University of North Alabama Foundation

Financial Report

September 30, 2017

UNIVERSITY OF NORTH ALABAMA FOUNDATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

University of North Alabama Foundation
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of North Alabama Foundation
Florence, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the University of North Alabama Foundation (the Foundation), a non-profit organization, which comprise the statement of financial position as of September 30, 2017, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, collectively, the financial statements.

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 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 from material misstatement.

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 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, 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the October 1, 2016 net position has been restated to correct prior year misstatements. Our opinion is not modified with respect to these matters.

CDPA, PC

Florence, AL
February 12, 2018

University of North Alabama Foundation
Statement of Financial Position
September 30, 2017

Assets	
Current Assets	
Cash and Cash Equivalents	$ 9,280,411
Accounts Receivable	200
Pledges Receivable – Current	2,448,872
Inventories	8,752
Interest Receivable	11,331
Total Current Assets	11,749,566
Long-Term Investments	
Restricted Certificates of Deposit for Long Term Investments	511,041
Investments	27,631,365
Total Investments	28,142,406
Fixed Assets	
Donated Artifacts and Collectibles	98,650
Furniture and Equipment	24,364
	123,014
Less: Accumulated Depreciation	(24,364)
Total Fixed Assets	98,650
Other Assets	
Pledges Receivable – Non-Current	1,479,595
Total Other Assets	1,479,595
Total Assets	$ 41,470,217

The accompanying notes are an integral part of these financial statements.

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	$ 1,485,758
Obligations to Beneficiaries under Split-Interest Agreements – Current	78,211
Total Current Liabilities	1,563,969
Non–Current Liabilities	
Obligations to Beneficiaries under Split-Interest Agreements – Non-Current	327,702
Total Non–Current Liabilities	327,702
Total Liabilities	1,891,671
Net Assets	
Unrestricted	846,875
Temporarily Restricted	15,619,991
Permanently Restricted	23,111,680
Total Net Assets	39,578,546
Total Liabilities and Net Assets	$ 41,470,217

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Support				
Support				
Contributions	$ 558,006	$ 3,432,837	$ 488,962	$ 4,479,805
In-Kind Donations	996,838	22,129	-	1,018,967
Other Income	125,338	627,021	-	752,359
Transfers	(369,658)	562,338	(192,680)	-
Net Assets Released from Restrictions	3,908,783	(3,851,359)	(57,424)	-
Total Support	5,219,307	792,966	238,858	6,251,131
Revenue				
Interest Income	6,911	68,978	-	75,889
Investment Return	-	2,407,288	-	2,407,288
Total Revenue	6,911	2,476,266	-	2,483,177
Total Support and Revenue	5,226,218	3,269,232	238,858	8,734,308
Expenses				
Program Services	3,553,111	-	-	3,553,111
Management and General	1,209,805	-	-	1,209,805
Fundraising Expenses	558,200	-	-	558,200
Total Expenses	5,321,116	-	-	5,321,116
Change in Net Assets	(94,898)	3,269,232	238,858	3,413,192
Net Assets at Beginning of Year, Original	941,773	12,397,759	22,972,822	36,312,354
Prior Period Adjustment	-	(47,000)	(100,000)	(147,000)
Net Assets at Beginning of Year, Restated	941,773	12,350,759	22,872,822	36,165,354
Net Assets at End of Year	$ 846,875	$ 15,619,991	$ 23,111,680	$ 39,578,546

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Functional Expenses – Program Services
For the Year Ended September 30, 2017

	Program Services
Scholarships Awarded	$ 714,285
Eminent Scholars Support	106,557
Academic Program Support	235,756
Alumni Program Support	31,688
Annuities	57,642
Athletic Department Support	1,112,288
Student and Faculty Support	73,238
Other Program Support	1,221,657
Total Program Services	$ 3,553,111

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Functional Expenses – Support Services
For the Year Ended September 30, 2017

	Management and General	Fund-Raising	Total
Contract Services – Other	$ 32,866	$ 27,315	$ 60,181
Supplies	18,913	10,062	28,975
Postage	3,935	1,724	5,659
Legal and Accounting	19,435	-	19,435
Telephone	969	-	969
Equipment Repair	7,268	131	7,399
Stipend	750	-	750
Printing and Copying	10,399	434	10,833
Membership Dues	3,529	1,329	4,858
Advertising	1,759	-	1,759
Donations and Sponsorships	22,831	6,700	29,531
NAA Events	-	7,519	7,519
Special Events	-	22,891	22,891
Fundraiser and Volunteer	-	217	217
Software and Maintenance	47,669	1,816	49,485
Insurance	12,217	624	12,841
Fees	9,904	8,955	18,859
Travel, Lodging and Meals	16,301	15,507	31,808
Staff Development	3,598	175	3,773
Donor Appreciation	3,825	116	3,941
Gifts and Flowers	7,614	6,628	14,242
Awards	12,143	7,846	19,989
Banquet and Meals	3,480	919	4,399
In-Kind Expense	606,587	389,106	995,693
General Program Support	363,813	48,186	411,999
Total Support Services	$ 1,209,805	$ 558,200	$ 1,768,005

The accompanying notes are an integral part of these financial statements.

University of North Alabama Foundation
Statement of Cash Flows
For the Years Ended September 30, 2017

Cash Flows from Operating Activities:	
Change in Net Assets	$ 3,413,192
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Realized and Unrealized Gain on Investments	(2,407,288)
Bad Debt Expense	108,356
Change in Accounts Receivable	200
Change in Pledge Receivables	912,092
Change in Inventories	158
Change in Other Assets	(142)
Change in Accounts Payable	903,601
Change in Actuarial Obligations Under Split-Interest Agreements	55,868
Restricted Contributions to Endowment	(488,962)
Net Cash Provided by Operating Activities	2,497,075
Cash Flows from Investing Activities:	
Purchase of Investments	(443,107)
Proceeds from Investments	404,375
Net Cash Used in Investing Activities	(38,732)
Cash Flows from Financing Activities:	
Payments of Obligations Under Split-Interest Agreements	(78,211)
Contributions to Endowment	488,962
Net Cash Provided by Financing Activities	410,751
Net Increase in Cash	2,869,094
Cash at Beginning of Year	6,411,317
Cash at End of Year	$ 9,280,411

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of North Alabama Foundation (the Foundation) was established to provide support for the private fundraising efforts of the University of North Alabama (the University) and to manage privately donated funds. The Foundation is a nonprofit corporation organized in accordance with the laws of the State of Alabama and governed by a volunteer Board of Directors (Board). The Foundation is a component unit of the University.

The private fundraising efforts of the University and the Foundation result in the Foundation receiving contributions for the benefit of the University. Contributions are either available to be used currently or restricted as an endowment to be invested in perpetuity and provide support from investment returns for student scholarships, faculty and research support, other operational support, and for facilities and equipment. Fundraising efforts also result in the creation of charitable trusts and gift annuities. When the trusts and annuities mature, the remainder interests are available for the designated purposes as current-use or endowment gifts. The Foundation is the trustee for substantially all of the charitable remainder trusts. The Foundation also receives unrestricted contributions that can be used for Foundation activities. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the University.

Contributions may be received in cash, marketable securities, real property, tangible personal property, gifts-in-kind, life insurance policies, and various deferred giving vehicles. Contributions received in forms other than cash, except gifts-in-kind and life insurance policies, are generally liquidated. The proceeds, together with cash gifts, are placed in investment pools or other investments consistent with the purpose of the gift or the requirements of the trust agreement. The Foundation employs investment professionals to manage its investment pools and certain trust investments.

The Foundation provides financial support for the University's private fundraising efforts, maintains donor records, issues reports to donors, and provides certain direct University support at the request of the University.

Basis of Presentation

Under Generally Accepted Accounting Principles, the Foundation is required to record and report all financial transactions in one of three classes of net assets:

- *Unrestricted net assets* – Represents the portion of expendable funds that are available for support of the Foundation's operations and services that are not subject to donor-imposed stipulations.

- *Temporarily restricted net assets* – Represents contributions or resources whose use is limited by donor-imposed restrictions which expire by the passage of time or which can be fulfilled and removed by actions of the Foundation pursuant to the restrictions. Net assets released from restrictions represent expenses incurred during the year that satisfy the restricted purpose. Of the temporarily restricted balances at September 30, 2017, $2,330,503 is restricted for scholarship purposes while $13,289,488 is restricted for instructional and program support services.

- *Permanently restricted net assets* – Represents contributions or resources, which are subject to donor imposed stipulations that the Foundation permanently maintain the contribution. Generally, the donors of such assets permit the Foundation to use all or a part of the income earned on the asset based on the donor-imposed restrictions. Of the permanently restricted balances at September 30, 2017, $19,662,393 is restricted for scholarship purposes while $3,449,287 is for instructional and program support services

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The composition of net assets released from restrictions by type for the year ended September 30, 2017 is as follows:

	Temporary	Permanent
Program Services	$ 2,794,761	$ 57,424
Instruction	342,313	-
Scholarships	714,285	-
Total	$ 3,851,359	$ 57,424

Restatement of Net Assets

Net assets as of October 1, 2016 have been restated to adjust for certain pledges that were received in prior year, but not relieved from receivables. These adjustments have been made as follows:

	Unrestricted	Temporary	Permanent	Total
Beginning Net Assets – October 1, 2016	$ 941,773	$ 12,397,759	$ 22,972,822	$ 36,312,354
Prior Period Adjustments	-	(47,000)	(100,000)	(147,000)
Beginning Net Assets – October 1, 2016, as restated	$ 941,773	$ 12,350,759	$ 22,872,822	$ 36,165,354

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting. All financial transactions have been recorded and reported as either unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor imposed restrictions.

Use of Estimates in the Preparation of Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable include student accounts receivable and is 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.

Allowance for Doubtful Accounts

Pledges receivable are stated net of an allowance for doubtful accounts. The Foundation estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. The allowance for doubtful accounts for pledges receivable was $56,760 at September 30, 2017.

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. In the absence of donor-imposed restrictions on the use of donated asset, the Foundation has adopted a policy of reporting these donations as unrestricted support. The cost of property, plant, and equipment in excess of $5,000 is capitalized. Additions, improvements or expenditures for repairs and maintenance that significantly add to the productivity or extend the economic life of the assets are capitalized. At the time items are retired or sold, the applicable cost and accumulated depreciation are removed from the accounts and the difference, net of proceeds, is charged or credited to operations. Expenses for repairs and maintenance are charged to operations as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from three to twenty years.

Donated artifacts and collectibles are recorded at cost if purchased or, if donated, at estimated fair value at the time of donation. The Foundation does not recognize depreciation on artifacts and collectibles. In addition, the Foundation utilizes certain facilities owned by the University. Such facilities are not recorded on the books of the Foundation.

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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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 exempt from paying tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation had no unrelated business activities that are subject to taxes. The Foundation’s federal Exempt Organization Business Income Tax Returns for 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through the date of the auditor’s report, which was the date the financial statements were available to be issued.

NOTE 2 – CASH AND CERTIFICATES OF DEPOSITS

The Foundation considers all time deposits, certificates of deposit and highly liquid instruments with an initial maturity of three months or less to be cash equivalents, except for investments purchased with endowment assets, which are classified as long-term investments. The Foundation maintains its cash balances with two financial institutions. At September 30, 2017, the full balance of the Foundation’s deposits with banks were covered by either FDIC insurance or pledged securities from the financial institutions.

The Foundation has received certain donations that are required to be maintained in certificates of deposit with a certain bank. These certificates of deposit are associated with long term donations and are therefore considered restricted. At September 30, 2017, these restricted certificate of deposits totaled $511,042 and exceeded FDIC insurable limits by $261,042

NOTE 3 – INVESTMENTS

The Foundation's endowment consists of approximately 258 individual funds established for the purposes of scholarships and overall support of the University, including instructional and athletic support. 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 Institutional 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 various 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 Reporting

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends; realized/unrealized gains and losses are reported as fair value increase and decrease. Investment income attributable to amounts held for the benefit of the University is reported in temporarily restricted net assets. When the activities occur, the amounts are transferred from temporarily restricted to unrestricted net assets and the disbursements are reported as decreases in unrestricted net assets. Investment income attributable to amounts held for the benefit of the Foundation is reported in unrestricted net assets.

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 3-5% of the average market value of the Foundation's investments (at the beginning of a fiscal year) over a rolling three-year period. It shall be the responsibility of the Foundation's Investment Committee 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 due to unfavorable market fluctuations. When this is the case, any such deficiencies are reported in unrestricted net assets. At September 30, 2017, there were $366,104 in deficiencies transferred to unrestricted net assets from temporary net assets related to investment losses.

Changes in endowment net assets as of September 30, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets – 10/1/2017, restated	$ -	$ 2,539,061	$ 22,872,822	$ 25,411,883
Contributions, net			431,538	431,538
Investment income	-	2,407,288	-	2,407,288
Endowment Deficiencies	(366,104)	366,104	-	-
Amounts appropriated for expenditure	-	(830,554)	-	(830,554)
Transfer	-	-	(192,680)	(192,680)
Endowment net assets – 9/30/2017	$ (366,104)	$ 4,481,899	$ 23,111,680	$ 27,227,475

For the year ending September 30, 2017, investment management fees and investment income activity fees were $119,735 and $9,084, respectively.

Remainder Trusts and Gift Annuities

Remainder trust agreement assets are managed on an individual account basis in a diversified portfolio designed to reduce payment volatility, consider tax implications and maximize the value of each gift. Gift annuity assets are managed as a pool.

Investments by Group

	General Investment Pool	Remainder Trusts and Gift Annuities	Total
Cash & Money Market Funds	$ 418,583	$ 3,129	$ 421,712
Marketable Mutual Funds	5,921,814	920,022	6,841,836
Limited Partnerships	20,367,817	-	20,367,817
Total Investments	$ 26,708,214	$ 923,151	$ 27,631,365

NOTE 4 – FAIR VALUE MEASUREMENTS

Investment Valuation

Investments are reported at estimated fair value as determined by the Foundation, based upon a fair value hierarchy that prioritizes the input techniques used to measure fair value. The Foundation has elected to adopt early Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The ASU removed the requirement to categorize by level within the fair value hierarchy all investments with fair value measured using net asset value as a practical expedient and removed all other disclosure requirements.

The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data;
- Level 3: Significant unobservable inputs for assets or liabilities.

A financial instrument's level within this fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. All transfers between fair value hierarchy levels are recognized at the beginning of each reporting period. The fair value hierarchy does not correspond to a financial instrument's relative liquidity in the market or to its level of risk.
In determining the reasonableness of the fair value measurement methodology, management, with the oversight of the Investment Committee, evaluates a variety of factors including review of existing contracts, economic conditions, and industry and market developments. Certain unobservable inputs are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

Level 1 investments are typically investments in debt and equity marketable securities but may also include money market funds, certificates of deposit, and other highly liquid investments with maturities of 90 days or less with high credit quality entities. All level 1 investments are reported at fair value.

For any level 3 investments, fair value would be determined by the Foundation to be best estimated by giving consideration to any factors which might necessitate an adjustment such as initial and ongoing due diligence monitoring, significant market or portfolio changes, and assumptions of a new hypothetical market participant. The Foundation does not have any level 3 investments.

The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2017:

	Level 1	Level 2	Level 3	At NAV	Total
Certificates of Deposit	$ 511,041	$ -	$ -	$ -	$ 511,041
Money Market	421,712	-	-	-	421,712
Mutual Funds:					-
PIMCO - Fixed Income	2,838,245	-	-	-	2,838,245
Vanguard Total Bond	2,537,941	-	-	-	2,537,941
First Eagle Global Fund	577,964	-	-	-	577,964
Eagle MPL Strategy Fund	288,941	-	-	-	288,941
Gotham Neutral Fund	315,929	-	-	-	315,929
Tortoise MLP & Pipeline	282,816	-	-	-	282,816
Total Mutual Funds	6,841,836	-	-	-	6,841,836
Limited Partnerships:					
U.S. Equity	-	-	-	6,879,976	6,879,976
International Equity	-	-	-	2,692,930	2,692,930
Emerging Markets	-	-	-	751,543	751,543
Hedged Equity	-	-	-	7,890,793	7,890,793
Fixed Income	-	-	-	1,495,970	1,495,970
Opportunistic	-	-	-	125,232	125,232
Real Assets	-	-	-	210,918	210,918
Private Equity	-	-	-	320,455	320,455
Total Limited Partnerships				20,367,817	20,367,817
	$ 7,774,589	$ -	$ -	$ 20,367,817	$ 28,142,406

The following table provides information related to the previously mentioned investments that are valued based on Net Asset Values (NAV):

	Fair Value at September 30, 2017	Unfunded Commitments at September 30, 2017	Redemption Frequency	Redemption Notice Period
U.S. Equity (a)	$ 6,879,976	$ -	Quarterly	60 Days
International Equity (b)	2,692,930	-	Quarterly	60 Days
Emerging Markets (c)	751,543	-	Annual	30 Days
Hedged Equity (d)	7,890,793	-	Annual	90 Days
Fixed Income (e)	1,495,970	-	Monthly	10 Days
Opportunistic (f)	125,232	81,830	Annual	90 Days
Real Assets (g)	210,918	800,000	Annual	90 Days
Private Equity (h)	320,455	720,000	Annual	90 Days
Total	$ 20,367,817	$ 1,601,830		

a) *U.S. Equity* – This category generally consists of managers that invest primarily in equity securities of U.S. corporations. U.S. equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.

b) *International Equity* – This category will generally consist of managers that invest primarily in equity securities of corporations domiciled in foreign countries. International equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily be long-only.

c) *Emerging Markets* – This category will generally consist of managers that invest primarily in equity securities of corporations domiciled in emerging foreign countries. Emerging markets equity may include multiple styles (growth, value) and market capitalizations (small, mid, large). These investments will primarily consist of long-only investments and hedged equity investments (long and short).

d) *Hedged Equity* – This category consists of funds of funds that make long and short position equity investments. The bulk of the investment is subject to semi-annual or annual redemption.

e) *Fixed Income* – This category will generally consist of managers that invest primarily in debt securities of corporations and governmental entities.

f) *Opportunistic*– This category may include any strategy that offers exceptional risk/reward opportunities. This category is designed to provide the Investment Committee with the flexibility to select investments for a relatively small part of an overall allocation, which may not fit into the other designed allocation categories.

g) *Real Assets* – This category will generally consist of managers that invest in a diverse basket of tangible assets with built-in inflation protection characteristics. These investments will primarily be long-only.

h) *Private Equity* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

NOTE 5 – PLEDGE RECEIVABLES

Pledge receivables, which are unconditional promises to give, are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. For pledges, the discount rates used to determine present values are based on U.S. Treasury note rates for comparable maturities at the date of the pledge. These average to approximately 1.2%.

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2017, are as follows:

	Less Than One Year	One to Five Years	Total
Pledges			
Gross	$ 2,448,872	$ 1,574,777	$ 4,023,649
Allowance	-	(56,760)	(56,760)
Discount	-	(38,422)	(38,422)
Total Pledges	$ 2,448,872	$ 1,479,595	$ 3,928,467

NOTE 6 – FIXED ASSETS

Fixed assets consisted of the following at September 30, 2017:

Donated artifacts and collectibles	$ 98,650
Furniture and equipment	24,364
	123,014
Less accumulated depreciation	(24,364)
Total Fixed Assets	$ 98,650

Depreciation expense for the year ending September 30, 2017 was $0

NOTE 7 –OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS

The Foundation has entered into irrevocable charitable gift annuity agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years.

The Foundation has also entered into charitable remainder annuity and unitrust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements. Remainder trust obligations are an actuarially determined liability which represents the present value of estimated future payments to beneficiaries, taking into consideration their life expectancy and discounted at applicable interest rates.

A liability is recognized for the estimated present value of the both the gift annuities and the remainder trusts and the assets are recorded at their gross market value for agreements where the Foundation is the trustee. The discount rate and actuarial assumptions used in calculating the split-interest obligation are those provided in American Council on Gift Annuity guidelines and actuarial tables. The annuity payments are a general obligation of the Foundation.

Assets of the Foundation that are derived from gift annuities and charitable remainder trusts are included in investments on the statement of financial position. The values of these at September 30, 2017 are as follows:

	Remainder Trusts Assets	Gift Annuities Assets	Total Assets
Cash & Money Market	$ 375	$ 2,754	$ 3,129
Mutual Funds	483,214	436,808	920,022
	$ 483,589	$ 439,562	$ 923,151

Changes in obligations under the gift annuity and remainder trust contracts at September 30, 2017, were as follows:

	Gift Annuities Liabilities	Remainder Trusts Liabilities	Total Split-Interest Liabilities
Total Obligation at September 30, 2016	$ 306,177	$ 122,079	$ 428,256
Obligation on New Gifts	-	-	-
Payments to Beneficiaries	(38,399)	(39,812)	(78,211)
Actuarial Value Changes	24,820	31,048	55,868
Total Obligation at September 30, 2017	$ 292,598	$ 113,315	$ 405,913
Current Portion	$ 38,399	$ 39,812	$ 78,211
Non-Current Portion	253,342	74,360	327,702
	$ 291,741	$ 114,172	$ 405,913

NOTE 8 – 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 9 - RELATED PARTY

University Support

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. During the year ended September 30, 2017, the Foundation expensed $3,553,111 in support of the University's programs and scholarships. At September 30, 2017, pledge receivables from the Alumni Association and University Board of Trustees/Foundation Board of Directors were $17,760 and $73,300 respectively. The Foundation has payables to the University of $1,286,663.

Personnel Costs and Facilities

The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was $22,844 for the year ending September 30, 2017. Furthermore, the Foundation employees are paid by the University. The salaries and benefits and supplies for year ending September 30, 2017, were $931,493. Supplies paid by the University for the Foundation totaled $27,294 for the year ending September 30, 2017.

Funds Held for Others

The Foundation has an affiliation agreement with the University of North Alabama Sportsman's Club. The Sportsman Club has transferred funds to the Foundation for recordkeeping purposes. These funds are pooled together with the Foundations funds and the Foundation records a liability for such funds. As of September 30, 2017, the liability associated with such funds was $148,231. The Foundation also has a pledge receivable from the Sportsman's Club of $130,000 at September 30, 2017.

NOTE 10 – RECENTLY ISSUED ACCOUNTING STANDARDS

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Liabilities* (ASU 2016-01). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The ASU is effective for not-for-profit entities for fiscal years beginning after December 15, 2018, with early adoption restricted to certain provisions and within certain time periods. Under the ASU, not-for-profit and private entities are no longer required to disclose fair value information concerning financial instruments measured at amortized cost such as long-term debt. This provision of ASU

2016-01 may be early adopted for financial statements, which have not yet been issued or made available for issuance. The Foundation is currently evaluating the impact of this guidance.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, Leases. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. The ASU is effective for all business entities for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of this guidance.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Non-for-Profit Entities*. ASU2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Foundation is currently evaluating the impact of this guidance.