

Report on the

University of North Alabama

Florence, Alabama

October 1, 2009 through September 30, 2010

Filed: September 30, 2011



Department of
Examiners of Public Accounts
50 North Ripley Street, Room 3201
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Ronald L. Jones, Chief Examiner



Ronald L. Jones
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

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

Dear Sir:

Under the authority of the *Code of Alabama 1975*, Section 41-5-21, we submit this report on the results of the audit of the University of North Alabama for the period October 1, 2009 through September 30, 2010.

Sworn to and subscribed before me this
the 19th day of September, 2011.

Melissa Williams
Notary Public

Sworn to and subscribed before me this
the 22nd day of September 2011.

Sandra E. Shirley
Notary Public

Respectfully submitted,

Johnny D. Goodwin

Johnny D. Goodwin
Examiner of Public Accounts

Lola Fuqua-Haney

Lola Fuqua-Haney
Examiner of Public Accounts

rb

Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to state and federal legal compliance, University operations and other matters.	
Comments	C
Contains information pertaining to the history of the University.	
Independent Auditor's Report	E
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
Management's Discussion and Analysis	H
Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by 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 has not been audited, and no opinion is provided about the information.	
<u>Basic Financial Statements</u>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the University's financial position and results of operations in accordance with GAAP.	
University of North Alabama	
Exhibit #1 Statement of Net Assets	2
Exhibit #2 Statement of Revenues, Expenses and Changes in Net Assets	4
Exhibit #3 Statement of Cash Flows	5
University of North Alabama Foundation and Subsidiary	
Exhibit #4 Statement of Financial Position	7
Exhibit #5 Statement of Activities	8

Table of Contents

Page

Notes to the Financial Statements

University of North Alabama 10

University of North Alabama Foundation and Subsidiary 26

Supplementary Information 35

Contains financial information and notes relative to federal financial assistance.

Exhibit #6 Schedule of Expenditures of Federal Awards 36

Notes to the Schedule of Expenditures of Federal Awards 42

Additional Information 43

Provides basic information related to the University, including reports and items required by generally accepted government auditing standards and/or U. S. Office of Management and Budget (OMB) Circular A-133 for federal compliance audits.

Exhibit #7 **Board Members and Officials** – a listing of the Board members and officials. 44

Exhibit #8 **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*** – a report on internal controls related to the financial statements and on whether the University complied with laws and regulations which could have a direct and material effect on the University's financial statements. 45

Exhibit #9 **Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133** – a report on internal controls 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. 47

Table of Contents

Page

Exhibit #10	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by OMB Circular A-133.	50
-------------	--	----



Department of
Examiners of Public Accounts

SUMMARY

**University of North Alabama
October 1, 2009 through September 30, 2010**

**University of North Alabama Foundation and Subsidiary
October 1, 2009 through September 30, 2010**

The University of North Alabama (the "University") is a comprehensive, regional, state university, offering undergraduate and graduate degrees, and serving both residential and commuting students. The University offers studies in the following colleges: the College of Arts and Sciences; the College of Business; the College of Education; and the College of Nursing and Allied Health. Additional information on the history of the University is included in the Comments section of this report.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the University complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the University's component unit, the Foundation, which was audited by other auditors. The University audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5-14. The Foundation audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unqualified opinion was issued on the basic financial statements of the University and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal years ending September 30, 2010.

There were no findings in the prior audit.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. William G. Cale, Jr., President; Dr. W. Steven Smith, Vice-President for Business and Financial Affairs; Ms. Donna Ford Tipps, Controller; Ms. Julie Graham, Director of Financial Affairs; and Ben Baker, Director of Student Financial Services. The following individuals attended the exit conference: Dr. William G. Cale, Jr., President; Dr. W. Steven Smith, Vice-President for Business and Financial Affairs; Ms. Donna Ford Tipps, Controller; Ms. Julie Graham, Director of Financial Affairs; Ms. Salena Denton, Accountant; Anita Holcombe, Grant Accountant; Melissa Williams, Account Specialist; and Julia Mefford, Accountant. Representing the Department of Examiners of Public Accounts were: Mrs. Andera Anderson, Audit Manager, Ms. Lola Fuqua-Haney and Johnny Goodwin, Examiners.



Department of
Examiners of Public Accounts

COMMENTS

**University of North Alabama
October 1, 2009 through September 30, 2010**

The University of North Alabama first opened its doors as LaGrange College on January 11, 1830, in northeast Franklin County, Alabama. LaGrange College arose from the idea offered at a November 28, 1826, meeting of the Tennessee Conference of the Methodist Episcopal Church to establish a college that would not be “religious or theological.”

A year later, LaGrange opened to students of all denominations in two three-story brick buildings. Eight days after the opening, the Alabama legislature issued a charter for the institution, making it the first state-chartered institution to begin operation in Alabama.

The Rev. Robert Paine was LaGrange’s first president. The North Carolina native was also a professor of moral science and belles letters and taught geography and mineralogy. He was assisted by two other professors. The first board of trustees had 50 members, including a Native American, a Choctaw politician and a Cherokee leader. J. D. Malone, of Limestone County, was the first graduate in 1833.

LaGrange added a grammar school in 1850. Now the University of North Alabama, the institution today offers the only university-owned and operated elementary laboratory school - Kilby Laboratory School - in Alabama.

Among LaGrange’s alumni were several generals as well as Alabama governors John Anthony Winston, Edward A. O’Neal and David P. Lewis, Alabama Supreme Court justice William M. Byrd and U. S. Senator Jeremiah Clemens.

LaGrange graduate Dr. R. H. Rivers, after becoming president of the college, led most of the students and all but one faculty member from LaGrange Mountain in late 1854 to relocate to Florence. The school was reincorporated as Florence Wesleyan University. One hundred sixty students enrolled in 1855, Florence Wesleyan’s first year of operation. The school quickly attracted students from five states and two foreign countries. Among Florence Wesleyan’s graduates were Alabama Governor Emmitt O’Neal and Texas Governor Sullivan “Sul” Ross.

When the Methodist Church deeded Florence Wesleyan to the state of Alabama in 1872, the institution became Florence State Normal School, the first state-supported teachers college south of the Ohio River. Shortly thereafter, in 1873, it became one of the first coeducational institutions in the nation.

Since its foundation in 1830, the institution has had nine name changes, becoming the University of North Alabama in 1974. It has also developed into a comprehensive regional university offering quality educational opportunities in four academic colleges: Arts and Sciences, Business, Education, and Nursing and Allied Health. The University introduced graduate programs in 1957 and today offers graduate degrees through each of its four colleges. The University currently enrolls more than 7,100 students.

Until 1967, the University was controlled by the State Board of Education. Act Number 773, Acts of Alabama 1967, page 1631 appointed a Board of Trustees to govern the institution. 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. The University of North Alabama Foundation and Subsidiary (the "Foundation") was organized as a non-profit corporation without capital stock under the laws of the State of Alabama. The organization was formed to provide support for the University.

Independent Auditor's Report

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, 2010, 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.

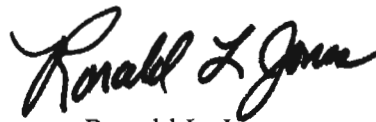
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan 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 financial statement presentation. We believe that our audit and the report of 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 and The University of North Alabama Foundation and Subsidiary, as of September 30, 2010, 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 September 8, 2011 on our consideration of the University of North Alabama's internal control over financial reporting and on 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 required 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.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

September 8, 2011

This Page Intentionally Blank

Management's Discussion and Analysis
(Required Supplementary Information)

University of North Alabama

Fiscal Year Ended September 30, 2010

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 reader with an overview of the financial statements.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting. Net assets, the difference between assets and liabilities, is one way to measure the financial health of the University. Net assets increased 6.1% in the current fiscal year to \$91.9 million.

	2010	2009
ASSETS		
Current Assets		
Cash and Short-Term Investments	\$ 39,226,956	\$ 49,940,481
Receivables	6,959,192	6,767,095
Inventory, Prepaid Expenses, and Other	726,284	320,892
Total Current Assets	<u>46,912,432</u>	<u>57,028,468</u>
Non-Current Assets		
Restricted Cash and Long-Term Investments	16,085,541	5,664,040
Long-Term Receivables	1,668,858	1,777,902
Other Non-Current Assets	699,540	760,424
Capital Assets, Net of Depreciation	64,983,673	61,703,226
Total Non-Current Assets	<u>83,437,612</u>	<u>69,905,592</u>
Total Assets	<u>130,350,044</u>	<u>126,934,060</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	2,715,379	3,246,765
Deferred Revenue	12,864,357	12,910,923
Deposits Held in Custody for Others	532,424	481,738
Other Long-Term Liabilities-Current Portion	1,139,060	1,069,175
Total Current Liabilities	<u>17,251,220</u>	<u>17,708,601</u>
Non-Current Liabilities		
Long-Term Liabilities	21,131,562	22,530,239
Total Liabilities	<u>38,382,782</u>	<u>40,238,840</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	44,245,991	40,055,541
Restricted	11,575,432	6,756,614
Unrestricted	36,145,839	39,883,065
Total Net Assets	<u>91,967,262</u>	<u>86,695,220</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$130,350,044</u>	<u>\$126,934,060</u>

Cash and short-term investments decreased by \$10.7 million. This was due to a conversion of cash into long-term investments. Short-term investments are defined as those with maturities of less than one year.

Receivables include grants, state appropriations, student accounts, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Overall current receivables increased 2.8% due to an increase in student receivables and receivables from other agencies.

Restricted cash and long-term investments, which include both unrestricted and endowment investments, increased by \$10.4 million. Two certificates of deposit were purchased with \$10 million of cash. The University monitors the investment portfolio to insure proper adherence to investment guidelines.

Capital assets (net) increased \$3.3 million primarily due to the completion of the Green Campus Initiative Phases 1 and 2.

Accounts payable and accrued liabilities decreased \$531,000 due primarily to a decrease in end of year spending attributable to reduced State funding.

Long-term liabilities decreased by \$1.3 million due to scheduled payment of bond principal and the early payoff of the Braly Stadium Use Agreement.

Net assets increased 6.1% overall. The University's net capital assets increased due to an increase in capital projects.

Statement of Revenues, Expenses and Changes in Net Assets

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

	2010	2009
REVENUES		
Operating Revenues		
Student Tuition and Fees	\$ 32,524,654	\$ 29,737,093
Auxiliary Enterprises Revenue	7,723,159	6,918,426
Grants and Contracts	7,195,968	7,024,485
Athletic Revenue	835,992	776,947
Other Operating Revenue	1,187,237	1,405,418
Total Operating Revenues	<u>49,467,010</u>	<u>45,862,369</u>
EXPENSES		
Operating Expenses	<u>82,680,495</u>	<u>82,300,754</u>
Net Operating Income (Loss)	(33,213,485)	(36,438,386)
Non-Operating Revenues (Expenses)		
State Appropriations	25,644,646	28,475,819
Federal Grants and Contracts	9,667,936	5,745,209
Gifts (Including Endowment)	3,750	1,600
Capital Grants, Contracts, and Gifts	3,578,192	215,068
Investment Income	765,308	501,243
Other Non-Operating Expense	(1,174,305)	(1,100,257)
Total Non-Operating Revenues-Net	<u>38,485,527</u>	<u>33,838,682</u>
Increase (Decrease) in Net Assets	5,272,042	(2,599,704)
Net Assets-Beginning of Year	<u>86,695,220</u>	<u>89,294,924</u>
Net Assets-End of Year	<u>\$ 91,967,262</u>	<u>\$ 86,695,220</u>

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 9.4% in FY 2010. Gross tuition revenue was up \$5 million. Scholarship allowances increased \$2.2 million.

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 11.6% increase in FY 2010 reflects additional revenue collected in General Auxiliary activities.

Grants and contracts revenue remained level in 2010.

Athletic revenue increased 7.6%, primarily due to an increase in ticket sales and external athletic fundraising.

Operating expenses increased by \$380,000, or 0.5%.

State appropriations decreased \$2.8 million, or 9.9% from the previous year due to reductions in State funding.

Federal grants and contracts increased \$3.9 million due to an increase in revenue from Pell Grants. Endowment gifts reflect revenue to the University endowments. The majority of endowments established for the past two decades are held in the UNA Foundation, but small gifts are received in the University from year to year.

Capital grants, contracts and gifts for FY 2010 increased by \$3.4 million primarily due to the Green Campus Initiative funded by the Department of Energy.

Investment income increased 52.7% during the fiscal year, primarily due to improved market conditions.

Operating Expenses by Functional Classification

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

Instructional expenditures decreased by \$213,000 from FY 2009 to FY 2010 primarily due to reduced expenditures, as a result of a proration in State funding.

Academic support expenditures remained level with the previous fiscal year.

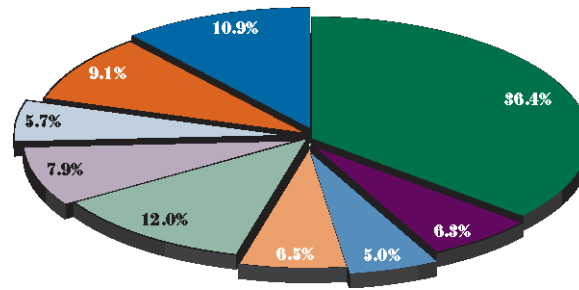
Student service, institutional support and operation and maintenance of plant expenditures remained at about the same level as FY 2009.

Depreciation expense increased 4.7% from the previous year.

Scholarship expenses increased 37% due to increases in Pell and additional institutional scholarship awards.

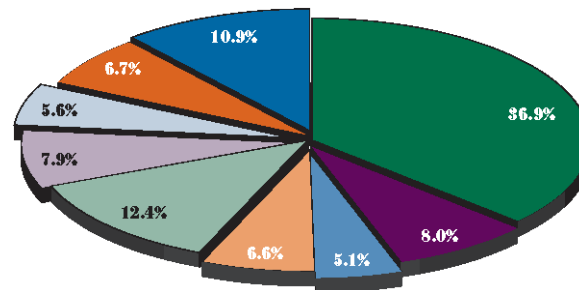
Auxiliary expenditures increased slightly from FY 2009.

2010 Operating Expenses Functional Classification



Instruction	\$ 30,120,164
Research & Public Service	5,285,246
Academic Support	4,116,945
Student Services	5,414,887
Institutional Support	9,910,585
Operation & Maintenance of Plant	6,450,781
Depreciation	4,818,623
Scholarships & Related Expenses	7,562,920
Auxiliary Activities	9,000,344
Total	<u>\$ 82,680,495</u>

2009 Operating Expenses Functional Classification



Instruction	\$ 30,333,412
Research & Public Service	6,530,839
Academic Support	4,158,930
Student Services	5,464,725
Institutional Support	10,198,335
Operation & Maintenance of Plant	6,556,929
Depreciation	4,601,191
Scholarships & Related Expenses	5,519,066
Auxiliary Activities	8,937,328
Total	<u>\$ 82,300,755</u>

Operating Expenses by Natural Classification

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

Salary expenses decreased approximately \$478,000. Some positions were not replaced during the year in response to the reduction in State appropriations.

Benefits expense grew by 3% due primarily to increased health insurance costs for employees and retirees.

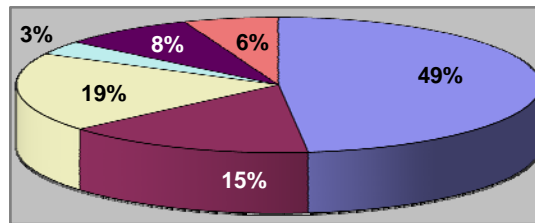
Supplies and other expenses decreased 7% due in part to reductions in State funding.

Plant and equipment expenses increased 4.6% due to planned renovation and repair of facilities.

Financial aid expense increased 33.9% due to additional University funded scholarships and increased federal grants awarded.

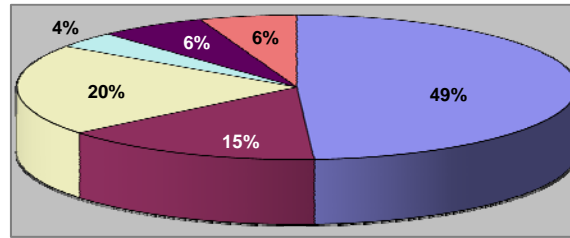
Depreciation expense increased 4.7% due primarily to the addition of renovation expenses to capital assets.

2010 Operating Expenses Natural Classification



Salaries	\$ 39,846,857
Benefits	12,784,553
Supplies & Other	15,626,246
Utilities	2,741,169
Financial Aid	6,863,047
Depreciation	4,818,623
Total	<u>\$ 82,680,495</u>

2009 Operating Expenses Natural Classification



Salaries	\$ 40,324,605
Benefits	12,409,404
Supplies & Other	16,831,440
Utilities	2,977,129
Financial Aid	5,126,987
Depreciation	4,601,191
Total	<u>\$ 82,300,755</u>

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.

	2010	2009
Cash Provided (Used) By:		
Operating Activities	\$ (29,504,324)	\$ (31,594,699)
Non-Capital Financing Activities	35,436,172	34,036,577
Capital and Related Financing Activities	(6,989,320)	(4,154,829)
Investing Activities	(13,963,994)	7,889,614
Net Increase (Decrease) in Cash	(15,021,466)	6,176,663
Cash, Beginning of Year	53,727,092	47,550,429
Cash, End of Year	<u>\$ 38,705,626</u>	<u>\$ 53,727,092</u>

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

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

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

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

Significant Capital Asset and Debt Activity

Construction projects conducted and completed during the year included the UNA Green Campus Initiative Phases I and II. These included upgrades to the HVAC systems in Keller and Bibb Graves Halls. No new debt was acquired during this reporting period.

Economic and Enrollment Factors That Will Affect the Future

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

The University has experienced a significant reduction in its appropriation from the State of Alabama. The reduction amounted to approximately \$6.6 million for FY 2009 and FY 2010. The University continues to monitor the economic climate of the State as budgeting plans are considered.

The University recorded another increase in enrollment for Fall 2010 and continues its ongoing effort to attract and retain students.

Basic Financial Statements

Statement of Net Assets

September 30, 2010

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 38,638,445.59
Short-Term Investments	588,510.60
Accounts Receivable, Net	6,959,192.03
Inventories	23,501.86
Loans Receivable	267,081.10
Stadium Use Agreement	30,887.30
Bond Discount	18,826.18
Bond Issuance Cost	11,170.70
Prepaid Assets	374,816.51
Total Current Assets	<u>46,912,431.87</u>

Noncurrent Assets

Deposit with Trustees	876,473.47
Restricted Cash	67,180.00
Investments	15,141,887.30
Bond Discount	227,264.49
Bond Issuance Cost	150,056.24
Loans Receivable	1,668,858.05
Stadium Use Agreement	322,219.11
Capital Assets:	
Land	3,757,428.89
Construction in Progress	1,610,948.41
Improvements Other Than Buildings	12,657,966.02
Buildings	82,284,600.72
Equipment and Furniture	10,294,391.86
Software	7,615,054.57
Library Holdings	21,360,639.36
Less: Accumulated Depreciation	<u>(74,597,356.83)</u>
Total Capital Assets, Net of Depreciation	<u>64,983,673.00</u>
Total Noncurrent Assets	<u>83,437,611.66</u>
Total Assets	<u>\$ 130,350,043.53</u>

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

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 2,715,378.68
Deferred Revenue	12,864,356.85
Refundable Deposits	67,705.00
Deposits Held for Others	464,718.89
Bonds Payable	1,045,000.00
Compensated Absences	94,059.62
Total Current Liabilities	<u>17,251,219.04</u>

Noncurrent Liabilities

Bonds Payable	20,100,000.00
Compensated Absences	1,031,562.94
Total Noncurrent Liabilities	<u>21,131,562.94</u>

Total Liabilities	<u>38,382,781.98</u>
-------------------	----------------------

NET ASSETS

Invested in Capital Assets, Net of Related Debt	44,245,990.61
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	2,418,474.76
Expendable:	
Debt Service	876,473.47
Loans	2,265,607.80
Scholarships and Fellowships	977,556.41
Research and Public Services	1,032,377.70
Instructional Department Uses	4,004,942.04
Unrestricted	<u>36,145,838.76</u>
Total Net Assets	<u>\$ 91,967,261.55</u>

This Page Intentionally Blank

Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2010

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$8,577,544.89)	\$ 32,524,654.31
Federal Grants and Contracts	3,958,311.99
State and Local Grants and Contracts	3,155,013.01
Nongovernmental Grants and Contracts	82,642.58
Auxiliary Enterprises:	
Sales and Services of Auxiliary (Net of Scholarship Allowances of \$109,622.78)	7,723,159.10
Athletic Income	835,992.21
Other Operating Revenues	1,187,236.46
Total Operating Revenues	<u>49,467,009.66</u>

OPERATING EXPENSES

Instruction	30,120,163.87
Institutional Support	9,910,585.32
Public Service	5,087,515.41
Academic Support	4,116,945.42
Student Services	5,414,886.64
Research	197,730.38
Operation and Maintenance	6,450,780.41
Scholarships and Financial Aid	7,562,920.38
Depreciation	4,818,623.34
Auxiliary Enterprises	9,000,343.82
Total Operating Expenses	<u>82,680,494.99</u>
Operating Income (Loss)	<u>(33,213,485.33)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	25,644,645.71
Federal Grants and Contracts	9,667,936.00
Investment Income	555,579.78
Interest on Capital Asset Related Debt	(1,047,890.29)
Other Nonoperating Revenues/(Expenses)	<u>(29,997.55)</u>
Net Nonoperating Revenues	<u>34,790,273.65</u>
Income Before Other Revenues, Expenses, Gains, or Losses	1,576,788.32
Unrealized Gains/Losses	209,728.47
Capital Grants and Contracts	3,578,191.75
Loss on Disposal of Equipment	(96,416.86)
Additions to Permanent Endowments	<u>3,750.00</u>
Changes in Net Assets	5,272,041.68
Total Net Assets - Beginning of Year	<u>86,695,219.87</u>
Total Net Assets - End of Year	<u><u>\$ 91,967,261.55</u></u>

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

Statement of Cash Flows
For the Year Ended September 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 29,983,589.00
Grants and Contracts	9,399,677.46
Payments to Suppliers	(16,295,944.20)
Payments to Utilities	(2,741,168.59)
Payments to Employees	(39,846,857.18)
Payments for Benefits	(12,789,350.74)
Payments for Scholarships	(6,863,047.33)
Auxiliary Enterprises	866,879.51
Other	(33,715.81)
Sales and Services of Educational Activities	8,815,613.48
Net Cash Provided (Used) by Operating Activities	<u>(29,504,324.40)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	25,644,645.71
Gifts and Grants for Other than Capital Purposes	3,750.00
Federal Grants and Contracts	9,667,936.00
Loan Receipts	38,901,414.31
Loan Disbursements	(38,836,925.39)
Deposits Held for Others	55,351.04
Net Cash Provided (Used) by Noncapital Financing Activities	<u>35,436,171.67</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets and Construction	(8,195,487.17)
Grants and Gifts for Capital Assets	3,578,191.75
Deposits with Trustees	(140.28)
Principal Paid on Capital Debt	(1,323,993.71)
Interest Paid on Capital Debt	(1,047,890.29)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,989,319.70)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(15,730,397.90)
Investment Income	765,308.25
Proceeds from Sales and Maturities of Investments	1,001,095.58
Net Cash Provided (Used) by Investing Activities	<u>(13,963,994.07)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,021,466.50)
Cash and Cash Equivalents - Beginning of Year	53,727,092.09
Cash and Cash Equivalents - End of Year	<u>\$ 38,705,625.59</u>

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

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

Operating Income (Loss) \$ (33,213,485.33)

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

Depreciation Expense	4,818,623.34
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(414,622.30)
(Increase)/Decrease in Notes Receivable	30,887.30
(Increase)/Decrease in Inventories	3,739.78
(Increase)/Decrease in Prepaids	(142,051.33)
Increase/(Decrease) in Compensated Absences	(4,798.21)
Increase/(Decrease) in Payables	(531,386.63)
Increase/(Decrease) in Deferred Revenue	(46,566.02)
Increase/(Decrease) in Deposits	(4,665.00)

Net Cash Provided (Used) by Operating Activities \$ (29,504,324.40)

This Page Intentionally Blank

Statement of Financial Position
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

	2010	2009
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,551,454	\$ 1,279,229
Accounts Receivable	29,624	30,273
Pledges Receivable, Net	195,546	2,823
Inventories	5,179	6,938
Interest Receivable	16,870	27,894
Total Current Assets	1,798,673	1,347,157
Total Investments	15,200,211	14,156,374
<u>Fixed Assets</u>		
Donated Artifacts and Collectibles	273,950	273,950
Furniture and Equipment	34,064	34,064
Sub-Total	308,014	308,014
Less: Accumulated Depreciation	34,064	34,064
Total Fixed Assets	273,950	273,950
<u>Other Assets</u>		
Pledges Receivable, Net	133,623	-
Total Other Assets	133,623	-
TOTAL ASSETS	17,406,457	15,777,481
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	141,331	51,428
Obligations under Annuity Contracts - Current Portion	67,249	78,073
Total Current Liabilities	208,580	129,501
Obligations under Annuity Contracts - Deferred Portion	281,804	264,921
Total Liabilities	490,384	394,422
<u>Net Assets</u>		
Unrestricted	33,585	287,208
Temporarily Restricted	3,706,758	2,642,041
Permanently Restricted	13,175,730	12,453,809
Total Net Assets	16,916,073	15,383,058
TOTAL LIABILITIES AND NET ASSETS	\$ 17,406,457	\$ 15,777,480

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

Statement of Activities**University of North Alabama Foundation and Subsidiary****For the Fiscal Years Ended September 30, 2010 and 2009**

	2010	
	Unrestricted	Temporarily Restricted
<u>SUPPORT AND REVENUE</u>		
<u>Support:</u>		
Contributions	\$ 89,873	\$ 1,564,383
In-Kind Donations	1,534	151,216
Other Income	2,036	116,387
Transfers	165,161	(369,360)
Net Assets Released from Restriction	1,593,295	(1,593,295)
Total Support	1,851,899	(130,669)
<u>Revenue:</u>		
Interest Income and Dividends	-	379,620
Net Unrealized and Realized Gain (Loss) on Investments		815,766
Total Revenue	-	1,195,386
 TOTAL SUPPORT AND REVENUE	 1,851,899	 1,064,717
<u>EXPENSES</u>		
Program Services	1,547,308	-
Support Services	558,214	-
Loss on Pledges	-	-
TOTAL EXPENSES	2,105,522	-
 Net Change in Assets	 (253,623)	 1,064,717
Net Assets at Beginning of Year	287,208	2,642,041
 NET ASSETS AT END OF YEAR	 \$ 33,585	 \$ 3,706,758

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

2009					
Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 517,721	\$ 2,171,977	\$ 119,762	\$ 582,079	\$ 248,416	\$ 950,257
-	152,750	-	-	-	-
-	118,423	35	79,678	-	79,713
204,199	-	326,361	(293,427)	(32,934)	-
-	-	1,292,759	(1,215,081)	(77,678)	-
721,920	2,443,150	1,738,917	(846,751)	137,804	1,029,970
-	379,620	-	522,950	-	522,950
-	815,766	-	(274,921)	-	(274,921)
-	1,195,386	-	248,029	-	248,029
721,920	3,638,536	1,738,917	(598,722)	137,804	1,277,999
-	1,547,308	1,153,793	-	-	1,153,793
-	558,214	541,128	-	-	541,128
-	-	77,678	-	-	77,678
-	2,105,522	1,772,599	-	-	1,772,599
721,920	1,533,014	(33,682)	(598,722)	137,804	(494,600)
12,453,810	15,383,059	320,890	3,240,763	12,316,006	15,877,659
\$ 13,175,730	\$ 16,916,073	\$ 287,208	\$ 2,642,041	\$ 12,453,810	\$ 15,383,059

Notes to the Financial Statements

For the Year Ended September 30, 2010

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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

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 grants, student and third party tuition, and auxiliary enterprise sales.

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, other than intangibles, 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. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. 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, Construction in Progress and intangible assets with indefinite lives 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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

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	Straight-Line	25 years
Equipment and Furniture	Straight-Line	5 years
Software	Straight-Line	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.

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 and staff of the University earn 12 days sick leave per year. Payment is not made to employees for unused sick leave at termination or retirement.

Notes to the Financial Statements

For the Year Ended September 30, 2010

7. Deferred Tuition and Fee Revenue

Tuition and fee revenues received but related to the period after September 30, 2010, 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.
 - ✓ **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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

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.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

As of September 30, 2010, the University had the following investments and maturities:

Investment Type	Years to Maturity				
	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Debt Securities:					
U.S. Agency Securities	\$ 595,391.31	\$	\$491,756.76	\$103,634.55	\$
Repurchase Agreement	588,510.60	588,510.60			
Corporate Bonds	228,646.45		67,145.20	161,501.25	
International Bonds	7,123.74	7,123.74			
Total Debt Securities	1,419,672.10	\$595,634.34	\$558,901.96	\$265,135.80	\$
Domestic Stocks	25,706.70				
Certificates of Deposit	10,036,041.89				
Money Market Accounts	5,125,450.68				
	<u>\$16,606,871.37</u>				

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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

- ✓ **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.

Note 3 – Receivables

Receivables are summarized as follows:

<u>Accounts Receivable</u>	
Federal and State Agencies	\$2,398,963.41
Third-Party Contracts	1,284,814.54
Students	2,884,537.08
Other	390,877.00
Total Accounts Receivable	<u>6,959,192.03</u>
<u>Loan Receivable</u>	
Current	267,081.10
Noncurrent	1,668,858.05
Total Loans Receivable	<u>\$1,935,939.15</u>

Notes to the Financial Statements

For the Year Ended September 30, 2010

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Adjustment/ Reclassification	Additions	Deductions	Ending Balance
Land	\$ 3,748,828.89	\$	\$ 8,600.00	\$	\$ 3,757,428.89
Improvements Other Than Buildings	12,119,314.95	538,651.07			12,657,966.02
Buildings	76,531,231.75	5,661,668.97	91,700.00		82,284,600.72
Equipment	18,197,232.89	(7,615,054.57)	460,015.73	747,802.19	10,294,391.86
Software		7,615,054.57			7,615,054.57
Library Holdings	20,483,609.66		937,565.48	60,535.78	21,360,639.36
Construction in Progress	1,113,662.49	(6,200,320.04)	6,697,605.96		1,610,948.41
Total	132,193,880.63		8,195,487.17	808,337.97	139,581,029.83
Less: Accumulated Depreciation					
Improvements Other Than Buildings	4,728,277.94		483,554.58		5,211,832.52
Buildings	35,313,994.15		1,852,731.13		37,166,725.28
Equipment	9,964,772.85	(1,523,010.91)	783,266.69	651,385.33	8,573,643.30
Software		1,523,010.91	761,505.46		2,284,516.37
Library Holdings	20,483,609.66		937,565.48	60,535.78	21,360,639.36
Total Accumulated Depreciation	70,490,654.60		4,818,623.34	711,921.11	74,597,356.83
Capital Assets, Net	\$ 61,703,226.03	\$	\$3,376,863.83	\$ 96,416.86	\$ 64,983,673.00

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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

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

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

B. Funding Policy

Employees, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. As of January 1, 2001, full-time law enforcement officers (as defined by Act 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 and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2010	2009	2008
Total Percentage of Covered Payroll	17.51%	17.07%	16.75%
<u>Contributions:</u>			
Percentage Contributed by the University	12.51%	12.07%	11.75%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by University	\$4,634,799.39	\$4,511,773.47	\$4,491,405.36
Contributed by Employees	1,857,885.67	1,874,130.10	1,773,775.87
Total Contributions	\$6,492,685.06	\$6,385,903.57	\$6,265,181.23

Notes to the Financial Statements

For the Year Ended September 30, 2010

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The University contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab. The provisions of GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

B. Funding Policy

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

	Fiscal Year 2010
Individual Coverage – Non-Medicare Eligible	\$ 97.54
Individual Coverage – Medicare Eligible	\$ 1.14
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$284.94
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$188.54
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$188.54
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 92.14
Surviving Spouse – Non-Medicare Eligible	\$598.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$730.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$689.00
Surviving Spouse – Medicare Eligible	\$313.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$445.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$404.00

Notes to the Financial Statements

For the Year Ended September 30, 2010

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. The tobacco surcharge is \$25.00 per month for retired members who smoke.

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

Fiscal Year Ended September 30,	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2010	\$1,263,656.00	100%
2009	\$1,217,052.00	100%
2008	\$1,136,232.00	100%

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

Note 7 – Construction and Other Significant Commitments

As of September 30, 2010, the University of North Alabama had been awarded approximately \$11,432,023.38 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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

Note 8 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2010, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 574,078.49
Benefits	331,078.88
Interest Payable	432,005.73
Supplies	982,746.49
Other	395,469.09
Total	<u>\$2,715,378.68</u>

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<u>Bonds and Lease Payable:</u>					
Revenue Bonds	\$22,085,000.00	\$	\$ 940,000.00	\$21,145,000.00	\$1,045,000.00
Lease Payable	383,993.71		383,993.71		
Total Bonds and Lease Payable	<u>22,468,993.71</u>		<u>1,323,993.71</u>	<u>21,145,000.00</u>	<u>1,045,000.00</u>
<u>Other Liabilities:</u>					
Compensated Absences	1,130,420.77		4,798.21	1,125,622.56	94,059.62
Total Other Liabilities	<u>1,130,420.77</u>			<u>1,125,622.56</u>	<u>94,059.62</u>
Total Long-Term Liabilities	<u>\$23,599,414.48</u>	\$	<u>\$1,328,791.92</u>	<u>\$22,270,622.56</u>	<u>\$1,139,059.62</u>

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

Notes to the Financial Statements

For the Year Ended September 30, 2010

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	
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	\$21,145,000.00	\$10,118,258.20	\$31,263,258.20

Notes to the Financial Statements

For the Year Ended September 30, 2010

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	94,854.93	167,660.65
Balance Issuance Costs and Discount	172,397.64	264,916.85
Current Amount Amortized	11,170.70	18,826.18
Balance Issuance Costs and Discount	\$161,226.94	\$246,090.67

Pledged Revenues

The University has pledged general student tuition and fee revenue to repay the 1999-A General Fee Revenue Bonds. Future revenues of \$12,928,339 are pledged to repay principal and interest through maturity in fiscal year 2019. In fiscal year 2010, tuition and fee revenue totaled \$40,199,354, from which \$1,263,171 was paid for principal and interest or 3.14% of tuition and fee revenue.

The University has also pledged net student housing revenues to repay the 2003 Student Housing Revenue Bonds. Future revenues of \$18,334,889 are pledged to repay principal and interest through maturity in fiscal year 2035. In fiscal year 2010, net student housing revenue totaled \$2,973,811 from which \$734,502 was paid for principal and interest, or 25% of housing revenue.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2010

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

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

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

Note 11 – Endowments

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.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

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) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 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 inter-organization 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.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

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.

RECLASSIFICATIONS

Certain reclassifications of the 2010 comparative information have been made to conform with the 2009 presentation.

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 may at times exceed federally insured limits. These cash funds are held in interest bearing accounts. UNA Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 No. 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.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

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.

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 carried at fair market value. In addition to additional asset classes of fixed income (40%) and equity holdings (60%), asset allocations may contain alternative investments of, but not limited to, venture capital, limited partnerships, futures, commodities and derivative investments.

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

Pledges receivable (unconditional promises to give), including pledges recorded at estimated net realizable value, are recognized as revenue when pledges are made. Most pledges receivable are restricted by donors. All pledges receivable at September 30, 2010 and 2009 are due within one to five years. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

Total pledges at September 30 are as follows:

	2010	2009
Receivable in less than one year	\$195,546	\$2,823
Receivable in one to five years	169,999	-
Total Pledges	365,545	2,823
Less discounts to net present value	(10,826)	-
Less allowance for uncollectible promises	(25,550)	-
NET PLEDGES RECEIVABLE	\$329,169	\$2,823

Pledges receivable are discounted at 2.4%.

NOTE 3 – CONTRIBUTED GOODS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the year ended September 30, 2010, UNA Foundation recorded in-kind contributions of \$152,750.

Unpaid volunteers have also donated time assisting the UNA Foundation in achieving the goals of its various services programs. The value of this contributed time is not reflected in the accompanying financial statements as it does not meet the recognition criteria.

NOTE 4 – 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.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

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. Investment in the funds is limited to the trust funds of the Foundation.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Foundation investments are reported at fair value in the accompanying statement of financial position.

FASB ASC 820 (formerly SFAS No.157, *Fair Value Measurements*), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels.

Level 1 Fair Value Measurement – The fair values are based on quoted prices in active markets for identical assets that the plan has the ability to access at the measurement date.

Level 2 Fair Value Measurement – The fair values are based on inputs rather than quoted prices within Level 1 that are observed for the asset, either directly or indirectly.

Level 3 Fair Value Measurement – The fair values are based on at least one significant unobservable input for the asset.

September 30, 2010:

	Fair Value	Fair Value Measurement Using Quoted Prices Level 1
Short Term Reserves and Cash	\$ 1,182,778	\$ 1,182,778
Fixed Income	4,922,732	4,922,732
Equities	6,254,104	6,254,104
Real Assets	1,526,221	1,526,221
Complementary	1,314,376	1,314,376
TOTAL INVESTMENTS	\$15,200,211	\$15,200,211

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

September 30, 2009:

	Fair Value	Fair Value Measurement Using Quoted Prices Level 1
Short Term Reserves and Cash	\$ 2,112,431	\$ 2,112,431
Fixed Income	4,842,271	4,842,271
Equities	7,201,672	7,201,672
TOTAL INVESTMENTS	\$14,156,374	\$14,156,374

NOTE 5 – FIXED ASSETS

Fixed assets consisted of the following at September 30:

	2010	2009
Collectibles	\$273,950	\$273,950
Furniture and Equipment	24,364	24,364
Computer Software	9,700	9,700
Sub-Total	308,014	308,014
Less Accumulated Depreciation	(34,064)	(34,064)
TOTAL FIXED ASSETS	\$273,950	\$273,950

Depreciation expense for the years ending September 30, 2010 and 2009 was \$0.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

NOTE 6 – OTHER 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:

	2010	2009
International Student Services	\$ 2,713	\$ 1,378
Leo II	37,267	20,918
Distinguished Event Series	9,513	-
Lion Pride Quasi End Fd	3,710	4,951
Pride of Dixie Band	21,626	5,000
Rogers Hall	5,073	2,816
Other Program Support	7,553	3,828
TOTAL OTHER PROGRAM SUPPORT	\$87,455	\$38,891

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

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

	2010	2009
Purpose for which Restricted Contributions were used:		
Program Services	\$ 677,545	\$ 413,082
Instruction	325,969	309,498
Scholarships	589,781	492,501
Loss on Pledges	-	77,678
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$1,593,295	\$1,292,759

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

NOTE 8 – NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

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

	2010	2009
Program Services	\$2,227,274	\$1,284,794
Instruction	919,394	821,216
Scholarships	560,090	536,031
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$3,706,758</u>	<u>\$2,642,041</u>

NOTE 9 – 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:

	2010	2009
Program Services and Instruction	\$ 5,015,802	\$ 4,988,384
Scholarships	8,159,928	7,465,426
TOTAL PERMANENTLY RESTRICTED NET ASSETS	<u>\$13,175,730</u>	<u>\$12,453,810</u>

NOTE 10 – 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 suggested by the American Council on Gift Annuities. The annuity payments are a general obligation of UNA Foundation.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2010 and 2009

Obligations under annuity contracts at September 30 are as follows:

	2010	2009
Current Portion	\$ 67,249	\$ 78,073
Deferred	281,804	264,921
TOTAL ANNUITY OBLIGATIONS	<u>\$349,053</u>	<u>\$342,994</u>

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.

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010***

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Student Financial Assistance Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Direct Programs</u>		
Federal Pell Grant Program	84.063	
Federal Pell Grant Program	84.063	
Federal Pell Grant Program Administrative Allowance	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	
Academic Competitiveness Grants	84.375	
National Science and Mathematics Access to Retain Talent (Smart) Grants	84.376	
National Science and Mathematics Access to Retain Talent (Smart) Grants	84.376	
Total Student Financial Assistance Cluster (M)		
<u>Highway Safety Cluster</u>		
<u>U. S. Department of Transportation</u>		
<u>Passed Through the North Alabama Highway Safety Office</u>		
Safety Belt Performance Grants	20.609	10-HS-K4-008
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	10-HS-K8-009
Total Highway Safety Cluster		
<u>Federal Transit Cluster</u>		
<u>U. S. Department of Transportation</u>		
<u>Direct Program</u>		
Federal Transit - Capital Investment Grants	20.500	
<u>Highway Planning and Construction Cluster</u>		
<u>U. S. Department of Transportation</u>		
<u>Passed Through Alabama Department of Transportation</u>		
Highway Planning and Construction	20.205	SB-AL06 (003)
<u>Special Education Cluster (IDEA)</u>		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
Special Education - Grants to States	84.027	N.A.

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2010-06/30/2011	\$ 9,081,330.00	\$ 9,081,330.00	\$ 1,572,218.31	\$ 1,572,218.31
07/01/2009-06/30/2010	9,292,173.00	9,292,173.00	7,983,752.55	7,983,752.55
07/01/2009-06/30/2010	11,230.00	11,230.00	11,230.00	11,230.00
07/01/2008-06/30/2009	5.00	5.00	5.00	5.00
07/01/2010-06/30/2011	251,403.00	251,403.00	33,916.32	33,916.32
07/01/2009-06/30/2010	195,347.00	195,347.00	163,009.08	163,009.08
07/01/2010-06/30/2011	156,747.00	156,747.00	23,474.45	23,474.45
07/01/2009-06/30/2010	126,246.00	126,246.00	111,416.45	111,416.45
07/01/2010-06/30/2011	163,226.00	163,226.00	2,867.09	2,867.09
07/01/2009-06/30/2010	115,791.00	115,791.00	104,399.12	104,399.12
07/01/2010-06/30/2011	83,542.00	83,542.00	6,415.58	6,415.58
07/01/2009-06/30/2010	94,165.00	94,165.00	84,587.08	84,587.08
			10,097,291.03	10,097,291.03
04/01/2010-06/18/2010	1,000.00	1,000.00	803.95	803.95
08/20/2010-09/06/2010	800.00	800.00	688.23	688.23
			1,492.18	1,492.18
08/01/2003-Continuous	6,469,904.00	5,175,923.00	166,135.68	166,135.68
09/21/2007-09/09/2011	60,000.00	48,000.00	8,308.50	8,308.50
10/01/2009-09/30/2010	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>State Fiscal Stabilization Fund Cluster</u>		
<u>U. S. Department of Education</u>		
<u>Passed Through Alabama Department of Education</u>		
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (M)	84.394	N.A.
<u>Other Federal Awards</u>		
<u>U. S. Department of Education</u>		
<u>Direct Program</u>		
Fund for the Improvement of Education	84.215	
<u>Passed Through Alabama Department of Education</u>		
Improving Teacher Quality State Grants	84.367	U900109
Special Education - Grants to States	84.027	U000419
Mathematics and Science Partnerships	84.366	U900630
Mathematics and Science Partnerships	84.366	U000706
Total Mathematics and Science Partnerships		
College Access Challenge Grant Program	84.378	P378A080015
<u>U. S. Department of Justice</u>		
<u>Direct Program</u>		
Public Safety Partnership and Community Policing Grants	16.710	
<u>Passed Through the City of Florence</u>		
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09-DR-01-027
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Bulletproof Vest Partnership Program	16.607	06-BP-BPV-001
<u>U. S. Department of Energy</u>		
<u>Direct Program</u>		
Renewable Energy Research and Development (M)	81.087	
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Program</u>		
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2009 - 09/30/2010	\$ 2,214,246.00	\$ 2,214,246.00	\$ 2,214,246.00	\$ 2,214,246.00
08/29/2008-12/31/2010	145,021.00	120,851.00	36,594.77	36,594.77
01/15/2009-06/15/2010	230,000.00	230,000.00	39,693.25	39,693.25
03/31/2010-09/30/2010	15,000.00	15,000.00	15,000.00	15,000.00
08/17/2009-08/16/2011	2,250,600.00	280,000.00	200,814.02	200,814.02
08/17/2010-08/16/2011	2,140,656.00	270,056.00	37,347.66	37,347.66
			<u>238,161.68</u>	<u>238,161.68</u>
04/20/2010-08/13/2010	50,000.00	50,000.00	49,676.13	49,676.13
12/26/2007-12/25/2010	280,590.00	280,590.00	70,558.63	70,558.63
10/01/2009-09/30/2010	48,007.92	39,641.04	26,482.03	26,482.03
08/01/2009-07/31/2010	1,997.50	1,997.50	282.50	282.50
09/15/2008-12/31/2010	4,186,217.00	1,935,500.00	1,771,599.31	1,771,599.31
03/18/2007-03/18/2012	\$ 48,112.00	\$ 48,112.00	\$ 25,000.44	\$ 25,000.44

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>National Science Foundation</u>		
<u>Direct Program</u>		
Mathematical and Physical Sciences	47.049	
<u>U. S. Department of Health and Human Services</u>		
<u>Direct Programs</u>		
Occupational Safety and Health Program	93.262	
Nursing Workforce Diversity	93.178	
Health Care and Other Facilities	93.887	
Health Care and Other Facilities	93.887	
Total Health Care and Other Facilities		
<u>Small Business Administration</u>		
<u>Passed Through the University of Alabama</u>		
Small Business Development Centers	59.037	0-603001-Z-0001-30
<u>U. S. Department of Defense</u>		
<u>Passed Through the University of Alabama</u>		
Procurement Technical Assistance for Business Firms	12.002	SP4800-08-2-0801
Procurement Technical Assistance for Business Firms	12.002	SP4800-08-2-0801
Total Procurement Technical Assistance for Business Firms		
<u>U. S. Department of the Interior</u>		
<u>Direct Programs</u>		
Conservation Activities by Youth Service Organizations	15.931	
National Heritage Area Federal Financial Assistance	15.939	
Partners for Fish and Wildlife	15.631	
<u>U. S. Department of Commerce</u>		
<u>Direct Program</u>		
Coastal Services Center	11.473	
Total Federal Awards		

(M) = Major Program

N.A. = Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
09/01/2010-08/31/2011	\$ 19,114.00	\$ 19,114.00	\$ 18,095.67	\$ 18,095.67
07/01/2009-06/30/2010	39,975.00	39,975.00	38,488.98	38,488.98
07/01/2008-06/30/2010	299,673.00	299,673.00	59,529.36	59,529.36
08/01/2008-07/31/2010	264,949.00	236,367.00	21,399.98	21,399.98
09/01/2009-11/30/2010	271,605.00	259,380.00	259,380.00	259,380.00
			<u>280,779.98</u>	<u>280,779.98</u>
10/01/2009-09/30/2010	172,933.00	71,993.00	71,993.00	71,993.00
10/01/2009-07/31/2010	36,960.00	18,480.00	18,480.00	18,480.00
08/01/2010-07/31/2011	44,000.00	22,000.00	3,676.46	3,676.46
			<u>22,156.46</u>	<u>22,156.46</u>
05/30/2010-07/06/2010	12,812.00	12,812.00	12,812.00	12,812.00
07/07/2010-07/06/2015	300,000.00	150,000.00	15,661.81	15,661.81
09/01/2006-09/30/2012	25,350.00	25,350.00	7,413.56	7,413.56
10/01/2009-12/31/2011	\$ 499,500.00	\$ 499,500.00	<u>165,973.26</u>	<u>165,973.26</u>
			<u>\$ 15,461,426.21</u>	<u>\$ 15,461,426.21</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2010***

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, 2010. 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	\$25,281,724.24
Federal Direct Student Loans	84.268	11,619,262.00
Federal Perkins Loan Program – Federal Capital Contributions (FPL)	84.038	1,935,939.15
Total Loans		<u>\$38,836,925.39</u>

Additional Information

Board Members and Officials
October 1, 2009 through September 30, 2010

Board Members		Term Expires
Hon. Bob Riley, Governor	Ex-Officio President	
Hon. Joseph P. Morton, State Superintendent of Education	Ex-Officio Member	
Hon. Billy Don Anderson	Member	2012
Hon. Richard H. Cater	Member	2019
Hon. Lisa G. Ceci	Member	2015
Hon. John B. Cole	Member	2015
Hon. Ronnie Flippo	Member	2012
Hon. Rodney L. Howard	Member	2019
Hon. Steven F. Pierce	Member President Pro Tempore – June 2006 to June 2012	2012
Hon. Harvey F. Robbins	Member	2015
Hon. Libby Watts Jordan	Member	2019
<u>Officials</u>		
Dr. William G. Cale, Jr.	President	
Dr. W. Steven Smith	Vice-President for Business and Financial Affairs	
Ms. Donna Ford Tipps	Controller	
Ms. Julie Graham	Director of Financial Affairs	

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

We have audited the financial statements of the University of North Alabama as of and for the year ended September 30, 2010, and have issued our report thereon dated September 8, 2011. 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 but not for the purposes 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

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, President of the University of North Alabama, Board of Trustees, others within the entity, 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

September 8, 2011

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Independent Auditor's Report

Compliance

We have audited the University of North Alabama's compliance with the types of compliance requirements described in the ***OMB Circular A-133 Compliance Supplement*** that could have a direct and material effect on each of the University of North Alabama's major federal programs for the year ended September 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

Internal Control Over Compliance

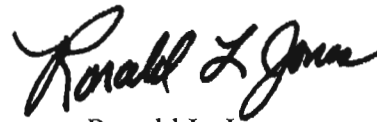
The management of the University of North Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

***Report on Compliance With Requirements That Could
Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

This report is intended solely for the information and use of management, President of the University of North Alabama, Board of trustees, others within the entity, 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

September 8, 2011

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	<u> X </u> No
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> None reported
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	<u> X </u> No

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2010

Section I – Summary of Examiner's Results

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	<u>Student Financial Assistance Cluster</u>
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants
84.268	Federal Direct Student Loans
84.032	Federal Family Education Loans
84.038	Federal Perkins Loan Program – Federal Capital Contributions
	<u>State Fiscal Stabilization Fund Cluster</u>
84.394	ARRA-State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
81.087	Renewable Energy Research and Development

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II – Financial Statement Findings (GAGAS)

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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section III – Federal Awards Findings and Questioned Costs

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