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Management's Discussion and Analysis

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

The University statements presented are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements begin on page 11, and should be read in conjunction with the Notes to the Financial Statements starting on page 16. The Foundation's statements presented are the Statement of Financial Position and Statement of Activities, shown on page 15.

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

Statement of Net Assets

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

ASSETS	2013	2012
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	958,211	916,864
Total Current Assets	62,290,094	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	1,837,873	1,925,675
Capital Assets, Net of Depreciation	80,889,136	68,925,691
Total Non-Current Assets	108,527,105	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 ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 63,282,347	\$ 50,057,689
Restricted	10,928,650	11,246,255
Unrestricted	27,807,882	38,207,756
Total Net Assets	102,018,879	99,511,700
TOTAL LIABILITIES AND NET ASSETS	\$ 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 assets increased 2.5% overall. The University's net capital assets increased 26.4% due to the high level of construction in progress.

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



Statement of Revenues, Expenses and Changes in Net Assets

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

REVENUES

	2013	2012
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 Assets	2,507,179	3,019,527
Net Assets-Beginning of Year (Restated)	\$ 99,511,700	\$ 96,492,173
Net Assets-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 page six.

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

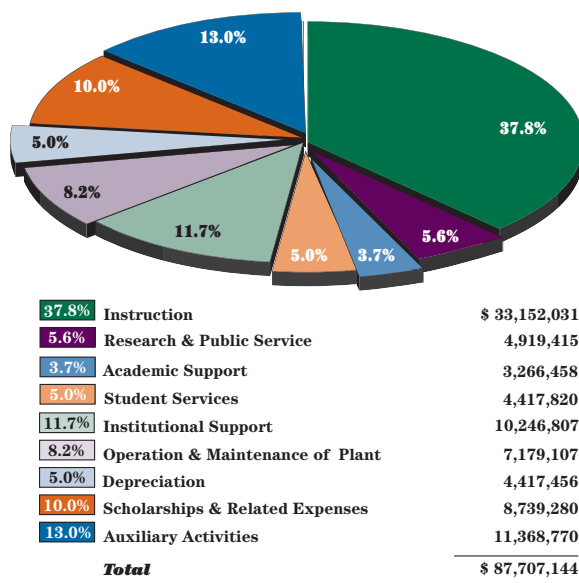
Capital grants and contracts decreased \$1.4 million due to a \$1.5 million contribution from the UNA Foundation for the construction of the Academic Center and Student Commons in FY 2012.

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.



**2013 Operating Expenses
Functional Classification****Operating Expenses by
Functional Classification**

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

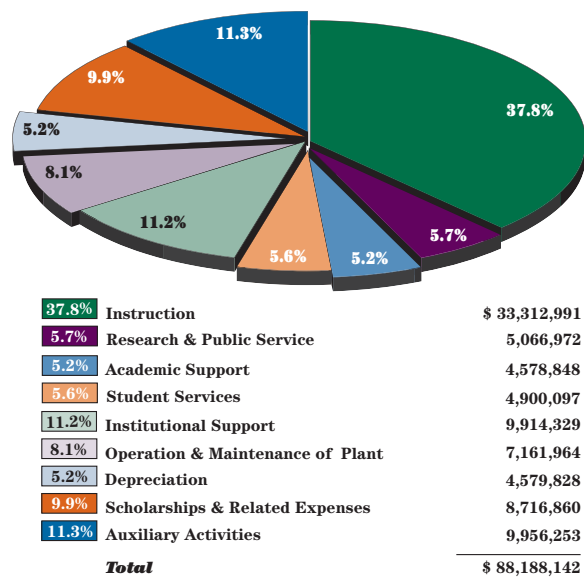
Instructional expenditures from FY 2012 to FY 2013 remained level.

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.

**2012 Operating Expenses
Functional Classification**

Operating Expenses by Natural Classification

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

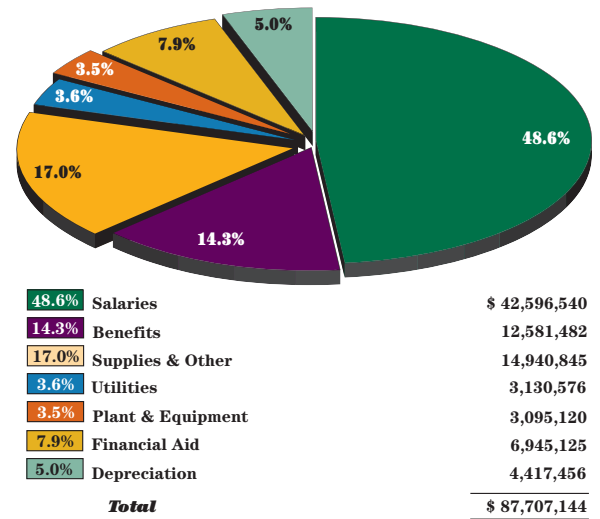
Salary expenses remained level.

Benefits expense remained level as well.

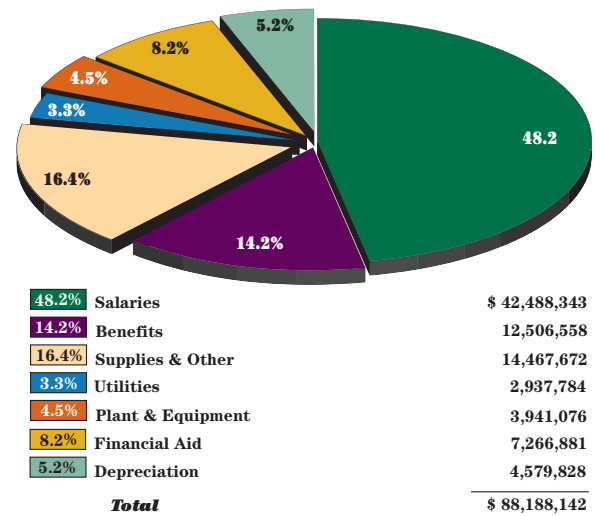
Supplies and other expenses increased 3.3% due to funds made available from previous years.

Plant and equipment, financial aid and depreciation expenses decreased.

2013 Operating Expenses Natural Classification



2012 Operating Expenses Natural Classification



Statement of Cash Flows

The Statement of Cash Flows provides information about cash inflows and outflows during the period. It classifies cash flows as those related to operating, non-capital financing, capital financing, and investing activities. This statement assists users to assess the University's ability to generate future net cash flows, to meet obligations as they come due, and to assess its need for external financing.

	2013	2012
Cash Provided (Used) By:		
Operating Activities	\$ (27,512,689)	\$ (30,309,550)
Non-capital Financing Activities	35,627,333	37,581,931
Capital and Related Financing Activities	(9,858,127)	(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.

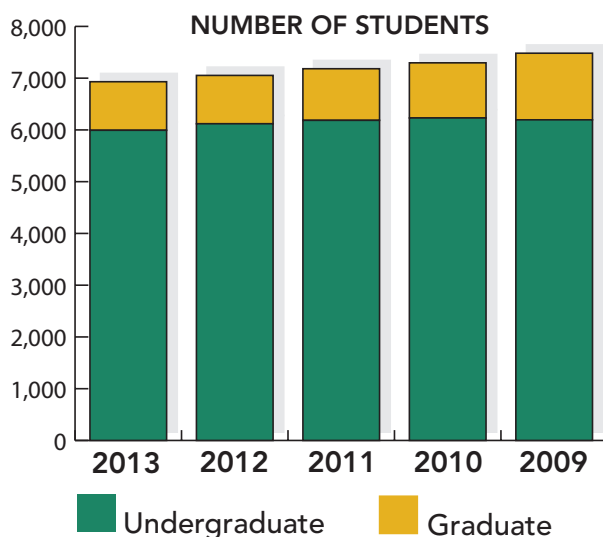
STUDENT FALL ENROLLMENT DATA (head count)

	2013	%	2012	%	2011	%	2010	%	2009	%
Undergraduate	5,993	86%	6,119	87%	6,185	86%	6,231	85%	6,195	85%
Graduate	938	14%	934	13%	997	14%	1,048	15%	1,065	15%
Total	6,931		7,053		7,182		7,279		7,260	
FALL ENROLLMENT BREAKDOWN										
Graduate	938	14%	934	13%	997	14%	1,048	14%	1,065	15%
Seniors	1,495	22%	1,423	20%	1,394	19%	1,384	19%	1,388	19%
Juniors	1,179	17%	1,278	18%	1,248	17%	1,128	16%	1,171	16%
Sophomores	1,126	16%	1,161	17%	1,262	18%	1,298	18%	1,157	16%
Freshmen	1,620	23%	1,695	24%	1,718	24%	1,917	26%	2,017	28%
Special *	573	8%	562	8%	563	8%	504	7%	462	6%
In-State	5,493	79%	5,604	79%	5,508	77%	5,498	76%	5,398	74%
International	408	6%	476	7%	362	5%	669	9%	485	7%
Out-of-State	1,030	15%	973	14%	1,312	18%	1,112	15%	1,377	19%
Full-Time	5,122	74%	5,233	74%	5,214	73%	5,461	75%	5,338	74%
Part-Time	1,809	26%	1,820	26%	1,968	27%	1,818	25%	1,922	26%
Female	4,016	58%	4,096	58%	4,098	57%	4,191	58%	4,088	56%
Male	2,915	42%	2,957	42%	3,084	43%	3,087	42%	3,172	44%
Not-Reported							1	—		
White	4,993	72%	5,164	73%	5,188	72%	5,251	72%	5,102	70%
Black	888	13%	896	13%	848	12%	867	12%	883	12%
Other	1,050	15%	993	14%	1,146	16%	1,161	16%	1,275	18%

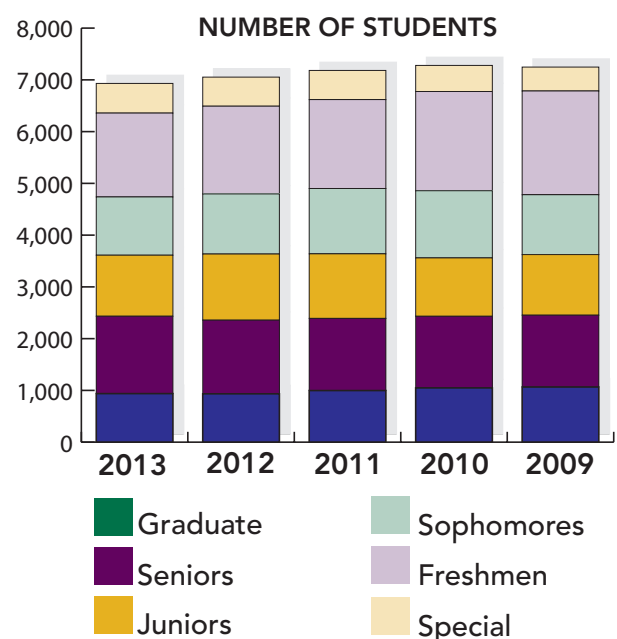
* Special includes all Non-classified, ESL and Postbaccalaureate

ENROLLMENT FALL SEMESTER**Five Year History**

Graduate and Undergraduate

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

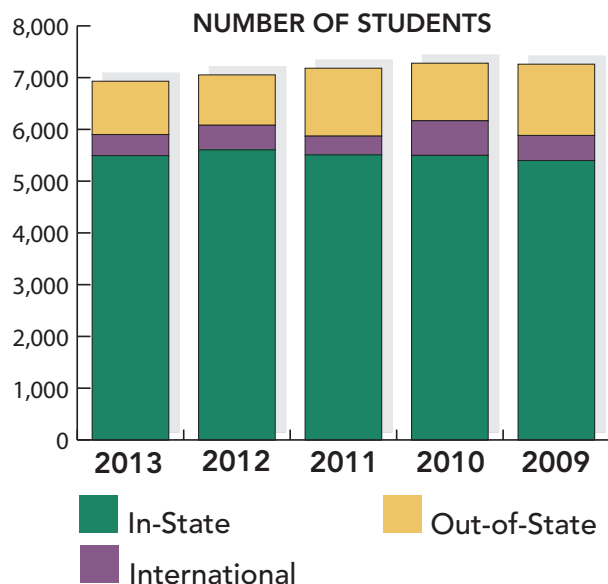
Graduate, Seniors, Juniors Sophomores, Freshmen and Special



ENROLLMENT FALL SEMESTER

Five Year History

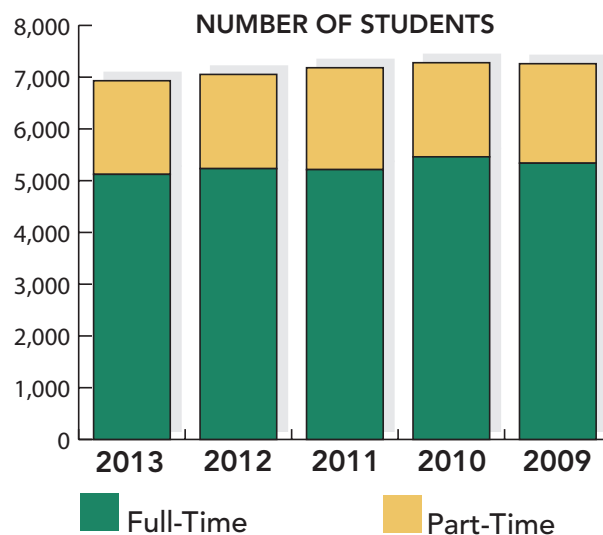
In-State, International
and Out-of-State



ENROLLMENT FALL SEMESTER

Five Year History

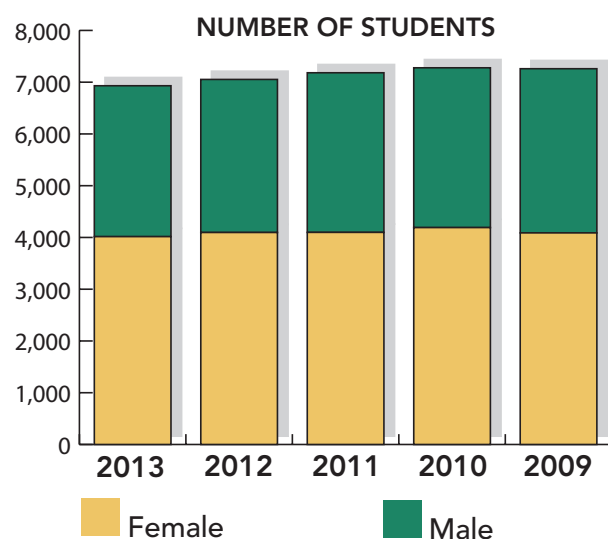
Full-Time and Part-Time



ENROLLMENT FALL SEMESTER

Five Year History

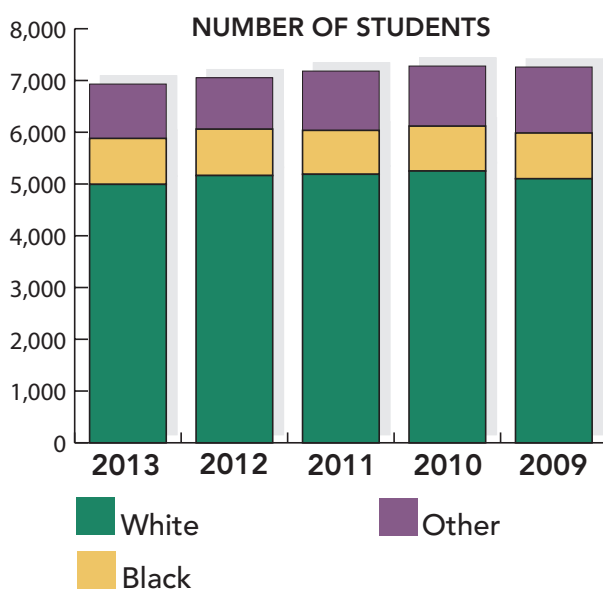
Female and Male



ENROLLMENT FALL SEMESTER

Five Year History

White, Black and Other



STATEMENT OF NET ASSETS**ASSETS**

Current Assets

Cash and Cash Equivalents
Short-term Investments
Accounts Receivable
Inventories
Notes Receivable
Stadium Use Agreement
Other Assets

Total Current Assets

Non-Current Assets

Restricted Cash and Cash Equivalents
Long-term Investments
Bond Issuance and Discount
Notes Receivable
Stadium Use Agreement
Capital Assets, Net

Total Non-Current Assets**TOTAL ASSETS****As of September 30****2013****2012**

\$ 51,799,427	\$ 55,278,482
2,602,175	600,739
6,734,847	6,291,620
21,967	20,761
195,434	199,514
37,187	35,501
899,057	860,601
62,290,094	63,287,218

24,087	38,380
24,946,094	32,174,169
1,623,701	1,674,314
829,915	1,090,578
214,172	251,360
80,889,136	68,925,691
108,527,105	104,154,492

\$ 170,817,199	\$ 167,441,710
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LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities
Deferred Revenue
Deposit Liabilities
Bonds Payable
Compensated Absences

Total Current Liabilities

Non-Current Liabilities

Bonds Payable
Compensated Absences

Total Non-Current Liabilities**Total Liabilities**

\$ 6,435,403	\$ 4,352,610
14,899,171	14,869,988
533,450	764,202
955,000	1,035,000
74,783	60,583
22,897,807	21,082,383

44,705,000	45,660,000
1,195,513	1,187,627
45,900,513	46,847,627

68,798,320	67,930,010
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NET ASSETS

Invested in Capital Assets, Net of Related Debt

Restricted

Nonexpendable:

Scholarships and Fellowships

Expendable:

Instructional
Loans
Debt Service

Unrestricted

Total Net Assets**Total Liabilities and Net Assets**

63,282,347	50,057,688
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3,240,753	2,886,973
6,259,865	6,239,659
1,428,032	2,091,291
	28,333

27,807,882	38,207,756
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102,018,879	99,511,700
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\$ 170,817,199	\$ 167,441,710
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The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**REVENUES**

Operating Revenues

	Year Ended September 30	
	2013	2012
Student Tuition and Fees (Net of Scholarship Allowances)	\$ 38,437,587	\$ 36,210,967
Federal Grants and Contracts	1,712,644	1,455,145
State and Local Grants and Contracts	2,684,308	2,925,206
Nongovernmental Grants and Contracts	32,873	68,491
Auxiliary Enterprises Revenue (Net of Scholarship Allowances)	9,979,142	8,889,267
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

Educational and General

Instruction	33,152,032	33,312,991
Research	68,683	169,941
Public Service	4,850,731	4,897,031
Academic Support	3,266,458	4,578,848
Student Services	4,417,820	4,900,097
Institutional Support	10,246,807	9,914,329
Operation and Maintenance of Plant	7,179,107	7,161,964
Depreciation	4,417,456	4,579,828
Scholarships and Related Expenses	8,739,280	8,716,860
Auxiliary Enterprises	11,368,770	9,956,253

Total Operating Expenses**87,707,144** **88,188,142****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
Investment Revenue - Net	607,392	946,149
Interest Expense on Capital Asset Related Debt	(1,136,266)	(636,660)
Other Non-operating Rev/ (Exp)	(742,864)	(67,827)

Net Non-Operating Revenues**34,475,831** **36,990,206****Income Before Other Revenues, Expenses, Gains or Losses****\$ 1,457,501** **\$ 580,490****Other Revenues**

Capital Grants, Contracts, and Gifts	649,601	2,069,468
Additions to Permanent Endowments	400,077	369,569

Total Other Revenues**1,049,678** **2,439,037****Increase / (Decrease) in Net Assets****\$ 2,507,179** **\$ 3,019,527****NET ASSETS****Net Assets - Beginning of Year (Restated)****\$ 99,511,700** **\$ 96,492,173****Net Assets - End of Year****\$ 102,018,879** **\$ 99,511,700***The accompanying Notes to the Financial Statements are an integral part of this statement.*

STATEMENT OF CASH FLOWS**CASH FLOWS FROM OPERATING ACTIVITIES****Year Ended September 30**

	2013	2012
Tuition and Fees	\$ 38,616,953	\$ 37,637,293
Federal Grants and Contracts	1,853,318	1,288,006
State and Local Grants and Contracts	2,684,308	2,925,206
Nongovernmental Grants and Contracts	(701,210)	(571,449)
Other Receipts (Payments)	1,101,818	1,457,589
Sales and Services of Educational Departments	9,979,142	8,889,268
Athletic Revenue	740,442	771,761
Payments for Employees	(42,396,561)	(41,463,800)
Payments for Benefits	(12,553,637)	(12,516,544)
Payments to Suppliers	(16,761,561)	(18,522,215)
Utilities	(3,130,576)	(2,937,784)
Payments for Scholarships	(6,945,125)	(7,266,881)
Net Cash Provided (Used) by Operating Activities	(27,512,689)	(30,309,550)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State Appropriations	25,934,629	26,909,238
Federal Grants and Contracts	9,812,940	9,839,306
Gifts and Grants Received for Other than Capital Purchasing	400,077	369,570
Federal Direct Loan Receipts	28,531,354	27,918,180
Federal Direct Loan Lending Disbursements	(28,078,051)	(27,467,682)
Deposit Held for Others	(230,752)	81,146
Other Nonoperating Revenues/Expenditures	(742,864)	(67,827)
Net Cash Provided (Used) by Non-Capital Financing Activities	35,627,333	37,581,931

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Bond Issue Cost/Discount	—	(46,189)
Capital Grants and Gifts Received	649,601	2,069,468
Stadium Use Agreement	35,501	33,890
Purchases of Capital Assets	(16,518,847)	(4,680,949)
Deposits with Trustees	7,583,896	(428,202)
Proceeds from Capital Debt	—	11,530,000
Principal Paid on Capital Debt	(1,035,000)	(11,530,919)
Interest Paid on Capital Debt	(573,278)	(756,330)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,858,127)	(3,809,231)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	8,511,096	7,598,459
Investment Revenue	607,392	946,150
Purchase of Investments	(8,868,353)	(8,511,096)
Net Cash Provided (Used) by Investing Activities	250,135	33,513

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**(1,493,348) 3,496,663****CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR
RESTATEMENT****53,316,862 49,820,199****CASH AND EQUIVALENTS - END OF YEAR****\$ 51,823,514 \$ 53,316,862**

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

	2013	2012
Operating Loss	\$ (33,018,330)	(36,409,717)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,417,456	4,579,828
Change in Assets and Liabilities:		
(Increase)/Decrease in Receivables	(443,227)	(936,262)
(Increase)/Decrease in Inventories	(1,205)	4,027
(Increase)/Decrease in Prepaid Assets	(38,456)	(398,146)
Increase/(Decrease) in Accounts Payable	1,519,803	1,254,530
Increase/(Decrease) in Deferred Revenue	29,183	1,555,511
Increase/(Decrease) in Compensated Absences	22,087	40,678
Net Cash Provided (Used) by Operating Activities	\$ (27,512,689)	(30,309,550)

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



UNIVERSITY OF NORTH ALABAMA FOUNDATION**STATEMENT OF FINANCIAL POSITION**

ASSETS	As of September 30	
	2013	2012
Current Assets:		
Cash and Cash Equivalents	\$ 3,102,783	\$ 2,419,906
Accounts Receivable	3,600	4,558
Pledges Receivable	2,009,390	446,774
Inventories and Prepaids	12,249	10,863
Interest Receivable	20,518	26,924
Total Current Assets	5,148,540	2,909,025
Total Investments	19,017,384	17,737,305
Fixed Assets:		
Donated Artifacts and Collectibles	273,950	273,950
Furniture and Equipment	40,532	34,064
	314,482	308,014
Less: Accumulated Depreciation	34,064	34,064
Total Fixed Assets	280,418	273,950
Other Assets:		
Pledges Receivable	980,186	1,099,204
Total Other Assets	980,186	1,099,204
TOTAL ASSETS	\$ 25,426,528	\$ 22,019,484
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 989,221	\$ 438,941
Unearned Revenue	11,340	11,340
Obligations under Annuity Contracts - Current Portion	69,533	69,992
Total Current Liabilities	1,070,094	520,273
Obligations under Annuity Contracts - Deferred Portion	309,279	327,181
Total Liabilities	1,379,373	847,454
Net Assets:		
Unrestricted	307,602	125,566
Temporarily Restricted	6,526,311	5,908,755
Permanently Restricted	17,213,242	15,137,709
Total Net Assets	24,047,155	21,172,030
TOTAL LIABILITIES AND NET ASSETS	\$ 25,426,528	\$ 22,019,484

STATEMENT OF ACTIVITIES**SUPPORT AND REVENUE**

Support:		
Contributions	\$ 3,491,631	\$ 2,925,781
In-Kind Contributions	662,519	120,865
Other Income	269,124	228,015
Total Support	4,423,274	3,274,661
Revenue:		
Interest and Dividends	427,722	443,053
Net Unrealized and Realized/Gain (Loss) on Investments	1,082,896	1,940,861
Total Revenue	1,510,618	2,383,914
TOTAL SUPPORT AND REVENUE	\$ 5,933,892	\$ 5,658,575
EXPENSES		
Program Services	\$ 2,077,358	\$ 1,730,701
Support Services	981,409	429,065
TOTAL EXPENSES	3,058,767	2,159,766
Net Change in Assets	2,875,125	3,498,809
Net Assets - Beginning of Year	21,172,030	17,673,221
Net Assets - End of Year	\$ 24,047,155	\$ 21,172,030

Note 1 Summary of Significant Accounting Policies

The financial statements of the University of North Alabama are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the University of North Alabama are described below.

A. Reporting Entity

The University of North Alabama a publicly supported, state funded institution, is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement No. 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the University of North Alabama's Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University of North Alabama is considered for financial reporting purposes to be a component unit of the State of Alabama.

During FY 2005 the University adopted GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". This statement provides criteria for determining whether organizations for which a government is not financially accountable, should be reported as component units. Because of the significance of the relationship between the University and the University of North Alabama Foundation, the University has determined the Foundation to be a component unit under GASB 39, and therefore has included the UNA Foundation statements in this report. Since the UNA Foundation reporting format is governed by the Financial Accounting Standards Board (FASB), rather than GASB as required for the University, the statements are presented separately to allow for formatting differences.

The UNA Foundation is governed by its own board of directors, is exempt for federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code, and is a qualified charitable organization established to solicit individual and corporate donations for the direct benefit of the University. Contributions to the University are primarily received through the UNA Foundation, and are deductible by donors as provided under Section 170(b) (1)(A)(iv) of the Internal Revenue Code.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation University of North Alabama

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

The University of North Alabama follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

It is the policy of the University to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net assets are available.

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

C. Assets, Liabilities, and Net Assets

University of North Alabama

Cash and Cash Equivalents

The University has defined cash to include currency on hand and demand deposits with financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the University may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

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

Investments

Investments are reported at fair value based on quoted market prices.

Receivables

Accounts receivable relate to amounts due from federal grants, state appropriations, third party tuition, auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings. An allowance for doubtful accounts has been established.

Inventories

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

Capital Assets

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

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

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

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

Asset	Depreciation Method	Useful Lives
Buildings and Improvements	Straight Line	50 Years
Improvements Other Than Buildings	Straight Line	25 Years
Equipment	Straight Line	5 Years
Software	Straight Line	10 Years
Library Materials	Composite	10 Years

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

Compensated Absences

The Board of Trustees determines annual and sick leave policies for the University's employees. No liability is recorded for sick leave. Staff and department-head employees earn and accumulate annual leave at the following rates:

Years of Employment	Number of Days Each Year	Maximum Days Accumulation
Up to 2 Years	10 Days	25 Days
After 2 Years	12 Days	25 Days
After 3 Years	13 Days	25 Days
After 4 Years	14 Days	25 Days
After 5 Years	15 Days	25 Days
After 6 Years	16 Days	25 Days
After 7 Years	17 Days	25 Days
After 8 Years	18 Days	25 Days
After 9 Years	19 Days	25 Days
After 10 Years	20 Days	25 Days

Faculty of the University do not earn annual leave. Payment is not made to employees for unused sick leave at termination or retirement.

Deferred Tuition and Fee Revenue

Tuition and fee revenues received but related to the period after September 30, 2012 have been deferred.

Net Assets

Net assets are required to be classified for accounting and reporting purposes into the following net asset categories:

- **Invested in Capital Assets, net of related debt** – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.
- **Restricted**
 - Nonexpendable** – Net assets subject to externally imposed stipulations that they be maintained permanently by the University of North Alabama. Such assets include the University of North Alabama's permanent endowment funds.
 - Expendable** – Net assets whose use by the University of North Alabama is subject to externally imposed stipulations that can be fulfilled by actions of the University of North Alabama pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.
- **Unrestricted** – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees

Federal Financial Assistance Programs

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

Scholarship Allowances and Student Aid

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

D. Significant Accounting Policies

University of North Alabama Foundation

In most cases the Foundation follows the accounting policies of the University with the following additional policies.

Basis of Accounting and Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting. The Foundation's net assets are segregated into three groups as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions. Items included in this net asset category include receipt of unrestricted gifts and earnings on unrestricted endowments, and idle funds.
- **Temporarily Restricted Net Assets** – Net assets subject to donor imposed restrictions that may or will be met by actions of the Foundation or the passage of time. Items included in this net asset category include restricted gifts and earnings on endowment funds expendable for purposes stipulated by the donor. These amounts are reclassified to unrestricted net assets when such restrictions, primarily purpose restrictions, are met or have expired.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions to be maintained permanently by the Foundation. Items included in this net asset category include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income be made available for expenditure.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted funds held in demand deposit accounts. Cash restricted or designated for investment is included in investments.

Foundation Investments

Investments consist primarily of stocks, bonds and mutual funds. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position, with all net realized and unrealized gains (losses) reflected in the statement of activities.

Contributions

Contribution revenue is recorded at the fair value of the asset or service received. Unconditional promises to give cash and other assets are recorded at the date the promise is received at its net realizable value. The contributions are recorded as unrestricted revenue in the period the asset is received or the unconditional promise is received if there are no donor stipulations that limit the use of the asset. The contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2 Deposits and Investments

A. Deposits

The University's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The statement of net assets classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. Investments

Investments are subject to certain types of risks including credit risk, interest rate risk, and foreign currency risk. A description of each of these types of risk, and the University's and Foundation's policies to minimize these risks, are described below:

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This type of risk falls into the three categories described below:

Credit Quality

Nationally recognized statistical rating organizations provide ratings of debt securities quality, which provide investors with information about the issuer's ability to meet its obligations. The University's and Foundation's investment policies require that at least 85% of market value of the total equity portfolio shall be stocks rated "B" or better by Standard & Poor's, with preference given to "Blue Chip" shocks. "No Load" funds with excellent earnings and growth history are preferred. All fixed income securities must have at least "A" rating by Moody's or Standard & Poor's at the time of purchase. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or Board. In addition, the policy specifically prohibits eleven types of high risk transactions, such as futures, commodities, and margin purchases.

Custodial Credit Risk

Custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if that party fails. The University's and Foundation's custodial risk is limited. All investments are in the name of the University or Foundation. Securities held by a third party are either collateralized or part of the SAFE program previously mentioned in the Deposits section.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The University's and Foundation's investment policies reduce risk of this type of loss. The policies require that equity investments be diversified so that no single issue shall exceed 5% nor shall any single industry exceed 10% of the market value of the total equity securities or any one issuing corporation. Shares in externally managed equity mutual funds may only be purchased with prior approval of the University or Foundation President or Board. These same criteria apply to fixed income investments.

Interest Rate Risk

Interest rate risk involves the adverse effect changes in interest rates could have on the fair value of an investment. As a means of limiting its exposure to fair value losses arising from interest rates, the University's and Foundation's investment policies require that maturities of investments be matched against cash flow needs to maximize yields.

Foreign Currency Risk

This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The policies of the University and the Foundation limit global stocks to a target of 6% of total investments thereby guarding against foreign currency risk.

The following tables provide information as of September 30, 2013 concerning the fair value of investments, interest rate risk, and foreign currency risk for University investments.

Type of Investment	University of North Alabama Investment Maturities at Fair Value (in Years)				Total Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Debt Securities:					
U.S. Agency Securities	\$ 107,745	\$ 408,576	\$ 77,366	\$ 11,319	\$ 605,006
Repurchase Agreements	602,175				602,175
Corporate Bonds		93,764	67,480		161,244
International Bonds	2,062				2,062
Total Debt Securities	\$ 711,982	\$ 502,340	\$ 144,846	\$ 11,319	\$ 1,370,487
Domestic Stocks					31,512
Money Market Accounts					24,146,270
Certificates of Deposit					2,000,000
Total Investments					\$ 27,548,269

Type of Investment	University of North Alabama Foundation Investment Maturities at Fair Value (in Years)				Total Fair Value
	Less Than 1	1 - 5	6 - 10	More Than 10	
Debt Securities:					
U.S. Agency Securities	\$ 76,613	\$ 735,677	\$ 200,097	\$ 77,686	\$ 1,090,073
Corporate Bonds		739,037	364,339		1,103,376
Total Debt Securities	\$ 76,613	\$ 1,474,714	\$ 564,436	\$ 77,686	\$ 2,193,449
Domestic Stocks and Pref Stocks					2,740,227
International Stocks					666,610
Mutual Funds-Bond and Equity Mix, or Equity only					3,885,634
International Mutual Funds-Bond and Equity Mix, or Equity only					3,932,037
Investments Other Than Debt and Equity Securities:					
Real Estate					1,301,227
Other					3,350,580
Total Investments Per Interest Rate Risk Note					\$ 18,069,764
Reconciliation to Balance Sheet					
Money Market Accounts-Savings					741,578
Investments as Reported on Balance Sheet					\$ 18,811,342

The following tables provide information concerning credit risk for the University's investments as of September 30, 2013.

University of North Alabama
Credit Quality Ratings of Fixed Maturities

<u>Moody's Ratings*</u>	<u>Fair Value</u>
AAA	\$ 593,687
A1	23,620
A2	67,480
A3	70,144
Not Rated	615,556
Total	\$ 1,370,487

University of North Alabama Foundation
Credit Quality Ratings of Fixed Maturities

<u>Moody's Ratings*</u>	<u>Fair Value</u>
AAA	\$ 1,183,766
Aa2	60,541
Aa3	67,225
A1	46,115
A2	289,924
A3	143,744
Baa1	162,993
Baa2	212,974
Baa3	26,167
Total	\$ 2,193,449

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

Note 3 Receivables

Receivables for the University are summarized as follows:

	9/30/13	9/30/12
Accounts Receivable:		
Federal and State Agencies	\$ 1,254,376	\$ 1,395,050
Third-Party Contracts	1,504,596	1,540,349
Students	2,499,573	2,649,755
Other	1,476,302	706,466
Total Accounts Receivable	<u>\$ 6,734,847</u>	<u>\$ 6,291,620</u>
Student Notes Receivable:		
Current	\$ 195,434	\$ 199,514
Noncurrent	829,915	1,090,578
Total Student Notes Receivable	<u>\$ 1,025,349</u>	<u>\$ 1,290,092</u>

Note 4 Capital Assets

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

	Schedule of Changes in Fixed Assets				
	Balance 9/30/12	Additions	Transfers	Reductions	Balance 9/30/13
Land	\$ 3,760,729				\$ 3,760,729
Buildings	90,988,814				90,988,814
Improvements and Betterments	12,657,966		\$ 146,792		12,804,758
Equipment	10,713,447	\$ 174,027		\$ (3,349,513)	7,537,961
Banner Software	7,615,055				7,615,055
Library Books	22,956,439	950,230		(894,022)	23,012,647
Construction in Progress	3,803,170	15,394,590	(146,792)		19,050,968
Total	\$ 152,495,620	\$ 16,518,847	\$ —	\$ (4,243,535)	\$ 164,770,932

	Schedule of Depreciation				
	Accumulated Depreciation 9/30/12	Depreciation FYE 9/30/12	Reductions	Accumulated Depreciation 9/30/13	
Buildings	\$ 41,109,587	\$ 1,973,024		\$ 43,082,611	
Improvements and Betterments	6,124,169	455,903		6,580,072	
Equipment	9,572,206	276,794	\$ (3,211,567)	6,637,433	
Banner Software	3,807,527	761,505		4,569,032	
Library Books	22,956,440	950,230	(894,022)	23,012,648	
Total	\$ 83,569,929	\$ 4,417,456	\$ (4,105,589)	\$ 83,881,796	
Capital Assets					
Net of Depreciation	\$ 68,925,691	\$ 12,101,391	\$ (137,946)	\$ 80,889,136	

Note 5 Defined Benefit Pension Plan**A. Plan Description**

The University contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the University are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the University of North Alabama. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

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

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

B. Funding Policy

Employees, with the exception of full-time law enforcement officers, were required by statute to contribute 7.50 percent of their salary to the Teachers' Retirement System as of October 1, 2012. As of January 1, 2001, full-time law enforcement officers (as defined by Act No. 2000-669, Acts of Alabama, Page 1335) were required by statute to contribute an additional one percent of their salary to the Teachers' Retirement System. The rate for these employees as of October 1, 2012 was 8.50 percent. 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		2012	2011
	Tier I	Tier II		
Total percentage of Covered Payroll	17.58%	15.44%	17.25%	17.51%
Contributions:				
Percentage Contributed by the University	10.08%	9.44%	10.00%	12.51%
Percentage Contributed by the Employees	7.50%	6.00%	7.25%	5.00%
Additional Percentage Contributed by				
Law Enforcement Employees	1.00%	1.00%	1.00%	1.00%
Contributed by the University	\$ 3,793,772	\$ 47,691	\$ 3,802,276	\$ 4,725,007
Contributed by Employees	2,827,699	30,312	2,762,229	1,894,342
Total Contributed	\$ 6,621,471	\$ 78,003	\$ 6,564,505	\$ 6,619,349

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 as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The Code of Alabama 1975, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

B. Funding Policy

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

	Fiscal Year 2013
	Effective
	10/1/12 - 9/30/13
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, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

The University is required to contribute at a rate specified by the State for each University retiree participating in the plan. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

<u>Fiscal Year Ended 9/30</u>	<u>Total Amount Paid Attributable</u>	<u>Percentage of Required Amount Contributed</u>
2013	\$ 1,230,096	100%
2012	1,306,840	100%

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

Note 7 Construction and Other Significant Commitments

Subsequent to September 30, 2013 the University of North Alabama continued with the planning and construction of the new Science and Engineering Technology Facility, and the Academic Center and Student Commons Building. Total construction costs will be \$40.9 million and \$9.3 million respectively.

As of September 30, 2013, the University had been awarded approximately \$4,295,852 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, as follows:

<u>Accounts Payable and Accrued Liabilities:</u>	<u>9/30/13</u>	<u>9/30/12</u>
Salaries and Wages	\$ 1,676,455	\$ 1,476,476
Benefits	110,295	104,536
Interest Payable	970,536	407,548
Supplies and Utilities	1,215,130	1,858,767
Construction Costs	2,203,760	46,642
Other	259,227	458,641
Total Accounts Payable and Accrued Liabilities	\$ 6,435,403	\$ 4,352,610

Note 9 Long-Term Liabilities

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

	Balance October 1, 2012	Additions	Deletions	Balance September 30, 2013	Current Portion	NonCurrent Portion
Bonds Payable	\$ 46,695,000	\$ —	\$ 1,035,000	\$ 45,660,000	\$ 955,000	\$ 44,705,000
Long-term Portion of Compensated Absences						\$ 1,195,513
Total Long-term Debt and Other Obligations						\$ 45,900,513

Debt obligations of the University consist of the following:

Bonds Payable	Balance September 30, 2013	Balance September 30, 2012
2010A General Fee Revenue Bonds with an interest rate of 2.00% to 4.00% payable in installments to maturity in 2024, collateralized by general student fees.	\$ 8,640,000	\$ 9,250,000
2010B General Fee Revenue Bonds with an interest rate of 5.75% to 6.55% payable in installments to maturity in 2041, collateralized by general student fees	25,915,000	25,915,000
2012A General Fee Revenue Bonds with an interest rate of 2.0% to 5.0% payable in installments to maturity in 2034, collateralized by general student fees.	11,105,000	11,530,000
Total Debt Obligations	\$ 45,660,000	\$ 46,695,000

Revenue from student tuition and fees sufficient to pay annual debt service is pledged to secure the 2010A, 2010B and 2012A bonds. Principal and interest maturity requirements on bond debt are as follows:

Debt Service Requirements as of 9/30/13

Year	Principal	Interest	Total
FY 2014	955,000	2,318,088	3,273,088
FY 2015	980,000	2,295,363	3,275,363
FY 2016	1,000,000	2,272,088	3,272,088
FY 2017	1,025,000	2,246,488	3,271,488
FY 2018	1,055,000	2,216,938	3,271,938
FY 2019-2023	5,880,000	10,475,220	16,355,220
FY 2024-2028	7,270,000	9,151,305	16,421,305
FY 2029-2033	8,885,000	7,119,424	16,004,424
FY 2034-2038	10,885,000	4,327,276	15,212,276
FY 2039-2041	7,725,000	773,391	8,498,391
Total Debt Service Requirements	\$ 45,660,000	\$ 43,195,581	\$ 88,855,581

A. Bond Issuance Costs and Premiums

The University prepaid bond issuance costs and bond discounts in connection with the issuance of its 2010 and 2012 Revenue Bonds. The issuance costs and bond discounts are being amortized using the straight line method over the life of the bonds.

	Issuance Costs	Discounts
Balance 9/30/12	\$ 488,488	\$ 867,303
Current Year Amount Amortized	(17,919)	(32,696)
Balance 9/30/13	\$ 470,569	\$ 834,607

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 University purchases commercial insurance for its automobile coverage, intramural catastrophic, athletic medical and catastrophic, and professional legal liability coverage.

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

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

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

Note 11 Endowments

Endowments are held in both the University and the Foundation. The policy described below for University endowment funds is also applicable to Foundation endowment funds.

If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the Board of Trustees is required to consider the University's "long and short term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic condition." Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

The Board of Trustees chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the policy established by the Board, 3-6 percent of the market value of endowment investments at the end of the previous calendar year has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending policy exceeds the investment income.

Note 12 Related Parties

University of North Alabama Foundation

The University of North Alabama Foundation was incorporated as a non-profit corporation to promote the advancement of the University of North Alabama, to further scientific, literary, and educational purposes, and to encourage and support students and faculty. This report contains financial statements of the University of North Alabama Foundation.

The majority of funds the Foundation raises are restricted for specific schools, colleges or programs of the University. These may be transferred to the University for its use, expended for the benefit of University schools, colleges or programs, or in the case of endowments, invested according to donor restriction and the earnings transferred to or expended for the University's benefit.

The President of the University serves as an ex officio member and president of the Foundation's Board of Directors. The University's chief academic, financial and advancement officers, as well as the vice-president for Student Affairs are also ex officio members of the Board of Directors. The University is the primary recipient of Foundation expenditures.

University of North Alabama Alumni Association

The University of North Alabama Alumni Association was also created to promote the advancement of the University of North Alabama, to further scientific, literary, and educational purposes, and to encourage and support students and faculty. This report contains financial activity of the University of North Alabama Alumni Association, as a component of the University of North Alabama Foundation financial statements.

Note 13 Subsequent Events

Construction will continue on the Academic Center and Student Commons and the Science and Engineering Technology Facility.



THE BOARD OF TRUSTEES

Ex Officio
Honorable Robert Bentley
Governor, State of Alabama

Thomas R. Bice
*Superintendent,
State Department of Education*

Laura Giles
*President, Student Government Association
(non-voting)*

GUBERNATORIAL APPOINTMENTS

Martin R. Abrams

Joel R. Anderson

Richard H. Cater

Lisa G. Ceci

John B. Cole

Rodney L. Howard

Libby Watts Jordan

Steven F. Pierce

Simpson Russell



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ADMINISTRATION

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*President,
University of North Alabama*

John G. Thornell
*Vice President for Academic Affairs and
Provost*

Thomas Calhoun, Jr.
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Daniel L. Hendricks
*Vice President for University Advancement
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Financial Affairs*

Chunsheng Zhang
Senior Vice Provost for International Affairs

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Dean, College of Nursing

Gregory A. Carnes
*Dean, College of Business
(effective July 2013)*

Kerry P. Gatlin
*Dean, College of Business
(until June 2013)*

Vagn K. Hansen
Dean, College of Arts and Sciences

Donna P. Lefort
Dean, College of Education and Human Sciences

Donna Ford Tipps
Controller

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

