

Report on the

University of North Alabama

Florence, Alabama

October 1, 2008 through September 30, 2009

Filed: August 6, 2010



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



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

Dear Sir:

Under the authority of the **Code of Alabama 1975**, Section 41-5-21, we submit this report on the results of the audit of the University of North Alabama for the period October 1, 2008 through September 30, 2009.

Sworn to and subscribed before me this
the 28th day of July, 2010.

Cheryl S. McAlister
Notary Public

Sworn to and subscribed before me this
the 28th day of July, 2010.

Cheryl S. McAlister
Notary Public

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Respectfully submitted,

Lela Fuqua-Haney
Lela Fuqua-Haney
Examiner of Public Accounts

Johnny D. Goodwin
Johnny D. Goodwin
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**University of North Alabama
October 1, 2008 through September 30, 2009**

**University of North Alabama Foundation and Subsidiary
October 1, 2008 through September 30, 2009**

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

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

An unqualified opinion was issued on the basic financial statements of the University and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal years ending September 30, 2009.

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

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



Department of
Examiners of Public Accounts

COMMENTS

**University of North Alabama
October 1, 2008 through September 30, 2009**

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

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

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

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

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

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

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

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

Until 1967, the University was controlled by the State Board of Education. Act Number 773, Acts of Alabama 1967, page 1631 appointed a Board of Trustees to govern the institution. The governing control of the University is vested in a Board of Trustees established by action of the State Legislature. The Board is composed of the Governor as president ex officio, the State Superintendent as a member ex officio, and nine members. The chief administrative officer of the University is the President. The University of North Alabama Foundation and Subsidiary (the "Foundation") was organized as a non-profit corporation without capital stock under the laws of the State of Alabama. The organization was formed to provide support for the University.

Independent Auditor's Report

Independent Auditor's Report

We have audited the accompanying basic financial statements of the University of North Alabama, a component unit of the State of Alabama, as of and for the year ended September 30, 2009, as listed in the table of contents as Exhibits 1 through 3. These basic financial statements are the responsibility of the University of North Alabama's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the University of North Alabama Foundation and Subsidiary, a component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of North Alabama Foundation and Subsidiary is based on the report of other auditors.

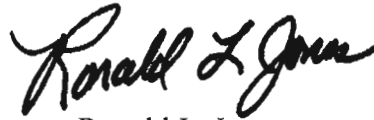
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the University of North Alabama Foundation and Subsidiary were not audited in accordance with ***Government Auditing Standards***. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of North Alabama and the University of North Alabama Foundation and Subsidiary, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated July 16, 2010 on our consideration of the University of North Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the University of North Alabama, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 6) is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Ronald L. Jones", written in a cursive style.

Ronald L. Jones

Chief Examiner

Department of Examiners of Public Accounts

July 16, 2010

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Management's Discussion and Analysis
(Required Supplementary Information)

Management's Discussion and Analysis

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

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

The following summary and management discussion of financial information is intended to provide the readers with an overview of the financial statements. The comparative figures for FY 2008 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 decreased 2.1% in the current fiscal year to \$86.7 million.

Condensed Statement of Net Assets

	<u>2009</u>	<u>2008</u>
<u>Current Assets</u>		
Cash and Short-term Investments	\$49,940,481	\$51,237,764
Receivables	6,767,095	5,678,971
Inventory, Prepaid Expenses, and Other	320,892	389,946
Total Current Assets	57,028,468	57,306,681
<u>Non-Current Assets</u>		
Cash and Long-term Investments	5,664,040	6,056,714
Long-term Receivables	1,777,902	1,663,221
Other Non-Current Assets	760,424	821,308
Capital Assets, Net	61,703,226	63,285,322
Total Non-Current Assets	69,905,592	71,826,565
Total Assets	126,934,060	129,133,246
<u>Current Liabilities</u>		
Accounts Payable and Accrued Liabilities	3,246,765	3,863,648
Deferred Revenue	12,910,923	10,997,065
Deposits Held in Custody for Others	481,738	667,789
Long-Term Liabilities – Current Portion	1,069,175	1,608,892
Total Current Liabilities	17,708,601	17,137,394
<u>Non-Current Liabilities</u>		
Long-Term Liabilities	22,530,239	23,429,146
Total Liabilities	40,238,840	40,566,540
<u>Net Assets</u>		
Invested in Capital Assets, Net	40,055,541	40,822,633
Restricted	6,756,614	11,909,296
Unrestricted	39,883,065	35,834,777
Total Net Assets	86,695,220	88,566,706
Total Liabilities and Net Assets	\$126,934,060	\$129,133,246

Cash and short-term investments decreased by \$1.3 million. This was due to a decrease in State funding and lower earnings on investments. Short-term investments are defined as those with maturities of less than one year.

Receivables include grants, state appropriations, student accounts, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Overall current receivables increased approximately \$1.2 million due to an increase in student receivables and receivables from other agencies.

Restricted cash and long-term investments, which include both unrestricted and endowment investments, decreased by approximately \$393,000 due to market losses. The University monitors the investment portfolio to insure proper adherence to investment guidelines.

Capital assets (net) decreased by \$1.5 million due to fewer capital projects being completed in FY 2009.

Accounts payable and accrued liabilities decreased \$616,000 due primarily to a decrease in end of year spending attributable to reduced State funding.

Deferred revenue increased 17.4% due to reduced booked revenue resulting from a shorter semester through 9/30/09.

Long-term liabilities decreased by 5.7% due to scheduled payment of bond principal.

Net assets decreased 2.1% overall. The University's net capital assets decreased due to a reduced number of capital projects completed. Restricted net assets decreased as a result of market losses on endowments, and an increase in scholarships awarded. Unrestricted net assets reflect a decrease in reserves for capital projects and future debt service.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present 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.

Condensed Statement of Revenues, Expenses and Change in Net Assets
For the Year Ended September 30,

	<u>2009</u>	<u>2008</u>
<u>Operating Revenue</u>		
Student Tuition and Fees	\$29,737,093	\$30,967,040
Auxiliary Sales and Services	6,918,426	7,046,836
Grant and Contracts	7,024,485	7,739,671
Athletic Revenue	776,947	610,250
Other Operating Revenue	1,405,418	965,170
Total Operating Revenue	45,862,369	47,328,967
Operating Expenses	82,300,754	82,535,357
Net Operating Income/(Loss)	(36,438,386)	(35,206,390)
<u>Non-Operating Revenue/(Expenses)</u>		
State Appropriations	28,475,819	35,125,031
Federal Grants And Contracts	5,745,209	4,940,655
Capital Grants, Contracts, and Gifts	215,068	1,719,892
Non-Capital gifts and grants	1,600	0
Investment Income	501,243	1,810,774
Other Non-Operating Expenses	(1,100,257)	(2,330,121)
Total Non-Operating Revenues – Net	33,838,682	41,266,231
Increase in Net Assets	(2,599,704)	6,059,841
Net Assets – Beginning of Year	89,294,924	82,506,865
Restated		
Net Assets – End of Year	<u>\$86,695,220</u>	<u>\$88,566,706</u>

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

Tuition and fees (net) decreased by 4.0% in FY 2009. While tuition revenue increased by \$1.1 million, scholarship, grants and loans to students increased as well and affected the reportable net tuition and fees revenue due to the scholarship allowance calculation.

Auxiliary revenue consists of income from various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public. These entities are intended to be self-supporting, and charge a fee for their goods or services. Revenue from residence halls, apartments, food services, university health services, rental property, and other student related activities are included in this total. The 1.8% decrease in FY 2009 reflects a decrease in international student fees.

Grants and contracts revenue decreased by 9.2% as a result of a decrease in federal grants and contracts.

Athletic revenue increased 27.3%, primarily due to an increase in external athletic fundraising.

Operating expenses decreased by \$235,000.

State appropriations decreased \$6.6 million, or 18.9% from the previous year.

Federal grants and contracts increased \$800,000 due to an increase in revenue from Pell Grants.

Endowment gifts reflect revenue to the University endowments. The majority of endowments established for the past decade are held in the UNA Foundation, but small gifts are received in the University from year to year.

Capital grants, contracts and gifts for FY 2009 decreased due to a decline in capital projects.

Investment income decreased during the fiscal year as a result of a decline in interest rates and unrealized losses in equity funds.

Operating Expenses by Functional Classification

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

Instructional expenditures decreased by \$477,000 from FY 2008 to FY 2009 primarily due to reduced expenditures, as a result of a proration in State funding.

Decreased expenditures for academic support is also a result of reduction in State funding.

Student service, institutional support and operation and maintenance of plant expenditures remained at about the same level as FY 2008.

Depreciation expense remained the same for FY 2009.

Scholarship expenses increased due to additional scholarship awards.

Auxiliary expenditures decreased due to a reclassification of budget accounts from the education and general fund to the auxiliary fund as well as expenditures to address deferred maintenance and increased utilities costs.

Operating Expenses by Natural Classification

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

Salary expenses increased due to planned level increases, and promotions.

Benefits expense grew due primarily to increased health insurance costs for employees and retirees' health insurance.

Supplies and other expenses decreased due to reduced expenditures as a result of a decrease in State appropriations.

Plant and equipment expenses decreased due to reduced funding for renovation and repair of facilities.

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

No increase in depreciation expense was noted in FY 2009.

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.

	<u>2009</u>	<u>2008</u>
<u>Cash Provided (Used) by:</u>		
Operating Activities	\$(31,594,699)	\$(29,085,698)
Non-Capital Financing Activities	34,036,577	39,892,508
Capital and Related Financing		
Activities	(4,154,829)	(7,911,722)
Investing Activities	7,889,614	2,209,988
Net Increase (Decrease) in Cash	<u>6,176,663</u>	<u>5,105,076</u>
Cash, Beginning of Year	<u>47,550,429</u>	<u>42,445,353</u>
Cash, End of Year	<u><u>\$53,727,092</u></u>	<u><u>\$47,550,429</u></u>

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

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

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

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

Significant Capital Asset and Debt Activity

Construction projects conducted and completed during the year included renovations to the East Campus {for the Culinary Arts program}. No new debt was acquired during this reporting period.

Economic and Enrollment Factors That Will Affect the Future

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

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

The University recorded another record increase in enrollment for Fall 2009 and continues its ongoing effort to attract and retain students.

Basic Financial Statements

Statement of Net Assets

September 30, 2009

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 49,358,637.90
Short-Term Investments	581,842.78
Accounts Receivable	6,544,569.73
Inventories	27,241.64
Loans Receivable	222,525.67
Stadium Use Agreement	30,887.30
Bond Discount	18,826.85
Bond Issuance Cost	11,170.70
Prepaid Assets	232,765.18
Total Current Assets	<u>57,028,467.75</u>

Noncurrent Assets

Deposit with Trustees	876,333.19
Restricted Cash	4,368,454.19
Investments	419,252.80
Bond Discount	246,090.67
Bond Issuance Cost	161,226.94
Loans Receivable	1,777,902.40
Stadium Use Agreement	353,106.41
Capital Assets:	
Land	3,748,828.89
Construction in Progress	1,113,662.49
Improvements Other Than Buildings	12,119,314.95
Buildings	76,531,231.75
Equipment and Furniture and Software	18,197,232.89
Library Holdings	20,483,609.66
Less: Accumulated Depreciation	<u>(70,490,654.60)</u>
Total Capital Assets, Net of Depreciation	<u>61,703,226.03</u>
Total Noncurrent Assets	<u>69,905,592.63</u>
Total Assets	<u>\$ 126,934,060.38</u>

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

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 3,246,765.31
Deferred Revenue	12,910,922.87
Refundable Deposits	72,370.00
Deposits Held for Others	409,367.85
Stadium Use Payable	30,887.30
Bonds Payable	940,000.00
Compensated Absences	98,288.28
Total Current Liabilities	<u>17,708,601.61</u>

Noncurrent Liabilities

Stadium Use Payable	353,106.41
Bonds Payable	21,145,000.00
Compensated Absences	1,032,132.49
Total Noncurrent Liabilities	<u>22,530,238.90</u>

Total Liabilities	<u>40,238,840.51</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	40,055,540.52
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	2,291,704.30
Expendable:	
Instructional Department Uses	1,353,639.59
Loans	2,234,936.93
Debt Service	876,333.19
Unrestricted	<u>39,883,065.34</u>
Total Net Assets	<u>\$ 86,695,219.87</u>

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Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended September 30, 2009

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$6,367,689.50)	\$ 29,737,093.26
Federal Grants and Contracts	1,942,816.47
State and Local Grants and Contracts	4,264,519.32
Nongovernmental Grants and Contracts	817,148.99
Auxiliary Enterprises:	
Sales and Services of Auxiliary (Net of Scholarship Allowances of \$114,507.05)	6,918,426.05
Athletic Income	776,946.92
Other Operating Revenues	1,405,417.64
Total Operating Revenues	<u>45,862,368.65</u>

OPERATING EXPENSES

Instruction	30,333,411.75
Institutional Support	10,198,335.10
Public Service	6,472,262.81
Academic Support	4,158,929.72
Student Services	5,464,725.26
Research	58,575.52
Operation and Maintenance	6,556,929.58
Scholarships and Financial Aid	5,519,065.51
Depreciation	4,601,190.69
Auxiliary Enterprises	8,937,328.49
Total Operating Expenses	<u>82,300,754.43</u>

Operating Income (Loss)	<u>(36,438,385.78)</u>
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	28,475,819.39
Federal Grants and Contracts	5,745,209.11
Unrealized Gains/Losses	(481,949.83)
Investment Income	983,193.30
Interest on Capital Asset Related Debt	(1,100,257.43)
Net Nonoperating Revenues	<u>33,622,014.54</u>
Income Before Other Revenues, Expenses, Gains, or Losses	(2,816,371.24)
Capital Appropriation-PSCA	50,282.50
Grants and Gifts	164,785.00
Additions to Permanent Endowments	1,599.99
Changes in Net Assets	<u>(2,599,703.75)</u>
Total Net Assets - Beginning of Year, as Restated (See Note 14)	89,294,923.62
Total Net Assets - End of Year	<u>\$ 86,695,219.87</u>

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

Statement of Cash Flows

For the Year Ended September 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 31,650,951.64
Grants and Contracts	5,818,578.83
Payments to Suppliers	(16,986,301.27)
Payments to Utilities	(2,977,127.69)
Payments to Employees	(40,324,605.23)
Payments for Benefits	(12,331,533.90)
Payments for Scholarships	(5,519,065.51)
Auxiliary Enterprises	750,560.15
Other	1,405,417.64
Sales and Services of Educational Activities	6,918,426.05
Net Cash Provided (Used) by Operating Activities	<u>(31,594,699.29)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	28,475,819.39
Deposit Liabilities	(186,050.86)
Gifts and Grants for Other than Capital Purposes	1,599.99
Bond Surety Fee Expense	5,745,209.11
Net Cash Provided (Used) by Noncapital Financing Activities	<u>34,036,577.63</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets and Construction	(2,290,877.19)
PSCA	50,282.50
Grants and Gifts for Capital Assets	164,785.00
Deposits with Trustees	508,245.99
Principal Paid on Capital Debt	(1,487,008.20)
Interest Paid on Capital Debt	(1,100,257.43)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,154,829.33)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	7,388,370.53
Investment Income	501,243.47
Net Cash Provided (Used) by Investing Activities	<u>7,889,614.00</u>

Net Increase (Decrease) in Cash and Cash Equivalents	6,176,663.01
Cash and Cash Equivalents - Beginning of Year	47,550,429.08
Cash and Cash Equivalents - End of Year	<u>\$ 53,727,092.09</u>

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

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

Operating Income (Loss) \$ (36,438,385.78)

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

Depreciation Expense 4,601,190.69
Changes in Assets and Liabilities:
(Increase)/Decrease in Receivables, Net (1,232,292.72)
(Increase)/Decrease in Inventories (499.51)
(Increase)/Decrease in Prepaids 100,442.05
Increase/(Decrease) in Compensated Absences 77,870.45
Increase/(Decrease) in Payables (616,882.85)
Increase/(Decrease) in Deferred Revenue 1,913,858.38

Net Cash Provided (Used) by Operating Activities \$ (31,594,699.29)

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Statement of Financial Position
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

	2009	2008
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 1,279,229	\$ 1,207,567
Accounts Receivable	30,273	66,400
Pledges Receivable	2,823	41,216
Inventories	6,938	5,169
Interest Receivable	27,894	26,937
Total Current Assets	1,347,157	1,347,289
Total Investments	14,156,374	14,521,328
<u>Fixed Assets:</u>		
Donated Artifacts and Collectibles	273,950	273,950
Furniture and Equipment	34,064	34,064
Sub-Total	308,014	308,014
Less: Accumulated Depreciation	34,064	34,064
Total Fixed Assets	273,950	273,950
<u>Other Assets</u>		
Pledges Receivable	-	45,208
Total Other Assets	-	45,208
TOTAL ASSETS	15,777,481	16,187,775
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	51,428	26,416
Obligations under Annuity Contracts - Current Portion	78,073	65,854
Total Current Liabilities	129,501	92,270
Obligations under Annuity Contracts - Deferred Portion	264,921	217,846
Total Liabilities	394,422	310,116
<u>Net Assets:</u>		
Unrestricted	287,208	320,890
Temporarily Restricted	2,642,041	3,240,763
Permanently Restricted	12,453,810	12,316,006
Total Net Assets	15,383,059	15,877,659
TOTAL LIABILITIES AND NET ASSETS	\$ 15,777,481	\$ 16,187,775

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

Statement of Activities
University of North Alabama Foundation and Subsidiary
For the Fiscal Years Ended September 30, 2009 and 2008

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>SUPPORT AND REVENUE</u>				
<u>Support:</u>				
Donations	\$ 119,762	\$ 582,079	\$ 248,416	\$ 950,257
In-Kind Donations	-	-	-	-
Other Income	35	79,678	-	79,713
Transfers	326,361	(293,427)	(32,934)	-
Net Assets Released from Restriction	1,292,759	(1,215,081)	(77,678)	-
Total Support	1,738,917	(846,751)	137,804	1,029,970
<u>Revenue:</u>				
Interest Income	-	522,950	-	522,950
Net Unrealized and Realized Gain on Investments	-	(274,921)	-	(274,921)
Total Revenue	-	248,029	-	248,029
TOTAL SUPPORT AND REVENUE	1,738,917	(598,722)	137,804	1,277,999
<u>EXPENSES</u>				
Program Services	1,153,793	-	-	1,153,793
Support Services	541,128	-	-	541,128
Loss on Pledges	77,678	-	-	77,678
TOTAL EXPENSES	1,772,599	-	-	1,772,599
Net Change in Assets	(33,682)	(598,722)	137,804	(494,600)
Net Assets at Beginning of Year	320,890	3,240,763	12,316,006	15,877,659
NET ASSETS AT END OF YEAR	\$ 287,208	\$ 2,642,041	\$ 12,453,810	\$ 15,383,059

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

2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 113,512	\$ 510,017	\$ 863,943	\$ 1,487,472
12,084	23,270		35,354
	58,927		58,927
205,232	(191,590)	(13,642)	-
1,299,023	(1,274,023)	(25,000)	-
1,629,851	(873,399)	825,301	1,581,753
15,883	400,980		416,863
	(2,280,484)		(2,280,484)
15,883	(1,879,504)	-	(1,863,621)
1,645,734	(2,752,903)	825,301	(281,868)
1,139,519			1,139,519
453,259			453,259
25,000			25,000
1,617,778	-	-	1,617,778
27,956	(2,752,903)	825,301	(1,899,646)
292,934	5,993,666	11,490,705	17,777,305
\$ 320,890	\$ 3,240,763	\$ 12,316,006	\$ 15,877,659

Notes to the Financial Statements

For the Year Ended September 30, 2009

Note 1 – Summary of Significant Accounting Policies

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

A. Reporting Entity

The University of North Alabama is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the University of North Alabama’s Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University of North Alabama is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Component Units

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

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

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

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

D. Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the University to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

2. Receivables

Accounts receivable relate to amounts due from federal grants, state appropriations, third party tuition, and auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings. The receivables are shown net of allowance for doubtful accounts.

3. Inventories

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

4. Capital Assets

Capital assets 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 a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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

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

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

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment/Software	Straight-Line	5 – 10 years
Library Materials	Composite	10 years

Notes to the Financial Statements

For the Year Ended September 30, 2009

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond/Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

6. Compensated Absences

The Board of Trustees determines annual and sick leave policies for the University's employees. The annual and sick leave policies adopted by the University are as follows:

No liability is recorded for sick leave. Staff and department-head employees earn and accumulate annual leave at the following rates:

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

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

7. Deferred Tuition and Fee Revenue

Tuition and fee revenues received but related to the period after September 30, 2009, have been deferred.

Notes to the Financial Statements

For the Year Ended September 30, 2009

8. Net Assets

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

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

9. Federal Financial Assistance Programs

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

10. Scholarship Allowances and Student Aid

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

Note 2 – Deposits and Investments

A. Deposits

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

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

B. Investments

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

As of September 30, 2009, the University had the following investments and maturities:

Investment Type	Fair Value	Years to Maturity			
		Less Than 1	1 – 5	6 – 10	More Than 10
Debt Securities:					
U. S. Agency Securities	\$ 294,799.20	\$	\$38,223.85	\$126,570.00	\$130,005.35
Repurchase Agreements	581,842.78	581,842.78			
Total Debt Securities	876,641.98	\$581,842.78	\$38,223.85	\$126,570.00	\$130,005.35
Domestic Stocks	28,384.00				
Certificates of Deposit	96,069.60				
Total Investments	<u>\$1,001,095.58</u>				

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

- ◆ **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This type of risk falls into the three categories described below:
 - ✓ **Credit Quality** – Nationally recognized statistical rating organizations provide ratings of debt securities quality, which provide investors with information about the issuer's ability to meet its obligations. The University's investment policy require that at least 85% of market value of the total equity portfolio shall be stocks rated "B" or better by Standard & Poor's, with preference given to "Blue Chip" stocks. "No Load" funds with excellent earnings and growth history are preferred. All fixed income securities must have at least "A" rating by Moody's or Standard & Poor's at the time of purchase. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or Board. In addition, the policy specifically prohibits eleven types of high risk transactions, such as futures, commodities, and margin purchases.
 - ✓ **Custodial Credit Risk** – Custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if that party fails. The University's custodial risk is limited. All investments are in the name of the University. Securities held by a third party are either collateralized or part of the SAFE program previously mentioned in the Deposit section.

Notes to the Financial Statements

For the Year Ended September 30, 2009

- ✓ **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The University's investment policy reduces risk of this type of loss. The policy requires that equity investments be diversified so that no single issue shall exceed 5% nor shall any single industry exceed 10% of the market value of the total equity securities or any one issuing corporation. Shares in externally managed equity mutual funds may only be purchased with prior approval of the University's President or Board. These same criteria apply to fixed income investments.
- ◆ **Interest Rate Risk** – Interest rate risk involves the adverse effect changes in interest rates could have on the fair value of an investment. As a means of limiting its exposure to fair value losses arising from interest rates, the University's investment policy require that maturities of investments be matched against cash flow needs to maximize yields.
- ◆ **Foreign Currency Risk** – This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The policy of the University limits global stocks to a target of 6% of total investments thereby guarding against foreign currency risk.

Note 3 – Receivables

Receivables are summarized as follows:

<u>Accounts Receivable</u>	
Federal and State Agencies	\$1,831,615.40
Third-Party Contracts	1,322,975.57
Students	3,012,087.43
Other	377,891.33
Total Accounts Receivable	<u>6,544,569.73</u>
<u>Notes Receivable</u>	
Current	222,525.67
Noncurrent	1,777,902.40
Total Notes Receivable	<u>\$2,000,428.07</u>

Notes to the Financial Statements

For the Year Ended September 30, 2009

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Restated Beginning Balance	Adjustment/ Reclassification	Additions	Deductions	Ending Balance
Land	\$ 3,732,428.89	\$	\$ 16,400.00	\$	\$ 3,748,828.89
Improvements Other Than Buildings	12,069,339.95	49,975.00			12,119,314.95
Buildings	76,005,530.16	460,514.91	65,186.68		76,531,231.75
Equipment	16,702,697.18	809,130.44	685,405.27		18,197,232.89
Library Holdings	19,676,672.64		839,864.91	(32,927.89)	20,483,609.66
Construction in Progress	940,132.07	(510,489.91)	684,020.33		1,113,662.49
Total	129,126,800.89	809,130.44	2,290,877.19	(32,927.89)	132,193,880.63
Less: Accumulated Depreciation					
Improvements Other Than Buildings	4,260,912.21		467,365.73		4,728,277.94
Buildings	33,633,233.81		1,680,760.34		35,313,994.15
Equipment	8,270,660.10	80,913.04	1,613,199.71		9,964,772.85
Library Holdings	19,676,672.64		839,864.91	(32,927.89)	20,483,609.66
Total Accumulated Depreciation	65,841,478.76	80,913.04	4,601,190.69	(32,927.89)	70,490,654.60
Capital Assets, Net	\$ 63,285,322.13	\$ 728,217.40	\$(2,310,313.50)	\$	\$ 61,703,226.03

Note 5 – Defined Benefit Pension Plan

A. Plan Description

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

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

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

B. Funding Policy

Employees, with the exception of full-time law enforcement officers, are required by statute to contribute 5 percent of their salary to the Teachers' Retirement System. As of January 1, 2001, full-time law enforcement officers (as defined by Act Number 2000-669, Acts of Alabama, page 1335) are required by statute to contribute 6 percent of their salary to the Teachers' Retirement System. The University of North Alabama is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the University of North Alabama and its employees equal the required contributions for each year as follows:

Fiscal Year Ended September 30,	2009	2008	2007
Total Percentage of Covered Payroll	17.07%	16.75%	14.36%
Contributions:			
Percentage Contributed by the University	12.07%	11.75%	9.36%
Percentage Contributed by the Employees	5.00%	5.00%	5.00%
Contributed by University	\$4,511,773.47	\$4,491,405.36	\$3,209,364.16
Contributed by Employees	1,874,130.10	1,773,775.87	1,612,723.63
Total Contributions	\$6,385,903.57	\$6,265,181.23	\$4,822,087.79

Notes to the Financial Statements

For the Year Ended September 30, 2009

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 2009
Individual Coverage – Non-Medicare Eligible	\$ 97.54
Individual Coverage – Medicare Eligible	\$ 1.14
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$284.94
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$188.54
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$188.54
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 92.14
Surviving Spouse – Non-Medicare Eligible	\$585.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$717.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$676.00
Surviving Spouse – Medicare Eligible	\$290.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$422.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$381.00

Notes to the Financial Statements

For the Year Ended September 30, 2009

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 active employee. The University's share of premiums for retired employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for retirees:

Fiscal Year Ended September 30,	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2009	\$1,217,052.00	100%
2008	\$1,136,232.00	100%
2007	\$1,235,936.00	100%

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

Note 7 – Construction and Other Significant Commitments

As of September 30, 2009, the University of North Alabama had been awarded approximately \$11,948,978.10 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, 2009, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 583,309.45
Benefits	269,809.95
Interest Payable	460,028.90
Supplies	1,331,636.04
Other	601,980.97
Total	<u>\$3,246,765.31</u>

Notes to the Financial Statements

For the Year Ended September 30, 2009

Note 9 – Lease Obligations

Operating Leases

The University is obligated under a certain lease accounted for as an operating lease. Operating leases do not give rise to property rights. During the fiscal year ended September 30, 2009, the University paid a total of \$49,127.00 for operating leases.

The following is a schedule by fiscal year of future minimum rental payments required under operating leases for facilities that have an initial or remaining noncancelable lease term in excess of one year as of September 30, 2009:

Fiscal Years	Principal	Interest	Total
2009-2010	\$ 30,887.30	\$ 18,239.70	\$ 49,127.00
2010-2011	32,354.45	16,772.55	49,127.00
2011-2012	33,891.28	15,235.72	49,127.00
2012-2013	35,501.12	13,625.88	49,127.00
2013-2014	37,187.42	11,939.58	49,127.00
2014-2015	38,953.82	10,173.18	49,127.00
2015-2016	40,804.13	8,322.87	49,127.00
2016-2017	42,742.33	6,384.67	49,127.00
2017-2018	44,772.59	4,354.41	49,127.00
2018-2019	46,899.27	2,227.73	49,127.00
Total Minimum Payments Required	\$383,993.71	\$107,276.29	\$491,270.00

Note 10 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and Lease Payable:					
Revenue Bonds	\$22,930,000.00	\$	\$845,000.00	\$22,085,000.00	\$ 940,000.00
Lease Payable	413,480.39		29,486.68	383,993.71	30,887.30
Total Bonds and Lease Payable	23,343,480.39		874,486.68	22,468,993.71	970,887.30
Other Liabilities:					
Compensated Absences	1,052,550.32	77,870.45		1,130,420.77	98,288.28
Total Other Liabilities	1,052,550.32	77,870.45		1,130,420.77	98,288.28
Total Long-Term Liabilities	\$24,396,030.71	\$77,870.45	\$874,486.68	\$23,599,414.48	\$1,069,175.58

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		Totals
	Principal	Interest	
2009-2010	\$ 940,000.00	\$ 1,057,673.76	\$ 1,997,673.76
2010-2011	1,045,000.00	1,013,016.26	2,058,016.26
2011-2012	1,165,000.00	961,906.26	2,126,906.26
2012-2013	1,300,000.00	900,800.01	2,200,800.01
2013-2014	1,445,000.00	831,086.26	2,276,086.26
2014-2015	1,605,000.00	755,210.01	2,360,210.01
2015-2016	1,780,000.00	669,703.76	2,449,703.76
2016-2017	1,970,000.00	573,418.76	2,543,418.76
2017-2018	2,180,000.00	466,249.38	2,646,249.38
2018-2019	470,000.00	399,250.00	869,250.00
2019-2020	350,000.00	381,247.50	731,247.50
2020-2021	370,000.00	365,947.50	735,947.50
2021-2022	385,000.00	349,711.25	734,711.25
2022-2023	400,000.00	332,537.50	732,537.50
2023-2024	420,000.00	314,287.50	734,287.50
2024-2025	440,000.00	293,837.50	733,837.50
2025-2026	460,000.00	271,337.50	731,337.50
2026-2027	485,000.00	247,712.50	732,712.50
2027-2028	510,000.00	222,837.50	732,837.50
2028-2029	535,000.00	196,712.50	731,712.50
2029-2030	565,000.00	169,242.50	734,242.50
2030-2031	595,000.00	140,956.25	735,956.25
2031-2032	620,000.00	112,100.00	732,100.00
2032-2033	650,000.00	81,937.50	731,937.50
2033-2034	685,000.00	50,231.25	735,231.25
2034-2035	715,000.00	16,981.25	731,981.25
Totals	\$22,085,000.00	\$11,175,931.96	\$33,260,931.96

Notes to the Financial Statements

For the Year Ended September 30, 2009

Bond Issuance Costs and Discounts

The University has bond issuance costs as well as bond discounts in connection with the issuance of its 1999 and 2003 Revenue Bonds. The issuance costs and bond discount are being amortized using the straight-line method over the life of the bonds.

	Issuance Costs	Discount
Total Issuance Costs and Discount	\$267,252.57	\$432,577.50
Amount Amortized Prior Years	83,684.23	148,834.47
Balance Issuance Costs and Discount	183,568.34	283,746.03
Current Amount Amortized	11,170.70	18,826.18
Balance Issuance Costs and Discount	<u>\$172,397.64</u>	<u>\$264,916.85</u>

Pledged Revenues

The University has pledged general student tuition and fee revenue to repay the 1999-A General Fee Revenue Bonds. Future revenues of \$14,191,510.71 are pledged to repay principal and interest through maturity in fiscal year 2019. In fiscal year 2009, tuition and fee revenue totaled \$36,820,391, from which \$1,205,159 was paid for principal and interest or 3.3% of pledged revenue.

The University has also pledged net student housing revenues to repay the 2003 Student Housing Revenue Bonds. Future revenues of \$19,069,391.25 are pledged to repay principal and interest through maturity in fiscal year 2035. In fiscal year 2009, net student housing revenue totaled \$873,096 from which \$735,741 was paid for principal and interest, or 84.3% of pledged revenue.

Notes to the Financial Statements

For the Year Ended September 30, 2009

Note 11 – Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The University purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the University has fidelity bonds on the University's president, vice president of business and administrative affairs, controller, financial systems manager as well as on all other university personnel who handle funds.

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 12 – Endowments

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

Notes to the Financial Statements

For the Year Ended September 30, 2009

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

Note 13 – Related Parties

University of North Alabama Alumni Association

The University of North Alabama Alumni Association was created to promote scientific, literary, and educational purposes, advancement of the University of North Alabama, and for the encouragement and support of its students and faculty. This report contains no financial statements of the University of North Alabama Alumni Association.

Note 14 – Net Asset Restatement

Prior period adjustments have been made as outlined below:

Beginning Net Assets September 30, 2008	\$88,566,706.22
<u>Prior Period Adjustments</u>	
Restatement of Accumulated Depreciation	(80,913.04)
Restatement of Equipment	809,130.44
Total Adjustments	<u>728,217.40</u>
Net Assets October 1, 2008, as Restated	<u>\$89,294,923.62</u>

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION’S ACTIVITIES

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

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) Number 117, Financial Statements of Not-for-Profit Organizations. Under SFAS Number 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of University of North Alabama Foundation and its wholly owned subsidiary, Campus Projects, LLC. All material interorganization transactions have been eliminated in consolidation.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

RECLASSIFICATIONS

Certain reclassifications of 2009 comparative information have been made to conform with the 2008 presentation.

PLEDGES (Promises to Give)

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

ACCOUNTING METHOD

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

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents as reported in the Statement of Cash Flows excludes cash restricted for long-term investment. Banks holding the Foundation's cash balances insure the account up to \$250,000 through the Federal Deposit Insurance Corporation. These cash funds are held in interest bearing accounts.

EQUIPMENT

Equipment is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, generally 5 to 7 years. As permitted by SFAS Number 93, the Foundation does not recognize depreciation on fine art and furniture collectibles. In addition, the Foundation utilizes certain facilities and equipment owned by the University. Such facilities and equipment are not recorded on the books of the Foundation.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

INCOME TAXES

The Foundation has been granted tax-exempt status as provided by Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying statement.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INVESTMENTS

Investments are composed of various stocks, mutual funds and real estate and are carried at Fair Market Value.

INVENTORIES

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

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

NOTE 2 – PLEDGES RECEIVABLE

As of September 30, 2009 and 2008, the Foundation has pledges receivable totaling \$2,823 and \$86,425, respectively. No allowance has been made for uncollectible amounts. Most pledges receivable are restricted by donors for scholarships or are available for general operating support purposes. All pledges receivable at September 30, 2009 and 2008 are due within one to four years. The total pledges receivable as of September 30, 2009 and September 30, 2008 are permanently restricted. Net pledges receivable were discounted to present value at September 30, 2008 using a discount rate of 4%. The net effect at September 30 is as follows:

	2009	2008
Total Pledge Receivable	\$2,823	\$89,823
Unamortized Discount	-	(3,399)
NET PLEDGES RECEIVABLE	<u>\$2,823</u>	<u>\$86,424</u>

NOTE 3 – INVESTMENTS

Investments are reported at their market value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at fair value based upon the most recently reported bid prices. Short-term investments are valued at cost which approximates market. Certain other investments are valued at fair value as determined by the Foundation or its trustee banks.

Realized and unrealized investment gains or losses are determined by comparison of asset cost to net proceeds received at the time of disposal and changes in the difference between market values and cost, respectively. These amounts are reflected in the financial statements as net unrealized and realized gain or loss on investments.

The Foundation has established a common investment fund for its restricted funds which allows for the commingling of various trust assets into the common investment fund. The common investment fund is maintained at one trustee bank in 2008. Investment in the funds is limited only to the trust funds of the Foundation.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

Investments held by the Foundation consisted of the following at September 30:

	2009		2008	
	Cost	Market	Cost	Market
Short Term Reserves and Cash	\$ 2,112,431	\$ 2,112,431	\$ 3,399,692	\$ 3,399,692
Fixed Income	4,765,216	4,842,271	4,648,526	4,472,079
Equities	7,389,638	7,201,672	7,511,103	6,649,557
TOTAL INVESTMENTS	\$14,267,285	\$14,156,374	\$15,559,321	\$14,521,328

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following at September 30:

	2009	2008
Donated Artifacts and Collectibles	\$273,950	\$273,650
Furniture and Equipment	24,364	24,364
Computer Software	9,700	9,700
Sub-Total	308,014	308,014
Less Accumulated Depreciation	(34,064)	(34,064)
TOTAL FIXED ASSETS	\$273,950	\$273,950

Depreciation expense for the years ending September 30, 2009 and 2008 was \$0 and \$263, respectively, included in supporting services.

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

NOTE 5 – PROGRAM SUPPORT

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

	2009	2008
Decade Reunion	\$ -	\$ 2,751
International Student Services	1,378	-
Leo II	20,918	19,139
Coby Hall Campaign	-	700
Shoals Symphony at UNA	-	2,682
Lion Pride Quasi End Fd	4,951	-
Pride of Dixie Band	5,000	15,223
Rogers Hall	2,816	164,752
Baseball Stadium	-	278,261
Other Program Support	3,828	2,661
TOTAL OTHER PROGRAM SUPPORT	\$38,891	\$486,169

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

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

	2009	2008
Purpose for which Restricted Contributions were used:		
Program Services	\$ 413,082	\$ 869,064
Instruction	309,498	161,706
Scholarships	492,501	243,253
Loss on Pledges	77,678	25,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$1,292,759	\$1,299,023

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

NOTE 7 – NATURE AND AMOUNT OF TEMPORARILY RESTRICTED NET ASSETS

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

	2009	Restated 2008
Program Services	\$1,284,794	\$1,192,849
Instruction	821,216	1,022,370
Scholarships	536,031	1,025,544
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$2,642,041</u>	<u>\$3,240,763</u>

NOTE 8 – NATURE AND AMOUNT OF PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets in the following amounts are restricted to investments in perpetuity, the income which is expendable for the following purposes at September 30:

	2009	2008
Program Services and Instruction	\$ 4,988,384	\$ 5,042,300
Scholarships	7,465,426	7,273,706
TOTAL PERMANENTLY RESTRICTED NET ASSETS	<u>\$12,453,810</u>	<u>\$12,316,006</u>

NOTE 9 – ANNUITY GIFTS AND OBLIGATIONS

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

Notes to the Financial Statements
University of North Alabama Foundation and Subsidiary
September 30, 2009 and 2008

Obligations under annuity contracts at September 30 are as follows:

	2009	2008
Current Portion	\$ 78,073	\$ 65,854
Deferred	264,921	217,846
TOTAL ANNUITY OBLIGATIONS	<u>\$342,994</u>	<u>\$283,700</u>

NOTE 10 – CAMPUS PROJECTS, LLC

Campus Projects, LLC was credited in 2005 with the sole member being University of North Alabama Foundation. In 2005, the Foundation transferred assets to the LLC that did not meet the objectives of the Foundation.

Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
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Student Financial Assistance Cluster

U. S. Department of Education

Direct Programs

Federal Pell Grant Program	84.063	
Federal Pell Grant Program	84.063	
Federal Pell Grant Program Administrative Allowance	84.063	
Federal Work-Study Program	84.033	
Federal Work-Study Program	84.033	
Federal Supplemental Educational Opportunity Grants	84.007	
Federal Supplemental Educational Opportunity Grants	84.007	
Academic Competitiveness Grants	84.375	
Academic Competitiveness Grants	84.375	
National Science and Mathematics Access to Retain Talent (Smart) Grants	84.376	
National Science and Mathematics Access to Retain Talent (Smart) Grants	84.376	
Total Student Financial Assistance Cluster (M)		

Highway Safety Cluster

U. S. Department of Transportation

Passed Through the North Alabama Highway

Safety Office

Safety Belt Performance Grants	20.609	07-HS-K4-016
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	07-HS-K8-007
Total Highway Safety Cluster		

Other Federal Awards

U. S. Department of Education

Direct Program

Fund for the Improvement of Education	84.215	
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Passed Through Alabama Department of Education

Improving Teacher Quality State Grants	84.367	U900451
Improving Teacher Quality State Grants	84.367	N/A
Total Improving Teacher Quality State Grants		

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
07/01/2009-06/30/2010	\$ 7,916,250.00	\$ 7,916,250.00	\$ 1,308,420.45	\$ 1,308,420.45
07/01/2008-06/30/2009	5,746,209.11	5,746,209.11	4,694,053.33	4,694,053.33
07/01/2008-06/30/2009	8,895.00	8,895.00	8,895.00	8,895.00
07/01/2009-06/30/2010	195,347.00	195,347.00	32,338.01	32,338.01
07/01/2008-06/30/2009	208,380.00	208,380.00	149,782.91	149,782.91
07/01/2009-06/30/2010	126,246.00	126,246.00	14,829.55	14,829.55
07/01/2008-06/30/2009	126,246.00	126,246.00	108,139.83	108,139.83
07/01/2009-06/30/2010	40,137.00	40,137.00	11,391.88	11,391.88
07/01/2008-06/30/2009	146,583.00	146,583.00	118,838.29	118,838.29
07/01/2009-06/30/2010	90,833.00	90,833.00	9,577.92	9,577.92
07/01/2008-06/30/2009	83,011.00	83,011.00	77,955.96	77,955.96
			6,534,223.13	6,534,223.13
04/01/2009-06/18/2009	825.50	825.50	825.50	825.50
08/07/2009-09/30/2009	800.00	800.00	774.68	774.68
			1,600.18	1,600.18
08/29/2008-10/31/2010	145,021.00	120,851.00	70,105.07	70,105.07
02/02/2009-09/30/2009	130,200.00	130,200.00	87,038.64	87,038.64
01/15/2009-06/15/2010	\$ 230,000.00	\$ 230,000.00	58,653.71	58,653.71
			\$ 145,692.35	\$ 145,692.35

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Department of Justice</u>		
<u>Direct Program</u>		
Public Safety Partnership and Community Policing Grants	16.710	
<u>Passed Through the City of Florence</u>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07-DJ-01-022
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07-DJ-01-038
Total Edward Byrne Memorial Justice Assistance Grant Program		
<u>Department of Transportation</u>		
<u>Direct Programs</u>		
Federal Transit - Capital Investment Grants	20.500	
Airport Improvement Program	20.106	
<u>Department of Energy</u>		
<u>Direct Program</u>		
Renewable Energy Research and Development	81.087	
<u>U. S. Department of Housing and Urban Development</u>		
<u>Direct Program</u>		
Community Development Block Grants/Brownfields Economic Development Initiative	14.246	
<u>National Science Foundation</u>		
<u>Direct Program</u>		
Mathematical and Physical Sciences	47.049	
<u>U. S. Department of Health and Human Services</u>		
<u>Direct Programs</u>		
Occupational Safety and Health Program	93.262	
Health Care and Other Facilities	93.887	
Nursing Workforce Diversity	93.178	
<u>Appalachian Regional Commission</u>		
<u>Direct Program</u>		
Appalachian Regional Development	23.001	
<u>Small Business Administration</u>		
<u>Passed Through the University of Alabama</u>		
Small Business Development Centers	59.037	9-603001-Z-0001-29

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
12/26/2007-12/25/2010	\$ 280,590.00	\$ 280,590.00	\$ 73,787.66	\$ 73,787.66
04/01/2008-03/31/2009	90,000.00	90,000.00	12,544.39	12,544.39
04/01/2009-10/31/2009	61,000.00	61,000.00	19,974.22	19,974.22
			32,518.61	32,518.61
08/01/2003-Continuous	6,469,904.00	5,175,923.00	6,636.00	6,636.00
09/01/2004-09/01/2009	19,000.00	19,000.00	1,548.46	1,548.46
09/15/2008-12/31/2010	4,186,217.00	1,935,500.00	163,900.69	163,900.69
03/18/2007-03/18/2012	48,112.00	48,112.00	13,692.32	13,692.32
05/15/2007-04/30/2010	30,000.00	30,000.00	10,207.22	10,207.22
07/01/2008-06/30/2009	28,597.00	28,597.00	28,425.48	28,425.48
08/01/2008-07/31/2010	264,949.00	236,367.00	198,667.37	198,667.37
07/01/2008-06/30/2010	299,673.00	299,673.00	234,192.77	234,192.77
10/01/2006-09/30/2011	100,000.00	50,000.00	10,000.00	10,000.00
10/01/2008-09/30/2009	\$ 177,832.00	\$ 71,993.00	\$ 71,993.00	\$ 71,993.00

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>U. S. Department of Defense</u>		
<u>Defense Logistics Agency</u>		
<u>Passed Through the University of Alabama</u>		
Procurement Technical Assistance For Business Firms	12.002	SP4800-08-2-0801
<u>Passed Through Battelle Columbus Operations</u>		
Basic Scientific Research	12.431	W911NF-07-D-0001
Basic Scientific Research	12.431	W911NF-07-D-0001
Total Basic Scientific Research		
<u>General Services Administration</u>		
<u>Passed Through Alabama Department of Economic and Community Affairs</u>		
Donation of Federal Surplus Personal Property (N)	39.003	N.A.
Total Federal Awards		

(M) = Major Program

(N) = Non-Monetary Federal Assistance

N.A. = Not Available

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

Assistance Period	Budget		Revenue Recognized	Expenditures
	Total	Federal Share		
10/01/2008-09/30/2009	\$ 44,000.00	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00
03/26/2008-10/31/2008	17,608.00	17,608.00	5,124.77	5,124.77
05/08/2009-12/07/2009	28,920.00	28,920.00	105.85	105.85
			<u>5,230.62</u>	<u>5,230.62</u>
10/01/2008-09/31/2009	\$ 2,332.51	\$ 2,332.51	<u>2,332.51</u>	<u>2,332.51</u>
			<u>\$ 7,626,753.44</u>	<u>\$ 7,626,753.44</u>

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2009***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the University of North Alabama and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations***. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 – Loans

The University of North Alabama had the following loans and loan balances at September 30, 2009. These loans are not included in the Schedule of Expenditures of Federal Awards.

Program Title	Federal CFDA Number	Amount Outstanding
Federal Family Education Loans (FFEL)	84.032	\$18,083,725.53
Federal Perkins Loan Program – Federal Capital Contributions (FPL)	84.038	2,000,428.07
Total Loans		<u>\$20,084,153.60</u>

Note 3 – Student Financial Assistance

Federal Supplemental Educational Opportunity funds of \$23,912.40 were transferred to Federal Work-Study Funds in the 2008-2009 fiscal year.

Federal Work-Study funds of \$25,140.00 from award year 2007-2008 was carried forward and spent in the 2008-2009 award year.

Additional Information

Board Members and Officials
October 1, 2008 through September 30, 2009

Board Members			Term Expires
Hon. Bob Riley, Governor	Ex-Officio President	State of Alabama State Capitol 600 Dexter Avenue Montgomery, AL 36130	
Hon. Joseph P. Morton, State Superintendent of Education	Ex-Officio Member	Gordon Persons Building 50 N. Ripley Street Montgomery, AL 36130	
Hon. Billy Don Anderson	Member	126 Clear View Drive Sheffield, AL 35660	2012
Hon. Richard H. Cater	Member	2484 Hawthorn Drive, Montgomery, AL 36111	2019
Hon. Lisa G. Ceci	Member	1319 Toney Drive SE Huntsville, AL 35802	2015
Hon. John B. Cole	Member	142 N. Sequoia Boulevard Florence, AL 35630	2015
Hon. Ronnie Flippo	Member	400 Marian Way Florence, AL 35634	2012
Hon. Rodney L. Howard	Member	406 Avalon Avenue Muscle Shoals, AL 35661	2019
Hon. Steven F. Pierce	Member President Pro Tempore – June 2006 to June 2010	P. O. Box 2849 Florence, AL 35630	2012

Board Members and Officials
October 1, 2008 through September 30, 2009

Board Members			Term Expires
Hon. Harvey F. Robbins	Member	Robbins Property Development 100-B South Main Street Tuscumbia, AL 35674	2015
Hon. Libby Watts	Member	521 N. Seminary Street Florence, AL 35630	2019
<u>Officials</u>			
Dr. William G. Cale, Jr.	President	University of North Alabama UNA Box 5004 Florence, AL 35632-0001	
Dr. W. Steven Smith	Vice-President for Business and Financial Affairs	University of North Alabama UNA Box 5003 Florence, AL 35632-0001	
Ms. Donna Ford Tipps	Controller	University of North Alabama UNA Box 5001 Florence, AL 35632-0001	

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the financial statements of the University of North Alabama as of and for the year ended September 30, 2009, and have issued our report thereon dated July 16, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University of North Alabama Foundation and Subsidiary as described in our report on the University of North Alabama's financial statements. The financial statements of the University of North Alabama Foundation and Subsidiary were not audited in accordance with ***Government Auditing Standards*** and accordingly this report does not extend to the University of North Alabama Foundation and Subsidiary.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University of North Alabama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University of North Alabama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University of North Alabama's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of North Alabama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of management, President of the University, Board of Trustees, others within the entity, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ronald L. Jones
Chief Examiner

Department of Examiners of Public Accounts

July 16, 2010

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the University of North Alabama with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The University of North Alabama's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University of North Alabama's management. Our responsibility is to express an opinion on the University of North Alabama's compliance based on our audit. The financial statements of the University of North Alabama Foundation and Subsidiary were not audited in accordance with OMB Circular A-133, accordingly, this report does not extend to the University of North Alabama Foundation and Subsidiary.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University of North Alabama's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University of North Alabama's compliance with those requirements.

In our opinion, the University of North Alabama complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Internal Control Over Compliance

The management of the University of North Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University of North Alabama's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University of North Alabama's internal control over compliance.


A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

***Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133***

This report is intended solely for the information and use of management, President of the University, Board of Trustees, others within the entity, other state officials, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

July 16, 2010

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2009

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes <u> X </u> None reported
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ Yes <u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes <u> X </u> None reported
Type of opinion issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes <u> X </u> No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.007	<u>Student Financial Assistance Cluster</u> Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants
84.032	Federal Family Education Loans
84.038	Federal Perkins Loan Program-Federal Capital Contributions

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section I – Summary of Examiner's Results

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

\$300,000.00

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings (GAGAS)

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

Section III – Federal Awards Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings



Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2009

As required by the Office of Management and Budget (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section __.315(b), the University of North Alabama has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2009.

Finding Ref. No.	Status of Prior Audit Finding
2008-01	Corrective action was taken.
2008-02	Corrective action was taken.

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