085	
Investment Income	2,920,476	2,010,084
Other Non-Operating Expense	<u>(1,193,382)</u>	<u>(1,219,258)</u>
<b>Total Non-Operating Revenues-Net</b>	<b>33,649,959</b>	<b>27,610,419</b>
Increase in Net Assets	10,625,253	6,602,087
<b>Net Assets-Beginning of Year</b>	<b><u>71,766,593</u></b>	<b><u>65,164,506</u></b>
<b>Net Assets-End of Year</b>	<b>\$ <u>82,391,846</u></b>	<b>\$ <u>71,766,593</u></b>

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

Tuition and fees (net) increased by 13.2% in FY 2007. The increase was due to an average tuition rate increase of approximately 3% and an enrollment increase of 5.4% (based on data for fall semesters).

Auxiliary revenue consists of income from various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public. These entities are intended to be self-supporting, and charge a fee for their goods or services. Revenue from residence halls, apartments, food services, university health services, rental property, and other student related activities are included in this total. The 3% increase in FY 2007 reflects an increase in housing and general auxiliary revenue.

Grants and contracts revenue increased by 16.3% as a result of additional federal and other grants and contracts.

Athletic revenue increased 9.1%, primarily due to an increase in external athletic fundraising.

Operating expenses increased by \$7.7 million, or 12.1%. Each category is discussed in detail on page six.

State appropriations increased 13.1% over the previous year.



Endowment gifts reflect revenue to the University endowments. The majority of endowments established for the past decade are held in the UNA Foundation.

Capital grants, contracts and gifts for FY 2007 increased due to revenue received for the renovation of Rogers Hall, which was funded primarily by state grants.

Investment income grew by 45.3% generated from an increase in interest earned and unrealized gains resulting from increased deposits and an increase in rates of return.

### **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 expense grew by \$2.8 million from FY 2006 to FY 2007 primarily due to increased costs for employee salaries and benefits including faculty development and additional faculty positions. Increases in expenses for recruitment and retention of minority faculty and staff funded by Knight v. Alabama appropriations, campus technology upgrades, and supplies and other expenses also contributed to the growth.

Research expenditures decreased as a result of the completion of various projects within the fiscal year.

Public service expenditures increased with the increase in funding from the Alabama Math, Science and Technology Initiative (AMSTI).

Academic support increased due to growth in employee salaries, benefits, supplies, and other expenses.

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

The increase in institutional support expenditures from the previous year is due to additional salary expenses for level increases, increased benefit costs, and the addition of staff positions.

Operation and maintenance of plant expenditures grew primarily due to salary, benefit and supplies increases and increased utilities.

Depreciation expense increased due to the addition of new capital assets.

Scholarship expenses increased due to additional University funded scholarships.

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

## **Operating Expenses by Natural Classification**

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

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

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

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

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

Financial aid expense increased due to additional University funded scholarships.

Depreciation expense increased due to the addition of capital assets.

## **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.

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

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

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

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

### **Significant Capital Asset and Debt Activity**

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

### **Economic and Enrollment Factors That Will Affect the Future**

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

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

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## ***Statement of Net Assets***

### ***September 30, 2007***

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#### **ASSETS**

##### **Current Assets**

Cash and Cash Equivalents	\$ 42,079,610.66
Short-Term Investments	3,921,672.42
Accounts Receivable	5,001,641.84
Inventories	35,834.75
Notes Receivable	285,886.16
Stadium Use Agreement	28,149.58
Prepaid Expenses	967,557.38
Bond Issuance Cost	11,170.70
Bond Discount	18,826.18
Total Current Assets	<u>52,350,349.67</u>

##### **Noncurrent Assets**

Restricted Cash and Cash Equivalents	365,742.14
Deposit with Bond Trustee	1,386,262.36
Other Long-Term Investments	6,033,814.89
Bond Issuance Cost	183,568.34
Bond Discount	283,743.03
Notes Receivable	1,528,368.33
Stadium Use Agreement	413,480.39
Capital Assets:	
Land	3,732,428.89
Improvements Other Than Buildings	10,281,105.80
Buildings	71,778,085.23
Equipment and Furniture	14,768,815.38
Construction in Progress	1,711,614.50
Library Holdings	18,897,713.83
Less: Accumulated Depreciation	<u>(61,258,649.41)</u>
Total Capital Assets, Net of Depreciation	<u>59,911,114.22</u>
Total Noncurrent Assets	<u>70,106,093.70</u>
Total Assets	<u>\$ 122,456,443.37</u>

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

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**LIABILITIES****Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 2,438,170.70
Deferred Revenue	11,130,890.54
Deposits	154,707.73
Deposits for Others	529,202.10
Stadium Use Payable	28,149.58
Bonds Payable	755,000.00
Compensated Absences	58,814.34
Total Current Liabilities	<u>15,094,934.99</u>

**Noncurrent Liabilities**

Stadium Use Payable	413,480.39
Notes Payable	642,008.20
Bonds Payable	22,930,000.00
Compensated Absences	984,173.65
Total Noncurrent Liabilities	<u>24,969,662.24</u>

Total Liabilities	<u>40,064,597.23</u>
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**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	36,723,422.47
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	2,138,456.93
Expendable:	
Scholarships and Fellowships	3,191,813.77
Research	400,445.88
Instructional Department Uses	2,759,500.26
Loans	2,233,853.87
Other	42,514.92
Debt Service	1,386,262.36
Unrestricted	<u>33,515,575.68</u>
Total Net Assets	<u>\$ 82,391,846.14</u>

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***Statement of Revenues, Expenses and Changes in Net Assets***  
***For the Year Ended September 30, 2007***

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**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$4,656,507.01)	\$ 29,312,214.42
Federal Grants and Contracts	5,661,866.74
State and Local Grants and Contracts	3,336,943.71
Nongovernmental Grants and Contracts	2,274,796.14
Auxiliary Enterprises:	
Athletic Revenue	589,641.19
Sales and Services Auxiliary (Net of Scholarship Allowances of \$131,978.77)	5,907,102.21
Other Operating Revenues	1,108,516.96
Total Operating Revenues	<u>48,191,081.37</u>

**OPERATING EXPENSES**

Instruction	26,888,237.39
Institutional Support	7,554,902.64
Public Service	3,165,817.26
Academic Support	4,483,923.66
Student Services	5,092,689.41
Research	1,873,631.73
Operation and Maintenance	5,995,700.85
Scholarships and Financial Aid	4,303,311.48
Depreciation	3,615,572.39
Auxiliary Enterprises	7,447,600.20
Administrative Fees and Collection Costs	23,357.21
Other Expenditures	771,043.17
Total Operating Expenses	<u>71,215,787.39</u>

Operating Income (Loss)	<u>(23,024,706.02)</u>
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**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	30,133,495.00
Noncapital Gifts and Grants	1,046,084.96
Investment Income	2,920,476.58
Interest on Capital Asset - Related Debt	<u>(1,193,381.90)</u>
Net Nonoperating Revenues (Expenses)	<u>32,906,674.64</u>
Income Before Other Revenues, Expenses, Gains, or Losses	9,881,968.62
Capital Grants and Gifts	743,284.40
Total Other Revenues	<u>743,284.40</u>
Changes in Net Assets	10,625,253.02
Total Net Assets - Beginning of Year	71,766,593.12
Total Net Assets - End of Year	<u><u>\$ 82,391,846.14</u></u>

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

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***Statement of Cash Flows***  
***For the Year Ended September 30, 2007***

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 30,928,107.06
Grants and Contracts	11,273,606.59
Payments to Suppliers	(16,700,845.47)
Payments to Employees	(34,246,120.64)
Payments for Scholarships	(4,116,143.39)
Payments for Benefits	(9,814,660.97)
Payments for Utilities	(2,448,435.10)
Auxiliary Enterprises	6,414,804.53
Other Receipts (Payments)	1,108,516.96
Net Cash Provided (Used) by Operating Activities	<u>(17,601,170.43)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	30,133,495.00
Noncapital Gifts and Grants	1,046,084.96
Deposits	174,688.60
Net Cash Provided (Used) by Noncapital Financing Activities	<u>31,354,268.56</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Deposit with Trustee	(68,007.39)
Capital Grants and Gifts Received	743,284.40
Purchase of Capital Assets	(6,703,335.66)
Principal Paid on Capital Debt	(675,000.00)
Interest Paid on Capital Debt	(1,163,385.02)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,866,443.67)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	7,627,152.03
Interest on Investments	(9,955,487.31)
Purchase of Investments	2,920,476.58
Net Cash Provided (Used) by Investing Activities	<u>592,141.30</u>

Net Increase (Decrease) in Cash and Cash Equivalents	6,478,795.76
Cash and Cash Equivalents - Beginning of Year	35,966,557.04
Cash and Cash Equivalents - End of Year	<u>\$ 42,445,352.80</u>

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



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**Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss) \$ (23,024,706.02)

**Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense	3,615,572.39
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables	240,403.09
(Increase)/Decrease in Inventories	(3,376.14)
(Increase)/Decrease in Prepaids	(76,223.96)
Increase/(Decrease) in Accounts Payable	240,135.96
Increase/(Decrease) in Compensated Absences	113,473.57
Increase/(Decrease) in Deferred Revenue	<u>1,293,550.68</u>

Net Cash Provided (Used) by Operating Activities \$ (17,601,170.43)

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***Consolidated Statement of Financial Position***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

	2007	2006
<b><u>ASSETS</u></b>		
<b><u>Current Assets:</u></b>		
Cash and Cash Equivalents	\$ 3,965,049	\$ 5,096,649
Accounts Receivable	23,108	12,062
Pledges Receivable	25,000	514,396
Inventories	2,734	46,766
Interest Receivable	7,385	8,518
Total Current Assets	4,023,276	5,678,391
<b><u>Investments:</u></b>		
Cash Restricted for Long-Term Investment	131,055	160,855
Investments	13,550,510	9,508,439
Total Investments	13,681,565	9,669,294
<b><u>Fixed Assets:</u></b>		
Donated Artifacts and Collectibles	263,650	213,650
Furniture and Equipment	34,064	34,064
Sub-Total	297,714	247,714
Less: Accumulated Depreciation	33,801	31,459
Total Fixed Assets	263,913	216,255
<b><u>Other Assets</u></b>		
Investment - Campus Projects, LLC		
Pledges Receivable	74,691	
Other Assets		90,503
Total Other Assets	74,691	90,503
TOTAL ASSETS	18,043,445	15,654,443
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts Payable	3,151	2,896
Obligations Under Annuity Contracts - Current Portion	65,197	58,725
Total Current Liabilities	68,348	61,621
Obligations Under Annuity Contracts - Deferred Portion	369,528	340,932
Total Liabilities	437,876	402,553
<b><u>Net Assets:</u></b>		
Unrestricted	292,934	355,319
Temporarily Restricted	5,821,930	3,671,014
Permanently Restricted	11,490,705	11,225,547
Total Net Assets	17,605,569	15,251,880
TOTAL LIABILITIES AND NET ASSETS	\$ 18,043,445	\$ 15,654,433

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

***Consolidated Statement of Activities***  
***University of North Alabama Foundation***  
***For the Fiscal Years Ended September 30, 2007 and 2006***

	<b>2007</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>
<b><u>SUPPORT AND REVENUE</u></b>		
<b><u>Support:</u></b>		
Donations	\$ 84,805	\$ 710,331
In-Kind Donations	50,000	
Other Income		64,858
Transfers	(50,485)	(398)
Net Assets Released from Restriction	535,876	(535,876)
Total Support	620,196	238,915
<b><u>Revenue:</u></b>		
Interest Income	19,491	442,119
Net Unrealized and Realized Gain on Investments		1,469,882
Total Revenue	19,491	1,912,001
 TOTAL SUPPORT AND REVENUE	 639,687	 2,150,916
<b><u>EXPENSES</u></b>		
Program Services	436,426	
Support Services	265,646	
Loss on Pledges		
TOTAL EXPENSES	702,072	
 Net Change in Assets	 (62,385)	 2,150,916
Net Assets at Beginning of Year	355,319	3,671,014
NET ASSETS AT END OF YEAR	\$ 292,934	\$ 5,821,930

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

2006					
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 229,275	\$ 1,024,411	\$ 78,526	\$ 440,239	\$ 500,524	\$ 1,019,289
	50,000	7,000			7,000
	64,858		69,403		69,403
50,883		9,480	(15,478)	5,998	
		490,713	(490,713)		
280,158	1,139,269	585,719	3,451	506,522	1,095,692
	461,610	15,091	436,637		451,728
	1,469,882		462,099		462,099
	1,931,492	15,091	898,736		913,827
280,158	3,070,761	600,810	902,187	506,522	2,009,519
	436,426	437,499			437,499
	265,646	199,042			199,042
15,000	15,000				
15,000	717,072	636,541			636,541
265,158	2,353,689	(35,731)	902,187	506,522	1,372,978
11,225,547	15,251,880	391,050	2,768,827	10,719,025	13,878,902
\$ 11,490,705	\$ 17,605,569	\$ 355,319	\$ 3,671,014	\$ 11,225,547	\$ 15,251,880

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2007***

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#### **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 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 Number 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.

#### **B. Component Units**

The University of North Alabama Foundation and Subsidiary (the “Foundation”) is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and the Foundation, the Foundation is considered a component unit of the University. The Foundation’s financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements for these differences.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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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 nonoperating 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. Nonoperating 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.

#### **D. Assets, Liabilities, and Net Assets**

##### **1. Deposits and Investments**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the University to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

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

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

##### **2. Receivables**

Accounts receivable relate to amounts due from federal grants, state appropriations, third party tuition, and auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings. No allowance for doubtful accounts has been established.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **3. Inventories**

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

#### **4. Capital Assets**

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

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

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

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

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Composite	25 years
Equipment	Composite	5 – 10 years
Library Materials	Composite	10 years

#### **5. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond/Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **6. Compensated Absences**

The Board of Trustees determines annual and sick leave policies for the University's employees. The annual and sick leave policies adopted by the University are as follows:

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 does not earn sick or annual leave. Payment is not made to employees for unused sick leave at termination or retirement.

#### **7. Deferred Tuition and Fee Revenue**

Tuition and fee revenues received but related to the period after September 30, 2007, have been deferred.

#### **8. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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- ✓ **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.

#### **9. 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.

#### **10. 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.

#### **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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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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**

The University may invest its funds in securities and investments authorized by the *Code of Alabama 1975*, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41. These laws provide that the University may invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof of the United States of America that meet specified criteria.

As of September 30, 2007, the University had the following investments and maturities:

Investment Type	Fair Value	Years to Maturity			
		Less Than 1	1 - 5	6 - 10	More Than 10
Debt Securities:					
U. S. Agency Securities	\$ 598,998.08	\$	\$324,026.00	\$153,937.85	\$121,034.23
Repurchase Agreements	3,921,672.42	3,921,672.42			
Total Debt Securities	4,520,670.50	\$3,921,672.42	\$324,026.00	\$153,937.85	\$121,034.23
Domestic Stocks	48,788.00				
Mutual Funds	5,022,755.19				
Certificates of Deposit	286,620.26				
Money Market Accounts	1,462,915.72				
Total Other	\$6,821,079.17				

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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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 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 investment policy require that at least 85% of market value of the total equity portfolio shall be stocks rated "B" or better by Standard & Poor's, with preference given to "Blue Chip" stocks. "No Load" funds with excellent earnings and growth history are preferred. All fixed income securities must have at least "A" rating by Moody's or Standard & Poor's at the time of purchase. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or Board. In addition, the policy specifically prohibits eleven types of high risk transactions, such as futures, commodities, and margin purchases.
  - ✓ **Custodial Credit Risk** – Custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if that party fails. The University's custodial risk is limited. All investments are in the name of the University. Securities held by a third party are either collateralized or part of the SAFE program previously mentioned in the Deposit 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 investment policy reduces risk of this type of loss. The policy requires 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's 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 investment policy 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 policy of the University limits global stocks to a target of 6% of total investments thereby guarding against foreign currency risk.

# *Notes to the Financial Statements*

## *For the Year Ended September 30, 2007*

### Note 3 – Receivables

Receivables are summarized as follows:

<u>Accounts Receivable</u>	
Federal and State Agencies	\$ 854,929.97
Third-Party Contracts	1,789,049.03
Students	2,262,512.36
Other	95,150.48
Total Accounts Receivable	<u>5,001,641.84</u>
<u>Notes Receivable</u>	
Current	285,886.16
Noncurrent	1,528,368.33
Total Notes Receivable	<u>\$1,814,254.49</u>

### Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Adjustment/ Reclassification	Additions	Deductions	Ending Balance
Land	\$ 3,710,353.89	\$	\$ 22,075.00	\$	\$ 3,732,428.89
Improvements Other Than Buildings	10,281,105.80				10,281,105.80
Buildings	70,308,961.38	1,218,140.85	250,983.00		71,778,085.23
Equipment	11,234,305.81		3,607,927.64	(73,418.07)	14,768,815.38
Library Holdings	18,151,822.50		759,977.97	(14,086.64)	18,897,713.83
Construction in Progress	867,383.30	(1,218,140.85)	2,062,972.05		1,711,614.50
Total	<u>114,553,932.68</u>		<u>6,703,335.66</u>	<u>(87,504.71)</u>	<u>121,169,763.63</u>
Less: Accumulated Depreciation					
Improvements Other Than Buildings	3,395,462.55		396,960.15		3,792,422.70
Buildings	30,269,662.94		1,605,069.39		31,874,732.33
Equipment	5,913,633.74		853,564.88	(73,418.07)	6,693,780.55
Library Holdings	18,151,822.50		759,977.97	(14,086.64)	18,897,713.83
Total Accumulated Depreciation	<u>57,730,581.73</u>		<u>3,615,572.39</u>	<u>(87,504.71)</u>	<u>61,258,649.41</u>
Capital Assets, Net	<u>\$ 56,823,350.95</u>	<u>\$</u>	<u>\$3,087,763.27</u>	<u>\$</u>	<u>\$ 59,911,114.22</u>

In fiscal year 2006, the University purchased SunGard Higher Education's Banner software, an integrated system for Finance, Human Resources, Student and Financial Aid. Total costs capitalized during fiscal year 2007 equaled \$2,759,039.86, which included software purchased and other costs of implementation such as training, technical consultants, equipment and travel. Implementation of the first module (Finance) occurred on October 1, 2007. Depreciation expense for the Banner Implementation will be calculated and recorded beginning in fiscal year 2008.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### *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 are 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **B. Funding Policy**

Employees, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. As of January 1, 2001, full-time law enforcement officers (as defined by Act Number 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,	2007	2006	2005
Total Percentage of Covered Payroll	14.36%	13.17%	12.03%
<b>Contributions:</b>			
Percentage Contributed by the University	9.36%	8.17%	7.03%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by University	\$3,209,364.16	\$2,300,212.39	\$1,821,077.60
Contributed by Employees	1,612,723.63	1,411,095.48	1,301,951.68
Total Contributions	<u>\$4,822,087.79</u>	<u>\$3,711,307.87</u>	<u>\$3,123,029.28</u>

#### **Note 6 – Construction and Other Significant Commitments**

As of September 30, 2007, the University of North Alabama had been awarded approximately \$4,083,973.46 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

#### **Note 7 – Accounts Payable**

Accounts payable and accrued liabilities represent amounts due at September 30, 2007, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 523,184.58
Benefits	65,482.20
Interest Payable	488,282.15
Supplies	562,530.31
Other	798,691.46
Total	<u>\$2,438,170.70</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### Note 8 – Lease Obligations

##### Operating Leases

The University is obligated under a certain lease accounted for as an operating lease. Operating leases do not give rise to property rights. During the fiscal year ended September 30, 2007, the University paid a total of \$49,127.00 for operating leases.

The following is a schedule by fiscal year of future minimum rental payments required under operating leases for facilities that have an initial or remaining noncancelable lease term in excess of one year as of September 30, 2007:

Fiscal Years	Principal	Interest	Total
2007-2008	\$ 28,149.57	\$ 20,977.43	\$ 49,127.00
2008-2009	29,486.68	19,640.32	49,127.00
2009-2010	30,887.30	18,239.70	49,127.00
2010-2011	32,354.45	16,772.55	49,127.00
2011-2012	33,891.28	15,235.72	49,127.00
2012-2013	35,501.12	13,625.88	49,127.00
2013-2014	37,187.42	11,939.58	49,127.00
2014-2015	38,953.82	10,173.18	49,127.00
2015-2016	40,804.13	8,322.87	49,127.00
2016-2017	42,742.33	6,384.67	49,127.00
2017-2018	44,772.59	4,354.41	49,127.00
2018-2019	46,899.28	2,227.72	49,127.00
Total Minimum Payments Required	\$441,629.97	\$147,894.03	\$589,524.00

#### Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>Bonds and Notes Payable:</u>					
Revenue Bonds	\$24,360,000.00	\$	\$675,000.00	\$23,685,000.00	\$755,000.00
Note Payable	642,008.20			642,008.20	
Total Bonds and Notes Payable	25,002,008.20		675,000.00	24,327,008.20	755,000.00
<u>Other Liabilities:</u>					
Compensated Absences	929,514.42	189,708.76	76,235.19	1,042,987.99	58,814.34
Total Other Liabilities	929,514.42	189,708.76	76,235.19	1,042,987.99	58,814.34
Total Long-Term Liabilities	\$25,931,522.62	\$189,708.76	\$751,235.19	\$25,369,996.19	\$813,814.34



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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The Note Payable in the amount of \$642,008.20 at September 30, 2007, represents a promissory note entered into by the University on February 4, 2004. The note was initially in the amount of \$727,008.20. The note is due in one lump sum payment on January 29, 2009, but the University is allowed to make prepayments toward the principle without penalty. The note carried an interest rate of 2.4% at inception and the rate is variable with no set floor or ceiling.

The Revenue Bonds were issued in 1999 and 2003 by the Board of Trustees to provide funds for construction of additional residential facilities.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		Totals
	Principal	Interest	
2007-2008	\$ 755,000.00	\$ 1,127,887.51	\$ 1,882,887.51
2008-2009	845,000.00	1,095,900.01	1,940,900.01
2009-2010	940,000.00	1,057,673.76	1,997,673.76
2010-2011	1,045,000.00	1,013,016.26	2,058,016.26
2011-2012	1,165,000.00	961,906.26	2,126,906.26
2012-2013	1,300,000.00	900,800.01	2,200,800.01
2013-2014	1,445,000.00	831,086.26	2,276,086.26
2014-2015	1,605,000.00	755,210.01	2,360,210.01
2015-2016	1,780,000.00	669,703.76	2,449,703.76
2016-2017	1,970,000.00	573,418.76	2,543,418.76
2017-2018	2,180,000.00	466,249.38	2,646,249.38
2018-2019	470,000.00	399,250.00	869,250.00
2019-2020	350,000.00	381,247.50	731,247.50
2020-2021	370,000.00	365,947.50	735,947.50
2021-2022	385,000.00	349,711.25	734,711.25
2022-2023	400,000.00	332,537.50	732,537.50
2023-2024	420,000.00	314,287.50	734,287.50
2024-2025	440,000.00	293,837.50	733,837.50
2025-2026	460,000.00	271,337.50	731,337.50
2026-2027	485,000.00	247,712.50	732,712.50
2027-2028	510,000.00	222,837.50	732,837.50
2028-2029	535,000.00	196,712.50	731,712.50
2029-2030	565,000.00	169,242.50	734,242.50
2030-2031	595,000.00	140,956.25	735,956.25
2031-2032	620,000.00	112,100.00	732,100.00
2032-2033	650,000.00	81,937.50	731,937.50
2033-2034	685,000.00	50,231.25	735,231.25
2034-2035	715,000.00	16,981.25	731,981.25
Totals	\$23,685,000.00	\$13,399,719.48	\$37,084,719.48

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2007*

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#### **Bond Issuance Costs and Discounts**

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

	Issuance Costs	Discount
Total Issuance Costs and Discount	\$267,252.57	\$432,577.50
Amount Amortized Prior Years	61,342.83	111,182.11
Balance Issuance Costs and Discount	205,909.74	321,395.39
Current Amount Amortized	11,170.70	18,826.18
Balance Issuance Costs and Discount	<u>\$194,739.04</u>	<u>\$302,569.21</u>

#### **Note 10 – Risk Management**

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

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2007***

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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**

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 average market value of endowment investments at the end of the previous three years 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 Alumni Association**

The University of North Alabama Alumni Association was created to promote scientific, literary, and educational purposes, advancement of the University of North Alabama, and for the encouragement and support of its students and faculty. This report contains no financial statements of the University of North Alabama Alumni Association.

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***Notes to the Financial Statements***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

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**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 PRESENTATION**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) Number 117, Financial Statements of Not-for-Profit Organizations. Under SFAS Number 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of University of North Alabama Foundation and its wholly owned subsidiary, Campus Projects, LLC. All material interorganization transactions have been eliminated in consolidation.

**CONTRIBUTIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

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***Notes to the Financial Statements***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

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Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**PLEDGES (Promises to Give)**

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**ACCOUNTING METHOD**

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

**CASH AND CASH EQUIVALENTS**

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents as reported in the Statement of Cash Flows excludes cash restricted for long-term investment. Banks holding the Foundation's cash balances insure the account up to \$100,000 through the Federal Deposit Insurance Corporation. The Foundation requires collateral to support the credit risk for the amounts in excess of the insured limits. These cash funds are held in interest bearing accounts.

**EQUIPMENT**

Equipment is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally 5 to 7 years. As permitted by SFAS Number 93, the Foundation does not recognize depreciation on fine art and furniture collectibles. In addition, the Foundation utilizes certain facilities and equipment owned by the University. Such facilities and equipment are not recorded on the books of the Foundation.

**INCOME TAXES**

The Foundation has been granted tax-exempt status as provided by Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statement.

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***Notes to the Financial Statements***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

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**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**INVESTMENTS**

Investments are composed of various stocks, mutual funds and real estate and are carried at Fair Market Value.

**INVENTORIES**

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

**NOTE 2 – PLEDGES RECEIVABLE**

As of September 30, 2007 and 2006, the Foundation has pledges receivable totaling \$99,691 and \$514,386, respectively. No allowance has been made for uncollectible amounts. Most pledges receivable are restricted by donors for scholarships or are available for general operating support purposes. All pledges receivable at September 30, 2007 and 2006 are due within one to four years. The total pledges receivable as of September 30, 2007 are permanently restricted. Pledges receivable as of September 30, 2006 includes \$50,000 temporarily restricted and \$470,520 permanently restricted. Net pledges receivable were discounted to present value at September 30, 2007 and 2006 using a discount rate of 5%. The net effect at September 30 is as follows:

	2007	2006
Total Pledge Receivable	\$105,000	\$520,520
Unamortized Discount	(5,309)	(6,134)
NET PLEDGES RECEIVABLE	<u>\$ 99,691</u>	<u>\$514,386</u>

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***Notes to the Financial Statements***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

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**NOTE 3 – INVESTMENTS**

Investments are reported at their market value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices. Short-term investments are valued at cost which approximates market. Certain other investments are valued at fair value as determined by the Foundation or its trustee banks.

Realized and unrealized investment gains or losses are determined by comparison of asset cost to net proceeds received at the time of disposal and changes in the difference between market values and cost, respectively. These amounts are reflected in the financial statements as net unrealized and realized gain or loss on investments.

The Foundation has established a common investment fund for its restricted funds which allows for the commingling of various trust assets into the common investment fund. The common investment fund is maintained at two separate trustee banks, and investment in the funds is limited only to the trust funds of the Foundation.

Investments held by the Foundation consisted of the following at September 30:

	2007		2006	
	Cost	Market	Cost	Market
Cash and Cash Equivalents	\$ 131,055	\$ 131,055	\$ 160,854	\$ 160,854
U. S. Government Obligations and Bonds	2,452,759	2,586,939	1,829,094	2,022,261
Common and Preferred Stock and Mutual Funds	9,374,326	10,963,571	7,267,161	7,486,179
TOTAL INVESTMENTS	<u>\$11,958,140</u>	<u>\$13,681,565</u>	<u>\$9,257,109</u>	<u>\$9,669,294</u>

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***Notes to the Financial Statements***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

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**NOTE 4 – FIXED ASSETS**

Fixed assets consisted of the following at September 30:

	2007	2006
Donated Artifacts and Collectibles	\$263,650	\$213,650
Furniture and Equipment	24,364	24,364
Computer Software	9,700	9,700
Sub-Total	297,714	247,714
Less Accumulated Depreciation	(33,801)	(31,459)
TOTAL FIXED ASSETS	\$263,913	\$216,255

**NOTE 5 – PROGRAM SUPPORT**

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

	2007	2006
Decade Reunion	\$	\$18,284
Sportsman Club	7,257	5,578
UNA Coffee Table Books	18,857	1,838
UNA Magazine		20,223
Leo II	44,281	22,313
Coby Hall Campaign		1,628
Lowell Guthrie Carillon Fund		8,000
Shoals Symphony at UNA	2,789	
LM Harrison Plaza	3,569	
Other Program Support	1,302	7,686
TOTAL OTHER PROGRAM SUPPORT	\$78,055	\$85,550



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***Notes to the Financial Statements***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

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**NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS**

Donor-imposed restrictions on temporarily restricted net assets were satisfied for the years ended September 30, as follows:

	2007	2006
Purpose for which restricted contributions were used:		
Program Services	\$253,605	\$221,117
Instruction	130,587	101,694
Scholarships	151,684	167,902
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$535,876</u>	<u>\$490,713</u>

**NOTE 7 – NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS**

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

	2007	2006
Program Services	\$1,638,123	\$1,121,604
Instruction	1,961,229	1,254,675
Scholarships	2,222,578	1,294,735
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$5,821,930</u>	<u>\$3,671,014</u>

**NOTE 8 – NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets in the following amounts are restricted to investments in perpetuity, the income which is expendable for the following purposes at September 30:

	2007	2006
Program Services and Instruction	\$ 4,957,238	\$ 4,925,919
Scholarships	6,533,467	6,299,628
TOTAL PERMANENTLY RESTRICTED NET ASSETS	<u>\$11,490,705</u>	<u>\$11,225,547</u>

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***Notes to the Financial Statements***  
***University of North Alabama Foundation***  
***September 30, 2007 and 2006***

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**NOTE 9 – ANNUITY GIFTS AND OBLIGATIONS**

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

Obligations under annuity contracts at September 30 are as follows:

	2007	2006
Current Portion	\$ 65,197	\$ 58,725
Deferred	369,528	340,932
TOTAL ANNUITY OBLIGATIONS	<u>\$434,725</u>	<u>\$399,657</u>

**NOTE 10 – CONTRIBUTED SERVICES**

Land has been transferred from the UNA Foundation to the University of North Alabama for the benefit of the Foundation. The UNA Foundation received a credit for the transfer that was used to offset contributed services provided by the University. The credit provided to the Foundation for the years ended September 30, 2007 and 2006 was \$90,503 and \$84,810, respectively. There was no further credit available to the Foundation at September 30, 2007.

**NOTE 11 – CAMPUS PROJECTS, LLC**

Campus Projects, LLC was credited in 2005 with the sole member being University of North Alabama Foundation. In 2005, the Foundation transferred assets to the LLC that did not meet the objectives of the Foundation.

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## *Supplementary Information*

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***Schedule of Expenditures of Federal Awards***  
***For the Year Ended September 30, 2007***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>Student Financial Assistance Cluster</u></b>		
<b><u>U. S. Department of Education</u></b>		
<b><u>Direct Programs</u></b>		
Federal Pell Grant Program	84.063	
Federal Pell Grant Program	84.063	
Federal Pell Grant Program Administrative Allowance	84.063	
Federal Work-Study Program	84.033	
Federal Work-Study Program	84.033	
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Academic Competitiveness Grants	84.375	
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	
Total Student Financial Assistance Cluster (M)		
<b><u>Child Nutrition Cluster</u></b>		
<b><u>U. S. Department of Agriculture</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
National School Lunch Program (NSLP)	10.555	N.A.
<b><u>Highway Safety Cluster</u></b>		
<b><u>U. S. Department of Transportation</u></b>		
<b><u>Passed Through the North Alabama Highway Safety Office</u></b>		
Safety Belt Performance Grants	20.609	06-HS-K4-007
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	06-HS-K8-006
Total Highway Safety Cluster		
<b><u>Special Education Cluster (IDEA)</u></b>		
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Special Education - Grants to States (IDEA, Part B)	84.027	N.A.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2007-06/30/2008	\$ 4,540,430.00	\$ 4,540,430.00	\$ 801,444.51	\$ 801,444.51
07/01/2006-06/30/2007	4,254,403.00	4,254,403.00	3,532,491.38	3,532,491.38
07/01/2006-06/30/2007	7,795.00	7,795.00	7,795.00	7,795.00
07/01/2007-06/30/2008	251,403.00	251,403.00	44,806.80	44,806.80
07/01/2006-06/30/2007	251,403.00	251,403.00	152,162.36	152,162.36
07/01/2007-06/30/2008	126,246.00	126,246.00	20,316.80	20,316.80
07/01/2006-06/30/2007	126,246.00	126,246.00	103,637.92	103,637.92
07/01/2006-06/30/2007	84,038.00	84,038.00	84,038.00	84,038.00
07/01/2006-06/30/2007	44,000.00	44,000.00	44,000.00	44,000.00
			4,790,692.77	4,790,692.77
10/01/2006-09/30/2007	9,404.96	9,404.96	9,404.96	9,404.96
11/30/2006-09/10/2007	500.00	500.00	500.00	500.00
11/30/2006-09/10/2007	500.00	500.00	3.56	3.56
			503.56	503.56
10/01/2005-09/30/2006	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00

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***Schedule of Expenditures of Federal Awards***  
***For the Year Ended September 30, 2007***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
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**OTHER FEDERAL AWARDS**

**U. S. Department of Interior**

**Direct Program**

Conservation Grants Private Stewardship for Imperiled Species	15.632	
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**U. S. Department of Housing and Urban Development**

**Direct Program**

Community Development Block Grants/Brownfields Economic Development Initiative	14.246	
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**National Science Foundation**

**Direct Program**

Mathematical and Physical Sciences	47.049	
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**U. S. Department of State**

**Direct Program**

Partnerships for Learning Undergraduate Studies (PLUS)	19	
Partnerships for Learning Undergraduate Studies (PLUS)	19	
Total Partnerships for Learning Undergraduate Studies (PLUS)		

**U. S. Department of Agriculture**

**Direct Program**

Forest Service	10	
Forest Service	10	
Total Forest Service		

**U. S. Department of Health and Human Services**

**Direct Programs**

Occupational Safety and Health Program	93.262	
Nursing Workforce Diversity	93.178	
Nursing Workforce Diversity	93.178	
Total Nursing Workforce Diversity		

**National Aeronautics and Space Administration**

**Passed Through Alabama Department of Education**

Aerospace Education Services Program	43.001	U500475
Aerospace Education Services Program	43.001	U700170
Total Aerospace Education Services Program		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/01/2006-09/30/2008	\$ 10,350.00	\$ 10,350.00	\$ 10,067.40	\$ 10,067.40
03/18/2007-03/17/2009	48,112.00	48,112.00	4,300.91	4,300.91
05/15/2007-04/30/2010	30,000.00	30,000.00	9,251.99	9,251.99
08/01/2006-05/31/2008	192,684.00	147,156.00	104,784.95	104,784.95
08/01/2005-05/31/2007	247,328.00	189,728.00	85,140.28	85,140.28
			<u>189,925.23</u>	<u>189,925.23</u>
09/02/2005-09/30/2008	11,000.00	6,000.00	405.82	405.82
08/23/2004-09/30/2007	2,500.00	2,500.00	259.87	259.87
			<u>665.69</u>	<u>665.69</u>
07/01/2006-06/30/2007	28,602.00	28,602.00	19,042.58	19,042.58
07/01/2007-06/30/2008	294,473.00	294,473.00	53,252.25	53,252.25
07/01/2006-06/30/2007	291,043.00	291,043.00	176,664.63	176,664.63
			<u>229,916.88</u>	<u>229,916.88</u>
08/01/2005-10/31/2006	118,890.00	118,890.00	859.95	859.95
10/01/2006-12/01/2006	\$ 15,066.00	\$ 15,066.00	15,066.00	15,066.00
			<u>\$ 15,925.95</u>	<u>\$ 15,925.95</u>

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***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2007***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>
<b><u>U. S. Department of Education</u></b>		
<b><u>Passed Through Alabama Department of Education</u></b>		
Mathematics and Science Partnerships	84.366	U500366
Improving Teacher Quality State Grants	84.367	U700421
<b><u>Small Business Administration</u></b>		
<b><u>Passed Through the University of Alabama at Birmingham</u></b>		
Small Business Development Center	59.037	283 632/T0702190018
<b><u>Department of Defense</u></b>		
<b><u>Passed Through the University of Alabama at Birmingham</u></b>		
Procurement Technical Assistance for Business Firms	12.002	SP4800-03-2-0335
<b><u>U. S. Department of Justice</u></b>		
<b><u>Passed Through the North Alabama Highway Safety Office</u></b>		
Enforcing Underage Drinking Laws Program	16.727	06-AH-LO-001
Total Federal Awards		

(M) = Major Programs

(N.A.) = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.



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Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
04/23/2005-09/30/2005	\$ 600,000.00	\$ 600,000.00	\$ 23,316.75	\$ 23,316.75
03/15/2007-09/30/2007	150,000.00	150,000.00	131,115.23	131,115.23
10/01/2006-09/30/2007	167,350.00	71,993.00	71,993.00	71,993.00
10/01/2006-09/30/2007	44,000.00	22,000.00	22,000.00	22,000.00
11/30/2006-09/10/2007	\$ 2,000.00	\$ 2,000.00	2,000.00	2,000.00
			<u>\$ 5,534,122.90</u>	<u>\$ 5,534,122.90</u>

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2007***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the University of North Alabama and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

**Note 2 – Loans**

The University of North Alabama had the following loans and loan balances at September 30, 2007. These loans are not included in the Schedule of Expenditures of Federal Awards.

Program Title	Federal CFDA Number	Amount Outstanding
Federal Family Education Loans (FFEL)	84.032	\$16,945,127.67
Federal Perkins Loan Program –		
Federal Capital Contributions (FPL)	84.038	1,811,174.34
Nursing Student Loans	93.364	3,080.15
Total Loans		<u>\$18,759,382.16</u>

**Note 3 – Student Financial Assistance**

The Federal Supplemental Educational Opportunity Grants funds of \$12,625.00 of award year 2006-2007 were carried forward and spent in the 2007-2008 award year.

The Federal Work-Study Funds of \$25,140.00 of award year 2006-2007 were carried forward and spend in 2007-2008 award year.

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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2006 through September 30, 2007***

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<b>Board Members</b>			<b>Term Expires</b>
Hon. Bob Riley, Governor	Ex-Officio President	State of Alabama State Capitol 600 Dexter Avenue Montgomery, AL 36130	
Hon. Joseph P. Morton, State Superintendent of Education	Ex-Officio Member	Gordon Persons Building 50 N. Ripley Street Montgomery, AL 36130	
Hon. David B. Abramson	Member	29310 County Road 14 Florence, AL 35633	2008
Hon. Billy Don Anderson	Member	126 Clear View Drive Sheffield, AL 35660	2012
Hon. Lisa G. Ceci	Member	1319 Toney Drive SE Huntsville, AL 35803	2015
Hon. John B. Cole	Member	142 N. Sequoia Boulevard Florence, AL 35630	2015
Hon. Ronnie Flippo	Member	400 Marian Way Florence, AL 35634	2012
Hon. Steven F. Pierce	Member President Pro Tempore - June 2006 to June 2010	P. O. Box 2849 Florence, AL 35630	2012
Hon. Allen Long	Member	220 Cypress Forest Drive Florence, AL 35633	2008

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***Board Members and Officials***  
***October 1, 2006 through September 30, 2007***

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<b>Board Members</b>			<b>Term Expires</b>
Hon. Marc McCreary	Member	248 County Road 322 Florence, AL 35634	2008
Hon. Harvey F. Robbins	Member	Robbins Property Development 100-B South Main Street Tuscumbia, AL 35674	2015

**Officials**

Dr. William G. Cale, Jr.	President	University of North Alabama UNA Box 5004 Florence, AL 35632-0001
Dr. W. Steven Smith	Vice-President for Business and Financial Affairs	University of North Alabama UNA Box 5003 Florence, AL 35632-0001
Ms. Donna Ford Tipps	Controller	University of North Alabama UNA Box 5001 Florence, AL 35632-0001
Ms. Julie Graham	Director of Financial Affairs	University of North Alabama UNA Box 5001 Florence, AL 35632-0001

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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We have audited the financial statements of the University of North Alabama as of and for the year ended September 30, 2007, and have issued our report thereon dated August 25, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University of North Alabama Foundation and Subsidiary as described in our report on the University of North Alabama's financial statements. The financial statements of the University of North Alabama Foundation and Subsidiary were not audited in accordance with ***Government Auditing Standards*** and accordingly this report does not extend to the University of North Alabama Foundation and Subsidiary.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University of North Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the University of North Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University of North Alabama's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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***Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards***

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University of North Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

August 25, 2008

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# ***Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133***

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## **Compliance**

We have audited the compliance of the University of North Alabama with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The University of North Alabama's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University of North Alabama's management. Our responsibility is to express an opinion on the University of North Alabama's compliance based on our audit. The financial statements of the University of North Alabama Foundation and Subsidiary were not audited in accordance with OMB Circular A-133, accordingly, this report does not extend to the University of North Alabama Foundation and Subsidiary.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University of North Alabama's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University of North Alabama's compliance with those requirements.

In our opinion, the University of North Alabama complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.



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# ***Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133***

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## **Internal Control Over Compliance**

The management of the University of North Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University of North Alabama's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University of North Alabama's internal control over compliance.

A control deficiency in a entity's internal control over compliance exists when the design and operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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***Report on Compliance With Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133***

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This report is intended solely for the information and use of management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones  
Chief Examiner

Department of Examiners of Public Accounts

August 25, 2008

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2007***

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**Section I – Summary of Examiner's Results**

**Financial Statements**

Type of opinion issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)?        Yes   X   None reported

Type of opinion issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?        Yes   X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.033, 84.007, 84.375, 84.376, 84.038, 84.032 and 93.364	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee?   X   Yes        No

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2007***

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**Section II – Financial Statement Findings (GAGAS)**

<b>Ref. No.</b>	<b>Type of Finding</b>	<b>Finding/Noncompliance</b>	<b>Questioned Costs</b>
		The audit did not disclose any findings or questioned costs required to be reported.	

**Section III – Federal Awards Findings and Questioned Costs**

<b>Ref. No.</b>	<b>CFDA No.</b>	<b>Program</b>	<b>Finding/Noncompliance</b>	<b>Questioned Costs</b>
			The audit did not disclose any findings or questioned costs required to be reported.	