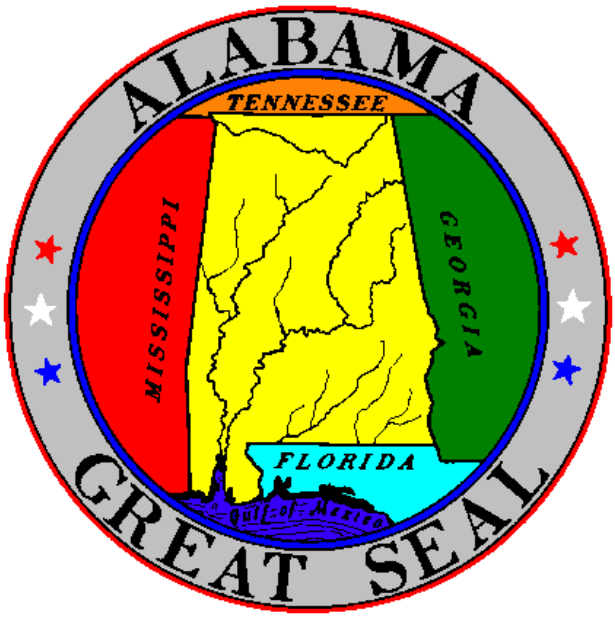
Report on the

University of North Alabama

Florence, Alabama

October 1, 2012 through September 30, 2013

Filed: November 28, 2014



Department of Examiners of Public Accounts

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Ronald L. Jones, Chief Examiner

15-054

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Ronald L. Jones
Chief Examiner

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, 2012 through September 30, 2013.

Respectfully submitted,

Lynette Long
Examiner of Public Accounts

Blake Mixon
Examiner of Public Accounts

Sworn to and subscribed before me this
the 19 day of November, 2014.

Sandra E Shirley
Notary Public

Sworn to and subscribed before me this
the 19 day of November, 2014.

Sandra E Shirley
Notary Public

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SUMMARY

University of North Alabama
October 1, 2012 through September 30, 2013

University of North Alabama Foundation
October 1, 2012 through September 30, 2013

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's 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 unmodified 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 year ending September 30, 2013.

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. John G. Thornell, Interim President; Mr. Clinton Carter, Vice-President for Business and Financial Affairs; Ms. Donna Ford Tipps, Controller; Ms. Julie Graham, Coordinator of Financial Affairs. The following individuals attended the exit conference via teleconference: Dr. John G. Thornell, Interim President; Mr. Clinton Carter, Vice-President for Business and Financial Affairs; Ms. Donna Ford Tipps, Controller; Ms. Julie Graham, Coordinator of Financial Affairs; Ms. Salena Denton, Accountant; Ms. Anita Holcombe, Director of Grants and Contracts; Ms. Melissa Williams, Director of Accounting Services; Ms. Lesa Calvo, Payroll Manager; Ms. Catherine D. White, Assistant Vice-President of Human Resources; Ms. Becky Price, Benefits Specialist; Representing the Department of Examiners of Public Accounts was Ms. Andera Anderson, Audit Manager.

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COMMENTS

University of North Alabama
October 1, 2012 through September 30, 2013

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 Reverend 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 (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

Dr. John G. Thornell, Interim President
University of North Alabama
1 Harrison Plaza, UNA Box 5004
Florence, Alabama 35632

Report on the Financial Statements

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, 2013, as listed in the table of contents as Exhibits 1 through 3.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the University of North Alabama Foundation, 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, is based solely 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 were not audited in accordance with ***Government Auditing Standards***.

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

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

Opinion

In our opinion, 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 as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 17, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the University of North Alabama's internal control over financial reporting and compliance.

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

Montgomery, Alabama

October 17, 2014

Management's Discussion and Analysis (Required Supplementary Information)

Management's Discussion and Analysis

The purpose of this annual report is to provide readers with financial information about the activities and financial condition of the University of North Alabama (University) and its component unit the University of North Alabama Foundation (Foundation). The report consists of three basic financial statements that provide information on the University and two statements providing information on the Foundation.

The University statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements begin on page 2, and should be read in conjunction with the Notes to the Financial Statements starting on page 10. The Foundation's statements presented are the Statement of Financial Position and Statement of Activities, shown starting on page 7.

The following summary and management discussion of financial information is intended to provide the reader with an overview of the financial statements. Only the comparative figures for FY 2012 appearing throughout this report are audited figures.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. Net position, the difference between assets and liabilities, is one way to measure the financial health of the University. Net position increased 2.5% in the current fiscal year to $102 million.

	2013	2012
ASSETS		
Current Assets		
Cash and Short-term Investments	$ 54,401,602	$ 55,879,220
Receivables	6,930,281	6,491,134
Inventory, Prepaid Expenses, and Other	974,990	916,864
Total Current Assets	62,306,873	63,287,218
Non-Current Assets		
Restricted Cash and Long-term Investments	24,970,181	32,212,548
Long-term Receivables	829,915	1,090,578
Other Non-Current Assets	1,821,094	1,925,675
Capital Assets, Net of Depreciation	80,889,136	68,925,691
Total Non-Current Assets	108,510,326	104,154,492
Total Assets	$ 170,817,199	$ 167,441,710
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 6,435,403	$ 4,352,610
Deferred Revenue	14,899,171	14,869,988
Deposits Held in Custody for Others	533,450	764,202
Other Long-term Liabilities-Current Portion	1,029,783	1,095,583
Total Current Liabilities	22,897,807	21,082,383
Non-Current Liabilities		
Long-term Liabilities	45,900,513	46,847,627
Total Liabilities	68,798,320	67,930,010
NET Position		
Net Investment in Capital Assets	$ 63,282,347	$ 50,057,689
Restricted	10,928,650	11,246,255
Unrestricted	27,807,882	38,207,756
Total Net Position	102,018,879	99,511,700
TOTAL LIABILITIES and NET POSITION	$ 170,817,199	$ 167,441,710

Cash and short-term investments decreased by $1.5 million. This decrease reflects the net cash inflows for capital projects.

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 $439,147 due to a receivable for a capital contribution for the Academic Center and Student Commons.

Restricted cash and long-term investments, which includes unrestricted, endowment, and bond proceeds. Investments decreased by $7.2 million. This decrease is due to the drawdown of bond funds from Trustee Bank to cover construction costs for the Science Building. The University monitors the investment portfolio to insure proper adherence to investment guidelines.

Capital assets (net) increased 17.4% due to the net effect of equipment disposals against construction costs capitalized for the Science Building and the Academic Center and Student Commons.

Accounts payable and accrued liabilities increased 47.9% due to outstanding payments for ongoing capital projects and an increase in an accrual for faculty salaries.

Long-term liabilities decreased by 2% due to the principal payments on bonds.

Net position increased 2.5% overall. The University's net capital assets increased 26.4%due to the high level of construction in progress.

Unrestricted net position decreased 27.2% due to construction expenditures from Unexpended Plant.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position 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.

	2013	2012
REVENUES		
Operating Revenues		
Student Tuition and Fees	$ 38,437,587	$ 36,210,967
Auxiliary Enterprises Revenue (net of scholarship allowances)	9,979,142	8,889,267
Grants and Contracts	4,429,825	4,448,842
Athletic Revenue	740,442	771,761
Other Operating Revenue	1,101,818	1,457,588
Total Operating Revenues	$ 54,688,814	$ 51,778,425
EXPENSES		
Operating Expenses	87,707,144	88,188,142
Net Operating Income (Loss)	(33,018,330)	(36,409,717)
Non-operating Revenues (Expenses)		
State Appropriations	25,934,629	26,909,238
Federal Grants and Contracts	9,812,940	9,839,306
Gifts (Including Endowment)	400,077	369,570
Capital Grants, Contracts, and Gifts	649,601	2,069,468
Investment Income	607,392	946,149
Other Non-Operating Expense	(1,879,130)	(704,487)
Total Non-operating Revenues-Net	35,525,509	39,429,244
Increase (Decrease) in Net Position	2,507,179	3,019,527
Net Position-Beginning of Year (Restated)	$ 99,511,700	$ 96,492,173
Net Position-End of Year	$ 102,018,879	$ 99,511,700

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

Tuition and fees (net) increased by 6.1% in FY 2013. Gross tuition revenue was up $3.4 million. Scholarship allowances increased $1.2 million.

Auxiliary revenue (net) consists of income from various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public. These entities are intended to be self-supporting, and charge a fee for their goods or services. Revenue from residence halls, apartments, food services, university health services, rental property, and other student related activities are included in this total. Operational revenue increased approximately $1 million as compared to FY 2012. This is attributed to a change in reporting for Kilby Laboratory School from an Education and General activity to an Auxiliary activity.

Grants and contracts revenue remained comparably the same as FY 2012.

Athletic revenue decreased 4.1% due to a slight decline in ticket sales and additional promotional funds accounted for in the UNA Foundation.

Operating expenses decreased by $480,998. Each category is discussed in detail on pages N and O.

State appropriations decreased 3.6%. This is primarily due to the 4% decline in the education and general appropriation of $1.03 million.

Capital grants and contracts decreased $1.4 million due to a $1.5 million contribution from the UNA Foundation for the construction of the Academic Center and Student Commons in FY 2012.

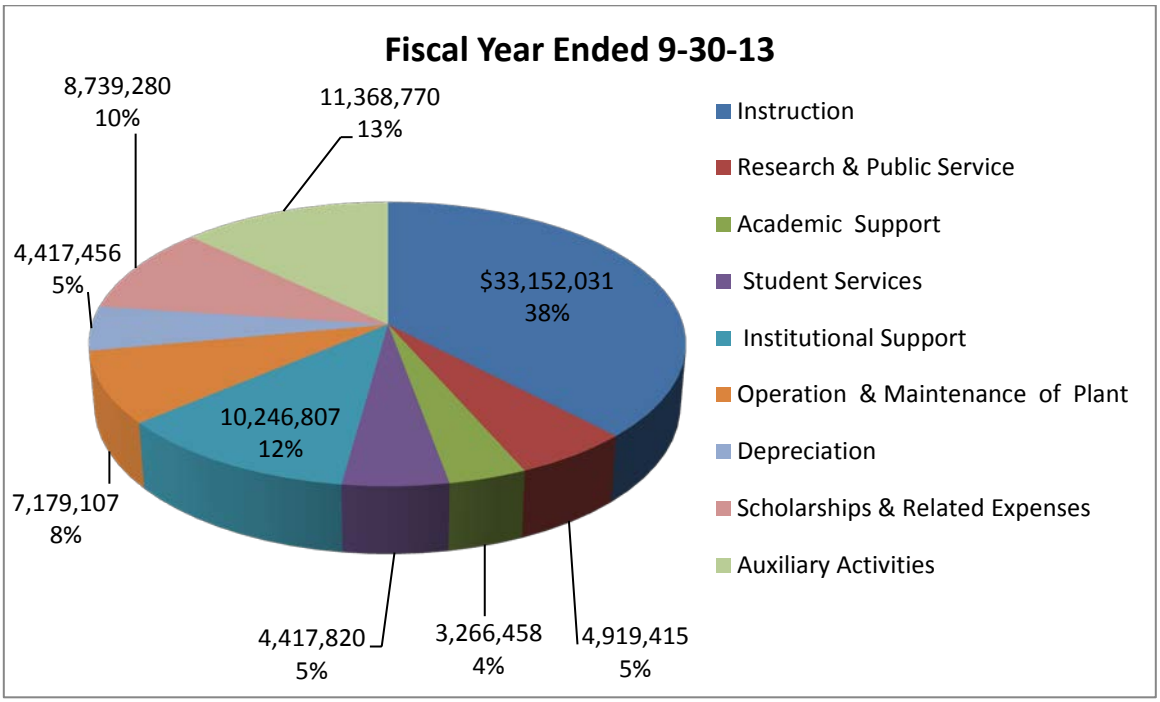
Endowment gifts reflect revenue to the University endowments. The majority of endowments established for the past two decades are held in the UNA Foundation, but small gifts are received in the University from year to year, and increased in FY13 by $30,507.

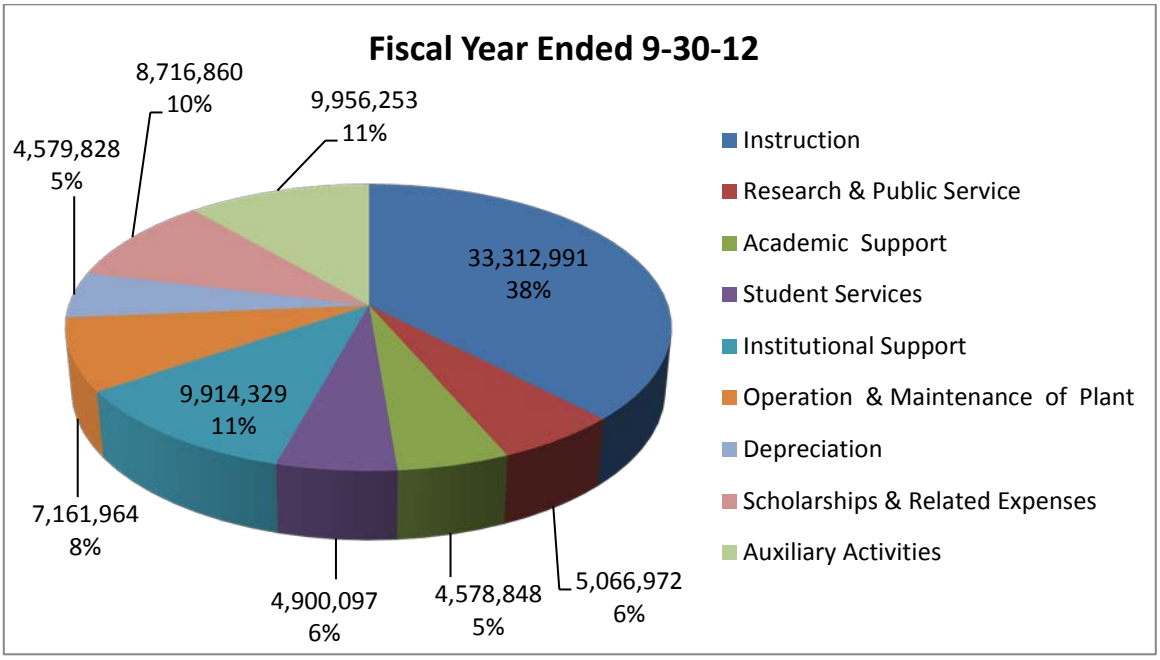
Investment income decreased during the fiscal year primarily due to unrealized losses.

Other non-operating expense increased by $1.2 million due to an increased interest accrual on bonds, Perkins loan returns, and a loss on disposal of equipment.

Operating Expenses by Functional Classification

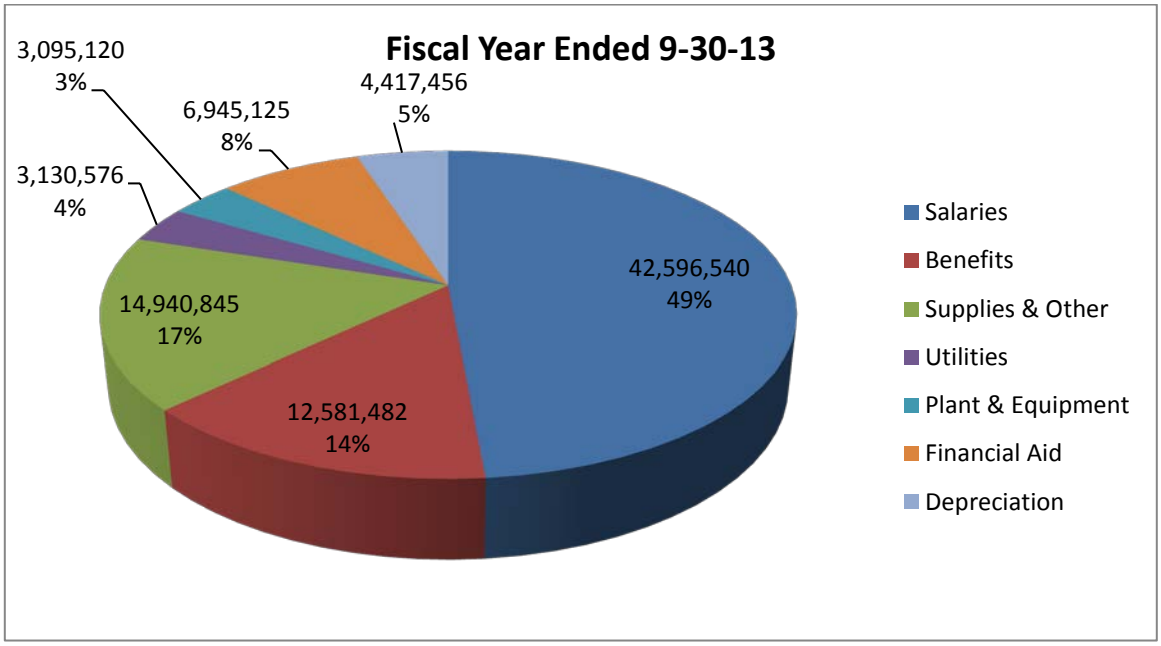
Functional classifications are the traditional categories that universities have used to report annual expenditures. They represent the type of programs and services that the University provides. Instructional expenditures from FY 2012 to FY 2013 remained level. Academic support expenditures decreased 28.7%. This was a result of reporting Kilby in Auxiliary beginning FY 2013. Student services decreased 9.8% due to the scholarship allowance calculation for athletic scholarships. Operation and maintenance of plant remained level. Auxiliary expenditures increased 14.2% from FY 2012. This is due to reporting Kilby Laboratory School in Auxiliary rather than Academic Support beginning FY 2013.

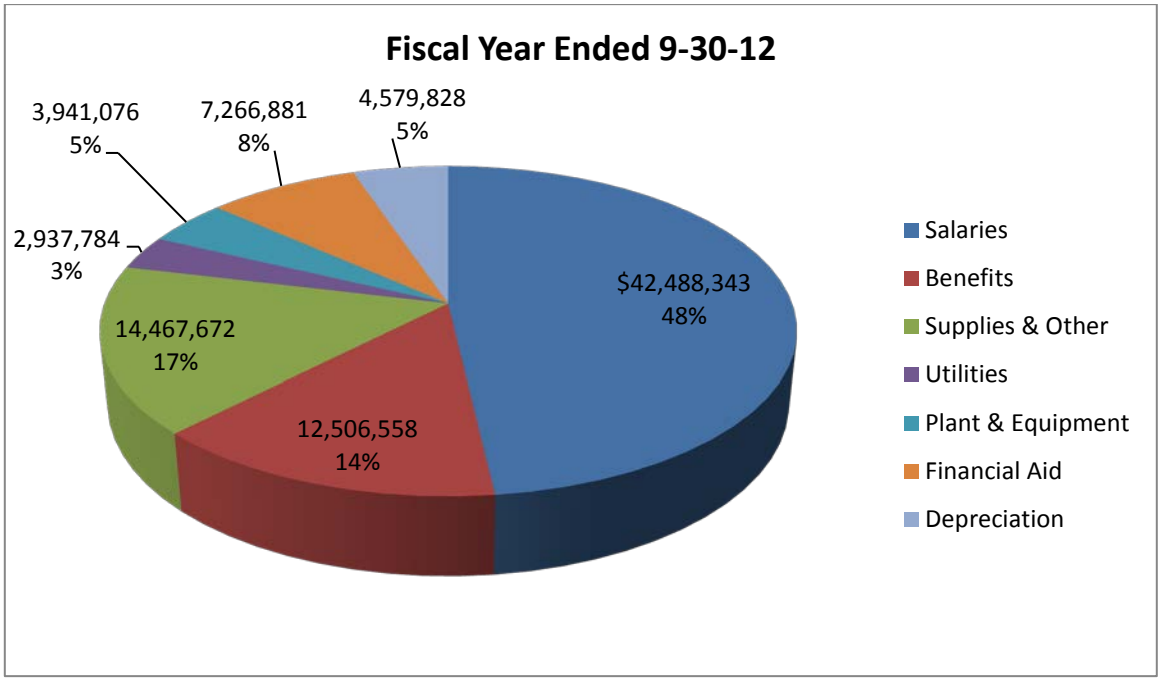




Operating Expenses by Natural Classification

Operating expenses when summarized by natural classification categorizes expenditures across functional programs. Salary and benefit expenses remained level. Supplies and other expenses increased 3.3% due to funds made available from previous years. Plant and equipment, financial aid and depreciation expenses decreased.





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.

	2013	2012
Cash Provided (Used) By:		
Operating Activities	$ (27,529,468)	$ (30,309,550)
Non-capital Financing Activities	35,438,772	37,581,931
Capital and Related Financing Activities	(9,652,787)	(3,809,231)
Investing Activities	250,135	33,513
Net Increase (decrease) in Cash	(1,493,348)	3,496,663
Cash, Beginning of Year	53,316,862	49,820,199
Cash, End of Year	$ 51,823,514	$ 53,316,862

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

Capital projects continued during the year included the Academic Center and Student Commons and the Science and Technology Building. Project budgets for each are $9.3 million and $40.9 million, respectively. In August 2012 the University issued 2012A General Fee Revenue Bonds in the amount of $11,530,000 to refinance the 2003 Series Bonds and to issue new debt in the amount of $1,463,346. The new debt was issued to supplement financing construction of the Academic Center and Student Commons Building.

Economic and Enrollment Factors that will affect the Future

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

The University's appropriation from the State of Alabama decreased by $1.03 million from FY 2012 to FY 2013. The University continues to monitor the economic climate of the State as budgeting plans are considered.

The University has experienced small decreases in enrollment recently and has developed a plan that articulates a number of short-term strategies for immediate implementation to increase enrollment. A longer-term strategy is currently in development.

Basic Financial Statements

Statement of Net Position
September 30, 2013

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 51,799,426.78
Short-Term Investments	2,602,175.22
Accounts Receivable, Net	6,734,846.78
Inventories	21,966.62
Loans Receivable	195,434.37
Stadium Use Agreement	37,187.42
Bond Discount	32,696.53
Bond Issuance Cost	17,918.12
Loss on Bond Defeasance	16,779.09
Prepaid Assets	848,442.47
Total Current Assets	62,306,873.40
Noncurrent Assets	
Deposit with Trustees	18,679,916.14
Restricted Cash	24,086.79
Investments	6,266,177.55
Bond Discount	801,910.10
Bond Issuance Cost	452,650.91
Loss on Bond Defeasance	352,360.96
Loans Receivable	829,915.23
Stadium Use Agreement	214,172.14
Capital Assets:	
Land	3,760,728.89
Construction in Progress	19,050,967.79
Improvements Other Than Buildings	12,804,757.70
Buildings	90,988,814.37
Equipment and Furniture	7,537,960.52
Software	7,615,054.57
Library Holdings	23,012,647.81
Less: Accumulated Depreciation	(83,881,796.10)
Total Capital Assets, Net of Depreciation	80,889,135.55
Total Noncurrent Assets	108,510,325.37
Total Assets	$ 170,817,198.77

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

LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 6,435,402.77
Deferred Revenue	14,899,170.63
Deposit Liabilities	533,450.16
Bonds Payable	955,000.00
Compensated Absences	74,783.20
Total Current Liabilities	22,897,806.76
Noncurrent Liabilities	
Bonds Payable	44,705,000.00
Compensated Absences	1,195,513.07
Total Noncurrent Liabilities	45,900,513.07
Total Liabilities	68,798,319.83
NET POSITION	
Net Investment in Capital Assets	63,282,346.52
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	3,240,752.65
Expendable:	
Loans	1,428,032.12
Instructional Department Uses	6,259,865.18
Unrestricted	27,807,882.47
Total Net Position	$ 102,018,878.94

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Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2013

OPERATING REVENUES	
Student Tuition and Fees (Net of Scholarship Allowances of $11,327,980.93)	$ 38,437,587.41
Federal Grants and Contracts	1,712,644.18
State and Local Grants and Contracts	2,684,308.13
Nongovernmental Grants and Contracts	32,872.65
Auxiliary Enterprises:	
Sales and Services of Auxiliary (Net of Scholarship Allowances of $66,765.87)	9,979,142.33
Athletic Income	740,441.83
Other Operating Revenues	1,101,817.54
Total Operating Revenues	54,688,814.07
OPERATING EXPENSES	
Instruction	33,152,032.29
Institutional Support	10,246,806.67
Public Service	4,850,731.40
Academic Support	3,266,457.88
Student Services	4,417,819.50
Research	68,683.16
Operation and Maintenance	7,179,106.71
Scholarships and Financial Aid	8,739,280.22
Depreciation	4,417,456.34
Auxiliary Enterprises	11,368,769.79
Total Operating Expenses	87,707,143.96
Operating Income (Loss)	(33,018,329.89)
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	25,934,628.84
Federal Grants and Contracts	9,812,940.26
Investment Income	607,392.29
Interest on Capital Asset Related Debt	(1,136,266.25)
Other Nonoperating Revenues/(Expenses)	(742,863.94)
Net Nonoperating Revenues	34,475,831.20
Income Before Other Revenues, Expenses, Gains, or Losses	1,457,501.31
Capital Grants and Contracts	649,600.81
Additions to Permanent Endowments	400,077.05
Changes in Net Assets	2,507,179.17
Total Net Position - Beginning of Year	99,511,699.77
Total Net Position - End of Year	$ 102,018,878.94

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

Statement of Cash Flows
For the Year Ended September 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	$ 38,616,952.90
Federal Grants and Contracts	1,788,526.76
State and Local Grants and Contracts	2,636,646.13
Nongovernmental Grants and Contracts	(588,757.17)
Sales and Services of Educational Departments	9,979,142.33
Athletic Income	740,441.83
Other Operating Revenues	1,101,817.54
Payments to Employees	(42,396,560.94)
Payments for Benefits	(12,553,636.59)
Payments to Suppliers	(16,778,340.37)
Payments for Utilities	(3,130,575.52)
Payments for Scholarships	(6,945,125.15)
Net Cash Provided (Used) by Operating Activities	(27,529,468.25)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	25,934,628.84
Federal Grants	9,812,940.26
Gifts and Grants for Other than Capital Purposes	400,077.05
Loan Receipts	28,342,792.76
Loan Disbursements	(28,078,050.60)
Deposit Liabilities	(230,752.24)
Other Nonoperating Revenues/Expenses	(742,863.94)
Net Cash Provided (Used) by Noncapital Financing Activities	35,438,772.13
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grant and Gifts Received	649,600.81
Stadium Use Agreement Principal	35,501.12
Purchases of Capital Assets	(16,313,507.02)
Deposits with Trustees	7,583,896.00
Principal Paid on Capital Debt	(1,035,000.00)
Interest Paid on Capital Debt	(573,277.50)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,652,786.59)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale and Maturities of Investments	8,511,095.53
Purchase of Investments	(8,868,352.77)
Interest on Investments	607,392.29
Net Cash Provided (Used) by Investing Activities	250,135.05
Net Increase (Decrease) in Cash and Cash Equivalents	(1,493,347.66)
Cash and Cash Equivalents - Beginning of Year	53,316,861.23
Cash and Cash Equivalents - End of Year	$ 51,823,513.57

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)	$ (33,018,329.89)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	4,417,456.34
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	(443,226.71)
(Increase)/Decrease in Other Assets	(55,235.33)
(Increase)/Decrease in Inventory	(1,205.49)
Increase/(Decrease) in Accounts Payable	1,519,803.36
Increase/(Decrease) in Deferred Revenue	29,182.96
Increase/(Decrease) in Compensated Absences	22,086.51
Net Cash Provided (Used) by Operating Activities	$ (27,529,468.25)

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Statement of Financial Position
University of North Alabama Foundation
September 30, 2013

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	3,102,783
Accounts Receivable		3,600
Pledges Receivable		2,009,390
Inventories		12,249
Interest Receivable		20,518
Total Current Assets		5,148,540
Investments		
Cash Restricted for Long-Term Investment		206,042
Investments		18,811,342
Total Investments		19,017,384
Fixed Assets		
Donated Artifacts and Collectibles		273,950
Furniture and Equipment		40,532
Sub-Total		314,482
Less: Accumulated Depreciation		34,064
Total Fixed Assets		280,418
Other Assets		
Pledges Receivable (Net) Non-Current		980,186
Total Other Assets		980,186
TOTAL ASSETS		25,426,528
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable		989,221
Unearned Revenue		11,340
Obligations under Annuity Contracts - Current Portion		69,533
Total Current Liabilities		1,070,094
Long-Term Liabilities		
Obligations Under Annuity Contracts - Deferred Portion		309,279
Total Long-Term Liabilities		309,279
Total Liabilities		1,379,373
Net Assets		
Unrestricted		307,602
Temporarily Restricted		6,526,311
Permanently Restricted		17,213,242
Total Net Assets		24,047,155
TOTAL LIABILITIES AND NET ASSETS	$	25,426,528

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

Statement of Activities
University of North Alabama Foundation
For the Year Ended September 30, 2013

	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE		
Support:		
Contributions	$ 259,945	$ 1,182,153
In-Kind Donations	625,387	37,132
Other Income	4,028	265,096
Transfers	198,389	(225,389)
Net Assets Released from Restriction	2,152,054	(2,152,054)
Total Support	3,239,803	(893,062)
Revenue:		
Interest and Dividend Income	-	427,722
Net Unrealized and Realized Gain (Loss) on Investments	-	1,082,896
Total Revenue	-	1,510,618
TOTAL SUPPORT AND REVENUE	3,239,803	617,556
EXPENSES		
Program Services	2,076,358	-
Support Services	981,409	-
TOTAL EXPENSES	3,057,767	-
Net Change in Assets	182,036	617,556
Net Assets at Beginning of Year	125,566	5,908,755
NET ASSETS AT END OF YEAR	$ 307,602	$ 6,526,311

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

Permanently Restricted	Total
$ 2,049,533	$ 3,491,631
-	662,519
-	269,124
27,000	-
-	-
2,076,533	4,423,274
-	427,722
-	1,082,896
-	1,510,618
2,076,533	5,933,892
1,000	2,077,358
-	981,409
1,000	3,058,767
2,075,533	2,875,125
15,137,709	21,172,030
$ 17,213,242	$ 24,047,155

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 Unit

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

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

The financial statements of the University of North Alabama have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University of North Alabama. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the University of North Alabama's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations.

D. Assets, Liabilities, and Net Position

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 the University bank accounts restricted for endowment purposes.

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

2. Receivables

Accounts receivable relate to amounts due from federal grants, state grants, student and third party tuition, and auxiliary enterprise sales. The receivables are shown net of allowance for doubtful accounts.

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. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

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 Position. Bond 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.

7. Deferred Tuition and Fee Revenue

Tuition and fee revenues received but related to the period after September 30, 2013 have been deferred.

8. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

- ***Net Investment in Capital Assets*** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

- ***Restricted*:**

  - ✓ ***Nonexpendable*** – Net Position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

  - ✓ ***Expendable*** – Net Position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

- ***Unrestricted*** – Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Board of Trustees.

9. Federal Financial Assistance Programs

The University participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133, ***Audits of States, Local Governments and Non-Profit Organizations***, and the Office of Management and Budget (OMB) Compliance Supplement.

10. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student. The University uses the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report 2000-05 to determine the amount of scholarship allowances and discounts.

Note 2 – Deposits and Investments

A. Deposits

The University's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit 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 Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. Investments

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

As of September 30, 2013, the University had the following investments and maturities:

		Years to Maturity			
Investment Type	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
Debt Securities:					
U. S. Agency Securities	$ 605,005.86	$ 70,539.90	$445,781.17	$ 77,366.40	$11,318.39
Repurchase Agreement	602,175.22	602,175.22			
Corporate Bonds	161,244.54		93,764.16	44,192.50	23,287.88
International Bonds	2,061.52	2,061.52			
Total Debt Securities	1,370,487.14	$674,776.64	$539,545.33	$121,558.90	$34,606.27
Domestic Stocks	31,511.60				
Certificates of Deposit	2,000,000.00				
Money Market Accounts	24,146,270.17				
	$27,548,268.91				

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.

    The University had fixed income corporate obligation investments totaling $161,244.54 rated A1-A3 by Moody's. The University also had $4,828,296.61 invested in money market accounts rated Aa2-B1 by Moody's.

- ✓ ***Custodial Credit Risk*** – For an investment, this is the risk that, in the event of the failure of the counterparty, the entity will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. 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.

  The University has deposits with trustee totaling $18,679,916.14 with U. S. Bank. U. S. Bank has been rated Aa3 by Moody's. The funds are invested in money market accounts by U. S. Bank. The University also has $602,175.22 invested in a repurchase agreement with Bank Independent; however, this institution has not been rated.

- ✓ ***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.

  The University had a total of $235,289.96 invested in global stocks. This represents less than 1% of total investments.

Note 3 – Receivables

Receivables are reported net of uncollectible amounts and are summarized as follows:

Accounts Receivable:	
Federal and State Agencies	$1,366,829.01
Third Party Contracts	1,504,596.04
Students	2,499,573.33
Other	1,363,848.40
Total Accounts Receivable	6,734,846.78
Loan Receivables:	
Current	195,434.37
Noncurrent	829,915.23
Total Loans Receivable	$1,025,349.60

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Adjustment/ Reclassification	Additions	Deductions	Ending Balance
Land	$ 3,760,728.89	$	$	$	$ 3,760,728.89
Improvements Other Than Buildings	12,657,966.02	146,791.68			12,804,757.70
Buildings	90,988,814.37				90,988,814.37
Equipment	10,713,446.76		174,027.21	3,349,513.45	7,537,960.52
Software	7,615,054.57				7,615,054.57
Library Holdings	22,956,439.07		950,230.46	894,021.72	23,012,647.81
Construction in Progress	3,803,170.14	(146,791.68)	15,394,589.33		19,050,967.79
Total	152,495,619.82		16,518,847.00	4,243,535.17	164,770,931.65
Less: Accumulated Depreciation					
Improvements Other Than Buildings	6,124,169.13		455,902.67		6,580,071.80
Buildings	41,109,586.93		1,973,023.97		43,082,610.90
Equipment	9,572,206.39		276,793.79	3,211,567.31	6,637,432.87
Software	3,807,527.27		761,505.45		4,569,032.72
Library Holdings	22,956,439.07		950,230.46	894,021.72	23,012,647.81
Total Accumulated Depreciation	83,569,928.79		4,417,456.34	4,105,589.03	83,881,796.10
Capital Assets, Net	$ 68,925,691.03	$	$12,101,390.66	$ 137,946.14	$ 80,889,135.55

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.

Full-time 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. Tier 1 employees (those hired prior to January 2013) may retire at any age after 25 years of service or at age 60 with 10 years of service. Tier 2 employees (those hired beginning January 2013 and after) may retire at age 62 with 10 or more 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 Tier 1 retirees are allowed 2.0125% of their average final salary for each year of service. Tier 1 employees' average final salary is determined by the best three out of their final ten years of service. Tier 2 retirees are allowed 1.65% of their average final salary for each year of service. Tier 2 employees' average final salary is determined by the best three out of the last ten years of service. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to provide an allowance to a designated beneficiary after the member's death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

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

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

B. Funding Policy

Tier 1 employees, with the exception of full-time law enforcement officers, are required by statute to contribute 7-1/2 percent of their salary to the Teachers' Retirement System. Tier 1 full-time law enforcement officers (as defined by Act Number 2000-669, Acts of Alabama, and page 1335) are required by statute to contribute 8-1/2 percent of their salary to the Teachers' Retirement System. Tier 2 employees, with the exception of full-time law enforcement officers, are required by statute to contribute 6 percent of their salary to the Teachers' Retirement System. Tier 2 full-time law enforcement officers are required by statute to contribute 7 percent of their salary to the Teachers' Retirement System. The University of North Alabama is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the University of North Alabama and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2013 Tier 1	2013 Tier 2	2012	2011
Total Percentage of Covered Payroll:	17.58%	15.44%	17.25%	17.51%
Contributions:				
Percentage Contributed by College	10.08%	9.44%	10.00%	12.51%
Percentage Contributed by Regular Employees	7.50%	6.00%	7.25%	5.00%
Percentage Contributed by Law Enforcement Employees	8.50%	7.00%	8.25%	6.00%
Contributed by College	$3,808,030.24	$47,692.08	$3,802,275.80	$4,725,006.56
Contributed by Employees	2,837,272.53	30,312.77	2,762,228.75	1,894,342.36
Total Contributions	$6,645,302.77	$78,004.85	$6,564,504.55	$6,619,348.92

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 plan's financial report for fiscal year 2013 will be available at the end of January 2014. 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 2013
Individual Coverage - Non-Medicare Eligible	$151.00
Individual Coverage - Medicare Eligible	$ 10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$391.00
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	$250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$250.00
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	$109.00
Surviving Spouse - Non-Medicare Eligible	$671.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	$860.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	$829.00
Surviving Spouse - Medicare Eligible	$317.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	$506.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	$475.00

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, 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. Employees who retire on or after January 1, 2012, with less than 25 years of service are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is $28.00 per month for retired members who use tobacco products.

The University only pays premiums for retired employee's health insurance. 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
2013	$1,230,096.00	100%
2012	$1,306,840.00	100%
2011	$1,432,200.00	100%

Each year PEEHIB certifies to the Governor and 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

The University of North Alabama is in the process of completing the construction of the Science and Engineering Technology Facility and the Academic Centre and Student Commons Buildings. Estimated amounts remaining to complete these facilities are $50,290,149.00.

As of September 30, 2013, the University had been awarded approximately $3,700,178.79 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable

Accounts payable and accrued liabilities represent amounts due at September 30, 2013 for goods and services received prior to the end of the fiscal year.

Salaries and Wages	$1,676,455.43
Benefits	110,294.58
Interest Payable	970,536.46
Supplies	1,215,129.96
Construction Costs	2,203,760.28
Other	259,226.06
Total	$6,435,402.77

Note 9 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds	$46,695,000.00	$	$1,035,000.00	$45,660,000.00	$ 955,000.00
Total Bonds Payable	46,695,000.00		1,035,000.00	45,660,000.00	955,000.00
Other Liabilities:					
Compensated Absences	1,248,209.76	22,086.51		1,270,296.27	74,783.20
Total Other Liabilities	1,248,209.76	22,086.51		1,270,296.27	74,783.20
Total Long-Term Liabilities	$47,943,209.76	$22,086.51	$1,035,000.00	$46,930,296.27	$1,029,783.20

The 2012 General Fee Revenue Build America Bonds were issued by the Board of Trustees to refund the 2003 Series Bonds and to apply the remainder of the proceeds of the Bonds to pay a portion of the cost of acquiring and constructing the University Improvements. The University receives a 27.7% annual subsidy based on the interest paid on these bonds.

The Revenue Bonds were issued in 2010 by the Board of Trustees. The Series 2010A Bonds were issued to refund the Revenue Bond, Series 1999A. The Series 2010B Bonds were issued to provide funds for construction of a Science and Engineering Technology Facility and associated site improvements.

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:

	2010B Revenue Bonds		2010A Revenue Bonds		2012A Build America Revenue Bonds		
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2013-2014	$	$ 1,080,423.50	$ 625,000.00	$ 252,667.50	$ 330,000.00	$ 403,230.00	$ 2,691,321.00
2014-2015		1,080,423.50	635,000.00	240,067.50	345,000.00	393,105.00	2,693,596.00
2015-2016		1,080,423.50	650,000.00	227,217.50	350,000.00	382,680.00	2,690,321.00
2016-2017		1,080,423.50	665,000.00	214,067.50	360,000.00	370,230.00	2,689,721.00
2017-2022		5,402,117.50	3,585,000.00	786,917.50	2,075,000.00	1,596,200.00	13,445,235.00
2022-2027	1,925,000.00	5,330,346.93	2,480,000.00	148,351.25	2,560,000.00	1,108,702.50	13,552,400.68
2027-2032	5,540,000.00	4,497,843.98			3,005,000.00	663,232.50	13,706,076.48
2032-2037	8,360,000.00	3,154,457.30			2,080,000.00	119,062.50	13,713,519.80
2037-2041	10,090,000.00	881,941.13					10,971,941.13
Total	$25,915,000.00	$23,588,400.84	$8,640,000.00	$1,869,288.75	$11,105,000.00	$5,036,442.50	$76,154,132.09

Bond Issuance Costs and Premiums

The University has bond issuance costs as well as bond discounts in connection with the issuance of its 2010 and 2012 Series 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	$515,934.87	$909,363.75
Amount Amortized Prior Years	(27,447.72)	(42,060.59)
Balance Issuance Costs and Discount	488,487.15	867,303.16
Current Amount Amortized	(17,918.12)	(32,696.53)
Balance Issuance Costs and Discount	$470,569.03	$834,606.63

Pledged Revenues

The University has pledged general student tuition and fee revenue to repay the Series 2010A and B General Fee Revenue Bonds, and the 2012 General Fee Revenue Build America Bonds. Future revenues of $76,154,132.09 are pledged to repay principal and interest through maturity in fiscal year 2041. In fiscal year 2013, tuition and fee revenue totaled $38,437,587.41 from which $2,688,701.00 was paid for principal and interest, 7% of the tuition and fee revenue.

Defeased Debt

On August 23, 2012, the University issued revenue bonds with an interest rate of 2% to 5% to advance refund the 2003 revenue bonds with an interest rate of 3.75% to 5%. The net proceeds from the issuance of the 2012A revenue bonds were used to purchase U. S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide future debt service requirements until maturity. As a result, the revenue bonds were considered to be defeased and the liability for these bonds has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of old debt of $385,919.14. This difference is being netted against the new debt and amortized over the remaining life of the old debt. As a result of the advance refunding, the University increased its total debt service requirements by $6,371.25, while adding $1,463,346.39 in new funds for new construction.

Total Bond Defeasance	$402,698.23
Amount Amortized Prior Years	16,779.09
Balance Bond Defeasance	385,919.14
Current Amount Amortized	16,779.09
Balance Bond Defeasance	$369,140.05

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 for Business and Financial Affairs, Controller, Director of Financial Affairs as well as on all other university personnel who handle funds.

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

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION'S ACTIVITIES

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

BASIS OF ACCOUNTING

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

BASIS OF PRESENTATION

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

- ***Unrestricted Net Assets*** – Net assets that are not subject to donor-imposed stipulations.
- ***Temporarily Restricted Net Assets*** – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to those stipulations or that expire by the passage of time.
- ***Permanently Restricted Net Assets*** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the foundation to use all or part of the income earned on the asset based on the donor-imposed restrictions.

ESTIMATES

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

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

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

INVENTORIES

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

FIXED ASSETS

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

COMPARATIVE FINANCIAL INFORMATION

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

CONTRIBUTIONS

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

INCOME TAXES

The Foundation is a nonprofit organization that is exempt from federal income tax under Internal Revenue Code Section 50l(c)(3).

NOTE 2 – INVESTMENTS

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

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

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

INVESTMENT RETURN OBJECTIVE, RISK PARAMETERS AND STRATEGIES

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

SPENDING POLICY

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

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

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

FUNDS WITH DEFICIENCIES

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

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

	Assets	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment Net Assets, Beginning of Year	$17,529,895	$ 0	$2,620,098	$14,909,797
Contributions	390,056			390,056
Investment Income	1,207,279		1,207,279	
Net Appreciation (Depreciation)	116,560		116,560	
Excess Loss to Unrestricted		(31,051)	31,051	
Amounts Appropriated for Expenditure	459,448		459,448	
Transfer	27,000	0	0	27,000
Endowment Net Assets, End of Year	$18,811,342	$(31,051)	$3,515,540	$15,326,853

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

Management Fees	$160,533
Investment income activity fees	117,784
TOTAL FEES	$278,317

NOTE 3 – PROMISES TO GIVE

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

Promises to Give Expected to be Collected in:	
Less than One Year	$2,009,390
One to Five Years	1,051,926
Total Pledges	3,061,316
Less Allowance for Uncollectible Promises to Give	(31,676)
Less Discount at 1.2% on Promises to Give	(40,064)
NET UNCONDITIONAL PROMISES TO GIVE	$2,989,576

NOTE 4 – CONDITIONAL PROMISES TO GIVE

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

NOTE 5 – PROGRAM SUPPORT

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

Academic Commons Building	$634,894
Other Program Support	120,536
TOTAL Program Support	$755,477

NOTE 6 – FIXED ASSETS

Fixed Assets consisted of the following at September 30:

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

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

NOTE 7 – FAIR VALUE MEASUREMENTS

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

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

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

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

NOTE 8 – RESTRICTIONS ON NET ASSETS

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

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

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

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

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

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

NOTE 9 – ANNUITY GIFTS AND OBLIGATIONS

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

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

Current Portion	$ 69,533
Deferred Portion	309,279
TOTAL ANNUITY OBLIGATIONS	$378,812

NOTE 10 – FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 11 – RELATED PARTY TRANSACTIONS

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

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

NOTE 12 – SUBSEQUENT EVENTS

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

NOTE 13 – UNCERTAIN TAX POSITIONS

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

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

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number
Student Financial Assistance Cluster		
U. S. Department of Education		
Direct Programs		
Federal Pell Grant Program	84.063	
Federal Pell Grant Program	84.063	
Federal Pell Grant Program Administrative Allowance	84.063	
Sub-Total Federal Pell Grant Program		
Federal Work-Study Program	84.033	
Federal Work-Study Program	84.033	
Sub-Total Federal Work-Study Program		
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Sub-Total Federal Supplemental Educational Opportunity Grants		
Total U. S. Department of Education		
U. S. Department of Health and Human Services		
Direct Program		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	
Total Student Financial Assistance Cluster (M)		
Highway Safety Cluster		
U. S. Department of Transportation		
Passed Through the North Alabama Highway Safety Office		
Occupant Protection Incentive Grants	20.602	13-HS-K2-009
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	13-HS-K8-008
Total Highway Safety Cluster		
Highway Planning and Construction Cluster		
U. S. Department of Transportation		
Passed Through Alabama Department of Transportation		
Highway Planning and Construction	20.205	SB-SP09 (902)
Special Education Cluster (IDEA)		
U. S. Department of Education		
Passed Through Alabama Department of Education		
Special Education - Grants to States	84.027	N.A.

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
07/01/2013-06/30/2014	$ 9,549,835.00	$ 9,549,835.00	$ 1,777,069.09	$ 1,777,069.09
07/01/2012-06/30/2013	9,774,067.00	9,774,067.00	8,035,871.17	8,035,871.17
07/01/2012-06/30/2013	12,540.00	12,540.00	12,540.00	12,540.00
			9,825,480.26	9,825,480.26
07/01/2013-06/30/2014	251,403.00	251,403.00	79,166.81	79,166.81
07/01/2012-06/30/2013	251,403.00	251,403.00	190,707.08	190,707.08
			269,873.89	269,873.89
07/01/2013-06/30/2014	138,919.00	138,919.00	18,818.18	18,818.18
07/01/2012-06/30/2013	146,350.00	146,350.00	129,739.71	129,739.71
			148,557.89	148,557.89
			10,243,912.04	10,243,912.04
09/30/2012-06/30/2013	403,326.00	403,326.00	403,326.00	403,326.00
			10,647,238.04	10,647,238.04
05/20/2013-06/02/2013	500.00	500.00	262.85	262.85
08/16/2013-09/02/2013	500.00	500.00	328.93	328.93
			591.78	591.78
10/11/2011-Continuous	140,000.00	112,000.00	34,587.11	34,587.11
10/01/2012-09/30/2013	$ 5,000.00	$ 5,000.00	$ 5,000.00	$ 5,000.00

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number
Child Nutrition Cluster		
U. S. Department of Agriculture		
Passed Through Lauderdale County Board of Education		
National School Lunch Program	10.555	N.A.
Other Federal Awards		
U. S. Department of Education		
Passed Through Alabama Department of Education		
Mathematics and Science Partnerships	84.366	U300483
Mathematics and Science Partnerships	84.366	X100542
Total Mathematics and Science Partnerships		
Improving Teacher Quality State Grants	84.367	U200119
Improving Teacher Quality State Grants	84.367	U300173
Total Improving Teacher Quality State Grants		
U. S. Department of Justice		
Direct Program		
Public Safety Partnership and Community Policing Grants	16.710	
National Science Foundation		
Direct Program		
Mathematical and Physical Sciences	47.049	
Mathematical and Physical Sciences	47.049	
Total Mathematical and Physical Sciences		
Appalachian Regional Commission		
Direct Program		
Appalachian Regional Development	23.001	

Assistance Period	Budget Total	Budget Federal Share	Revenue Recognized	Expenditures
10/01/2012-09/30/2013	$ 1,788,878.36	$ 1,788,878.36	$ 18,757.24	$ 18,757.24
03/01/2013-01/31/2014	188,200.00	188,200.00	143,700.76	143,700.76
08/17/2011-05/31/2013	2,140,656.00	270,056.00	1,030.55	1,030.55
			144,731.31	144,731.31
10/01/2011-09/30/2013	164,254.00	164,254.00	51,869.09	51,869.09
10/01/2012-09/30/2013	113,143.00	113,143.00	112,117.28	112,117.28
			163,986.37	163,986.37
12/26/2007-06/25/2014	280,590.00	280,590.00	49,749.92	49,749.92
06/01/2013-05/31/2016	29,430.00	29,430.00	26,126.05	26,126.05
09/01/2010-11/30/2013	49,154.00	49,154.00	5,038.50	5,038.50
			31,164.55	31,164.55
10/01/2006-09/30/2016	$ 50,000.00	$ 50,000.00	$ 2,232.50	$ 2,232.50

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number
U. S. Department of Health and Human Services		
Direct Program		
Occupational Safety and Health Program	93.262	
Small Business Administration		
Passed Through the University of Alabama		
Small Business Development Centers	59.037	SBAHQ013-B-001
U. S. Department of Defense		
Passed Through the University of Alabama		
Procurement Technical Assistance for Business Firms	12.002	SP4800-13-2-1301
Procurement Technical Assistance for Business Firms	12.002	SP4800-12-2-1201
Total Procurement Technical Assistance for Business Firms		
U. S. Department of the Interior		
Direct Programs		
Conservation Activities by Youth Service Organizations	15.931	
American Battlefield Protection	15.926	
National Heritage Area Federal Financial Assistance	15.939	
Department of Energy		
Direct Program		
Renewable Energy Research and Development	81.087	
General Service Administration		
Passed Through the Alabama Department of Economic and Community Affairs		
Donation of Federal Surplus Personal Property (N)	39.003	N.A.
Total Federal Awards		

(M) = Major Program
(N) = Non Monetary Federal Assistance
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 Total	Budget Federal Share	Revenue Recognized	Expenditures
07/01/2012-06/30/2013	$ 38,462.00	$ 38,462.00	$ 35,121.65	$ 35,121.65
10/01/2012-09/30/2013	181,733.02	71,993.00	71,993.00	71,993.00
08/01/2013-07/31/2014	44,000.00	22,000.00	3,624.46	3,624.46
08/01/2012-07/31/2013	44,000.00	22,000.00	18,378.42	18,378.42
			22,002.88	22,002.88
06/05/2012-10/03/2012	26,100.00	26,100.00	149.98	149.98
08/01/2013-08/01/2015	39,293.00	31,998.00	959.64	959.64
07/06/2010-07/06/2015	762,000.00	381,000.00	106,178.46	106,178.46
09/29/2010-09/28/2013	450,000.00	200,000.00	9,706.49	9,706.49
Continuous	$ 322.95	$ 322.95	322.95	322.95
			$ 11,344,473.87	$ 11,344,473.87

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

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 Outstanding

The University of North Alabama had the following loan balances outstanding at September 30, 2013. These loan balances outstanding are not included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	Amount Outstanding
Federal Direct Student Loans	84.268	$27,732,604.00
Federal Perkins Loan Program – Federal Capital Contributions (FPL)	84.038	1,025,349.60
Total Loans		$28,757,953.60

Additional Information

Board Members and Officials

October 1, 2012 through September 30, 2013

Board Members		**Term Expires**
Hon. Robert Bentley, Governor	Ex-Officio, President	
Hon. Thomas R. Bice, State Superintendent of Education	Ex-Officio, Member January 1, 2012 to present	
Hon. Martin R. Abroms	Member Vice-President Pro Tempore – July 2012 to June 2014	2024
Hon. Joel R. Anderson	Member	2024
Hon. Richard H. Cater	Member (Resigned December 2013)	
Hon. Lisa G. Ceci	Member	2015
Hon. John B. Cole	Member (Deceased)	
Hon. Rodney L. Howard	Member President Pro Tempore – June 2012 to June 2014	2019
Hon. Libby Watts Jordan	Member	2019
Hon. Harvey F. Robbins	Member (Deceased)	
Hon. Simpson Russell	Member (Beginning January 2013)	2015

Board Members and Officials

October 1, 2012 through September 30, 2013

Officials

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

Independent Auditor's Report

Dr. John G. Thornell, Interim President
University of North Alabama
1 Harrison Plaza, UNA Box 5004
Florence, Alabama 35632

We have audited 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, the financial statements of the University of North Alabama as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the University of North Alabama's basic financial statements, and have issued our report thereon dated October 17, 2014. Our report includes a reference to other auditors who audited the financial statements of the University of North Alabama Foundation as described in our report on the University of North Alabama's financial statements. The financial statements of the University of North Alabama Foundation were not audited in accordance with ***Government Auditing Standards***.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of North Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University of North Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the University of North Alabama's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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***.

Purpose of this Report

The report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Montgomery, Alabama

October 17, 2014

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report

Dr. John G. Thornell, Interim President
University of North Alabama
1 Harrison Plaza, UNA Box 5004
Florence, Alabama 35632

Report on Compliance for Each Major Federal Program

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, 2013. 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. The financial statements of the University of North Alabama Foundation were not audited in accordance with OMB Circular A-133, accordingly, this report does not extend to the University of North Alabama Foundation.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the University of North Alabama's compliance for each of the University of North Alabama's major programs based on our audit of the types of compliance requirements referred to above. 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 also 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the University of North Alabama's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Opinion on Each Major Federal Program

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, 2013.

Report on Internal Control Over Compliance

The management of the University of North Alabama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University of North Alabama's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Purpose of the Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Montgomery, Alabama

October 17, 2014

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	__X__ No
Significant deficiency(ies) identified?	_____ Yes	__X__ None reported
Noncompliance material to financial statements noted?	_____ Yes	__X__ No

Federal Awards

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.038	Federal Perkins Loan Program – Federal Capital Contributions
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds

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
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	