

FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of North Alabama Foundation

We have audited the accompanying statement of financial position of University of North Alabama Foundation (a nonprofit organization) as of September 30, 2011, and the related statements of activities, functional expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of University of North Alabama Foundation as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Patterson, Prince and Associates, P.C.

Florence, Alabama
January 3, 2012

STATEMENT OF FINANCIAL POSITION

University of North Alabama Foundation

September 30, 2011

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 1,813,271
Accounts Receivable	58,350
Pledges Receivable	187,533
Prepaid Expense	5,250
Inventories	3,298
Interest Receivable	<u>16,832</u>

Total Current Assets \$ 2,084,534

Investments:

Cash Restricted for Long Term Investment	\$ 106,958
Investments	<u>15,501,731</u>

Total Investments 15,608,689

Fixed Assets:

Donated Artifacts and Collectibles	\$ 273,950
Furniture and Equipment	<u>34,064</u>
	\$ 308,014
Less: Accumulated Depreciation	<u>34,064</u>

Total Fixed Assets 273,950

Other Assets

Pledges Receivable (Net) Non-Current	<u>\$ 292,104</u>
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Total Other Assets 292,104

TOTAL ASSETS \$ 18,259,277

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENT OF FINANCIAL POSITION

University of North Alabama Foundation

September 30, 2011

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 265,965
Obligations under Annuity Contracts - Current Portion	<u>67,249</u>

Total Current Liabilities \$ 333,214

Long-Term Liabilities:

Obligations under Annuity Contracts - Deferred Portion	<u>\$ 252,842</u>
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Total Long-Term Liabilities 252,842

Total Liabilities \$ 586,056

Net Assets:

Unrestricted	\$ 71,872
Temporarily Restricted	2,923,927
Permanently Restricted	<u>14,677,422</u>

Total Net Assets 17,673,221

TOTAL LIABILITIES AND NET ASSETS \$ 18,259,277

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENT OF ACTIVITIES

University of North Alabama Foundation

For the Year Ended September 30, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>SUPPORT AND REVENUE:</u>				
<u>Support:</u>				
Contributions	\$ 114,372	\$ 1,230,360	\$ 1,501,019	\$ 2,845,751
In-Kind Donations	58,464	301,506	-	359,970
Other Income	4,421	216,972	-	221,393
Transfers	354,200	(354,873)	673	-
Net Assets Released from Restriction	<u>2,043,642</u>	<u>(2,043,642)</u>	<u>-</u>	<u>-</u>
<u>Total Support</u>	\$ 2,575,099	\$ (649,677)	\$ 1,501,692	\$ 3,427,114
<u>Revenue:</u>				
Interest and Dividend Income	\$ 411	\$ 454,973	\$ -	\$ 455,384
Net Unrealized and Realized Gain (Loss) on Investments	<u>-</u>	<u>(588,127)</u>	<u>-</u>	<u>(588,127)</u>
<u>Total Revenue</u>	\$ 411	\$ (133,154)	\$ -	\$ (132,743)
<u>TOTAL SUPPORT AND REVENUE</u>	\$ 2,575,510	\$ (782,831)	\$ 1,501,692	\$ 3,294,371
 <u>EXPENSES:</u>				
Program Services	\$ 1,981,086	\$ -	\$ -	\$ 1,981,086
Support Services	<u>556,137</u>	<u>-</u>	<u>-</u>	<u>556,137</u>
<u>TOTAL EXPENSES</u>	\$ <u>2,537,223</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,537,223</u>
 Net Change in Assets	\$ 38,287	\$ (782,831)	\$ 1,501,692	\$ 757,148
<u>Net Assets at Beginning of Year</u>	<u>33,585</u>	<u>3,706,758</u>	<u>13,175,730</u>	<u>16,916,073</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 71,872</u>	<u>\$ 2,923,927</u>	<u>\$ 14,677,422</u>	<u>\$ 17,673,221</u>

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENT OF FUNCTIONAL EXPENSES

Schedule of Program Services

University of North Alabama Foundation

For the Year Ended September 30, 2011

	Total Program Services
Scholarships Awarded	\$ 638,563
Eminent Scholars Support	227,666
Academic Program Support	394,674
Alumni Program Support	99,651
Annuities	44,989
Athletic Department Support	390,220
Student and Faculty Support	36,894
Other Program Support	148,429
<u>TOTAL PROGRAM SERVICES</u>	<u>\$ 1,981,086</u>

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENT OF FUNCTIONAL EXPENSES

Schedule of Support Services

University of North Alabama Foundation

For the Year Ended September 30, 2011

	Management & General	Fund Raising	Total Support Services
Contract Services - Other	\$ 3,175	\$ 118,811	\$ 121,986
Banquets and Meals	346	-	346
Supplies	12,923	20,063	32,986
Cost of Sales	-	459	459
Meals	-	-	-
Travel	-	-	-
Postage	-	15,481	15,481
Legal & Accounting	17,160	-	17,160
Telephone	-	285	285
Equipment Maintenance & Repairs	-	568	568
Depreciation	-	-	-
Printing and Copying	-	54,773	54,773
Membership Dues	-	7,653	7,653
Advertising	-	8,196	8,196
Donations and Sponsorships	-	7,675	7,675
NAA Events	-	53,035	53,035
Credit Card Fees	-	-	-
Software & Maintenance	-	59,107	59,107
Insurance	-	6,793	6,793
Fees	-	12,997	12,997
Travel, Lodging & Meals	-	26,675	26,675
Staff Development	-	2,499	2,499
Donor Appreciation	-	5,332	5,332
Gifts & Flowers	316	4,331	4,648
Awards	-	20,990	20,990
Banquets & Meals	-	23,867	23,867
In-Kind Expense	4,618	63,001	67,619
General Program Support	600	2,960	3,560
Miscellaneous Expenses	1,125	323	1,448
<u>TOTAL SUPPORT SERVICES</u>	<u>\$ 40,263</u>	<u>\$ 515,874</u>	<u>\$ 556,137</u>

The Accompanying Notes are an Integral Part of these Financial Statements

STATEMENT OF CASH FLOWS

University of North Alabama Foundation

For the Year Ended September 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	757,148	
Adjustments to Reconcile Change in Net Assets to Net			
Cash used for Operating Activities:			
Realized and Unrealized Gain on Sale of Investments		588,127	
Decrease in Amortization of Discount on Pledges Receivable		(6,632)	
Increase in Accounts Receivable		(28,726)	
Increase in Pledges Receivable		(143,837)	
Increase in Prepaid Expense		(5,250)	
Decrease in Inventory		1,881	
Decrease in Interest Receivable		38	
Increase in Accounts Payable		124,634	
Decrease in Obligation Under Annuity Contracts		(28,962)	
Contributions Restricted for Long-Term Investment		<u>(1,501,019)</u>	
Net Cash Used In Operating Activities	\$		(242,597)

CASH FLOWS FROM INVESTING ACTIVITIES:

Net of Purchase and Sale of Investments	\$	<u>(996,605)</u>	
Net Cash Used In Investing Activities			(996,605)

CASH FLOWS FROM FINANCING ACTIVITIES:

Receipts of Contributions Restricted for long-Term Investment	\$	<u>1,501,019</u>	
Net Cash Provided by Financing Activities			<u>1,501,019</u>
Increase in Cash and Cash Equivalents	\$		261,817
Cash and Cash Equivalents at Beginning of Year			<u>1,551,454</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$		<u>1,813,271</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2011

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 generally accepted accounting principles.

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 generally accepted accounting principles 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.

ACCOUNTS RECEIVABLE

Accounts receivable include dues for President's Cabinet membership and 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.

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS

Investments are carried at fair value.

EQUIPMENT

Furniture and Equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally 5 to 7 years. As permitted by FASB ASC 958-360 (formerly SFAS No. 93), the Foundation does not recognize depreciation on fine art and furniture collectibles. In addition, the Foundation utilizes certain facilities and equipment owned by the University. Such facilities and equipment are not recorded on the books of the Foundation.

ENDOWMENT FUNDS

The Foundation's permanently restricted net assets consist of numerous endowment funds established for the purposes discussed in Note 5. 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 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. 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 described in the gift agreement. 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.

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.

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SPENDING POLICY

It is the policy of the Foundation to annually distribute, at least five percent (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.

CONTRIBUTIONS

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

INCOME TAXES

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

INVENTORIES

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

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2011

NOTE 2: PROMISES TO GIVE

Unconditional promises to give at September 30, 2011, are as follows:

Promises to give expected to be collected in:	
Less than one year	\$ 187,533
One to Five years	256,455
More than five years	<u>65,394</u>
	\$ 509,382
Less allowance for uncollectible promises to give	(7,980)
Less discount on promises to give	<u>(21,765)</u>
<u>NET UNCONDITIONAL PROMISES TO GIVE</u>	<u>\$ 479,637</u>

NOTE 3: FAIR VALUE MEASUREMENTS

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

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposit	106,958	106,958	-	-
Money Market	1,222,746	1,222,746	-	-
Fixed Income				
Government Obligations	1,477,938	1,477,938	-	-
Domestic Mutual Funds	1,980,980	1,980,980	-	-
Other	<u>1,201,727</u>	<u>1,201,727</u>	-	-
Total Fixed Income	4,660,645	4,660,645	-	-
Equities				
International Equities	766,667	766,667	-	-
Domestic Mutual Funds	2,214,478	2,214,478	-	-
International Mutual Funds	1,078,267	1,078,267	-	-
Other	<u>2,253,326</u>	<u>2,253,326</u>	-	-
Total Equities	6,312,738	6,312,738	-	-
Complementary Strategies				
Hedge Investments	928,218	512,904	415,314	-
Other	<u>597,300</u>	<u>597,300</u>	-	-
Total Complementary Strategies	1,525,518	1,110,204	415,314	-
Real Assets				
Real Asset Funds	1,758,691	1,758,691	-	-
Other	<u>21,393</u>	<u>21,393</u>	-	-
Total Real Assets	1,780,084	1,780,084	-	-
<u>Total Investments</u>	<u>15,608,689</u>	<u>15,193,375</u>	<u>415,314</u>	<u>-</u>

The Foundation recognizes transfers into and out of levels the end of the reporting period. There were transfers from Level 1 to Level 2 during year ending September 30, 2011.

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2011

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

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 use modeling for valuations.

NOTE 4: FIXED ASSETS

Fixed Assets consisted of the following at September 30:

Donated Artifacts and Collectibles	\$ 273,950
Furniture and Equipment	24,364
Computer Software	<u>9,700</u>
	\$ 308,014
Less Accumulated Depreciation	<u>34,064</u>
<u>TOTAL FIXED ASSETS</u>	<u>\$ 273,950</u>

Depreciation expense for year ending September 30, 2011 was \$0.

NOTE 5: RESTRICTIONS ON NET ASSETS:

Net assets released from restrictions during year ending September 30, 2011 were comprised of the following:

Program Services	\$ 782,740
Instruction	622,339
Scholarships	<u>638,563</u>
<u>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</u>	<u>\$ 2,043,642</u>

Temporarily restricted net assets at September 30, 2011, are available for the following purposes:

Program Services	\$ 2,439,082
Instruction	592,562
Scholarships	<u>(107,717)</u>
<u>TOTAL TEMPORARILY RESTRICTED NET ASSETS</u>	<u>\$ 2,923,927</u>

Permanently restricted net assets of the following at September 30, 2011:

Program Services	\$ 4,863,321
Instruction	156,394
Scholarships	<u>9,657,707</u>
<u>TOTAL PERMANENTLY RESTRICTED NET ASSETS</u>	<u>\$14,677,422</u>

NOTES TO FINANCIAL STATEMENTS

University of North Alabama Foundation

September 30, 2011

NOTE 6: 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, 2011 are as follows:

Current Portion	\$ 67,249
Deferred Portion	<u>252,842</u>
<u>TOTAL ANNUITY OBLIGATIONS</u>	<u>\$ 320,091</u>

NOTE 7: FUNCTIONAL ALLOCATON OF EXPENSES

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

NOTE 8: SUBSEQUENT EVENTS:

The Foundation has evaluated subsequent events through January 3, 2012, the date which the financial statements were available to be issued.