



University of  
NORTH  
ALABAMA  
ESTABLISHED 1850

# University of NORTH ALABAMA Financial Report 2022





## Independent Auditor's Report

To the Board of Trustees  
University of North Alabama

### *Opinions*

We have audited the accompanying financial statements of the University of North Alabama ("UNA" or "the University"), a component unit of the State of Alabama, and its discretely presented component unit and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise UNA's basic financial statements as listed in the table of contents

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of September 30, 2022, and the respective changes in financial position and





**University of North Alabama**  
**Management's Discussion and Analysis**  
**September 30, 2022**

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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 (UNAF). The report consists of three basic financial statements that provide information on the University and two statements providing information on UNAF.

The University statements presented are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These statements begin on page 4 and should be read in conjunction with the Notes to Financial Statements starting on page 2. UNAF's statements presented are the Statement of Financial Position and Statement of Activities and Changes in Net Assets, shown on pages 12 and 13.

*Statement of Net Position*

**The Statement of Net Position** includes all assets and liabilities using the accrual basis of accounting. Net position, the difference between assets and liabilities, is one way to measure the





**University of North Alabama**  
**Management's Discussion and Analysis**  
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*Statement of Revenues, Expenses and Changes in Net Position*

<b>REVENUES</b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Operating Revenues			
Student Tuition and Fees (net of scholarship allowances)\$	56,991,779 \$	51,763,758 \$	53,800,364
Auxiliary Enterprises Revenue (net of allowances)	15,048,285	15,773,484	16,300,854
Grants and Contracts	13,758,906	25,889,970	9,373,388
Athletic Revenue	2,987,289	2,040,752	2,308,186
Other Operating Revenue	<u>1,289,312</u>	<u>2,438,811</u>	<u>1,972,260</u>
Total Operating Revenues	<u>90,075,571</u>	<u>97,906,775</u>	<u>83,755,052</u>
 <b>EXPENSES</b>			
Operating Expenses	<u>143,318,911</u>	<u>131,326,928</u>	<u>122,112,011</u>
 Net Operating Loss	<u>(53,243,340)</u>	<u>(33,420,153)</u>	<u>(38,356,959)</u>
 <b>NON-OPERATING REVENUES (EXPENSES)</b>			
State Appropriations	48,108,331	38,402,296	36,030,593
Federal Grants and Contracts	9,080,513	9,188,408	10,519,563
Gifts (including Endowment)	5,100	196,479	85,605
Investment Income	(1,224,224)	1,717,108	1,247,174
Other Non-Operating Expense	<u>(3,799,759)</u>	<u>(4,291,431)</u>	<u>(3,752,557)</u>
Total Non-Operating Revenues-Net	<u>52,169,961</u>	<u>45,212,860</u>	<u>44,130,378</u>

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

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

**Tuition and fees (net)** increased by 10.1% in fiscal year 2022. Their

**University of North Alabama  
Management's**



**Financial aid** increased 87% due to an increase in scholarship expenses, adjustments for scholarship allowance.

### *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, capital financing, capital financing, and investing activities. This statement assists users in assessing 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.

**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





**University of North Alabama**  
**Statement of Net Position**  
**September 30, 2022**



**University of North Alabama**  
**Statement of Net Position**  
**September 30, 2022**

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**University of North Alabama Foundation**  
**Discretely Presented Component Unit**  
**Statement of Financial Position**  
**September 30, 2022**

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**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 304,381
Pledges Receivable— Current	722,226
Other Receivable	6,000
Interest Receivable	<u>11,871</u>

Total Current Assets

**University of North Alabama Foundation**  
**Discretely Presented Component Unit**  
**Statement of Financial Position**  
**September 30, 2022**

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**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable	\$ 579,322
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The accompanying notes are an integral part of these financial statements.

**University of North Alabama**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended September 30, 2022**

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**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of ~~\$~~23,916,259)  
Federal Grants and Contracts  
State and Local Grants and Contracts  
Nongovernmental Grants and Contracts  
Auxiliary Enterprises (Net of Allowances of ~~\$~~5,516,492)  
Athletic Revenue  
Other Operating Revenue  
Total Operating Revenues

**OPERATING EXPENSES**

Instruction  
Research  
Public Service  
Academic Support  
Student Services  
Institutional Support  
Operation and Maintenance

**University of North Alabama**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended September 30, 2022**

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**OTHER CHANGES IN NET POSITION**

Additions to Permanent Endowments	<u>5,100</u>
Change in Net Position	<u>(1,073,379)</u>
<b>Net Position - Beginning of Year</b>	<u>32,754,336</u>
<b>Net Position - End of Year</b>	<u>\$ 31,680,957</u>

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

**University of North Alabama**  
**Discretely Presented Component Unit**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended September 30, 2022**

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	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
<u>Revenue and Support:</u>			
Contributions	\$ 124,493	\$ 14,638,872	\$ 14,763,365
In-Kind Donations	1,108,500	37,572	1,146,072
Other Income	32,604	44,006	76,610
Transfers	536,020	(536,020)	-
Net Assets Released from Restrictions	<u>3,947,160</u>	<u>(3,947,160)</u>	<u>-</u>
 Total Support and Revenue	 <u>5,748,777</u>	 <u>10,237,270</u>	 <u>15,986,047</u>
 <u>Expenses:</u>			
Program Services	3,791,598	-	3,791,598
Management and General	1,197,520	-	1,197,520
Fundraising Expenses	<u>702,579</u>	<u>-</u>	<u>702,579</u>
 Total Expenses	 <u>5,691,697</u>	 <u>-</u>	 <u>5,691,697</u>
 Change in Net Assets from Operating			

**University of North Alabama**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2022**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 57,905,508
Federal Grants and Contracts	8,084,776
State and Local Grants and Contracts	3,756,377
Nongovernmental Grants and Contracts	1,001,281
Sales and Services of Educational Departments	15,048,285
Athletic Income	2,987,289
Other Operating Revenues	2,773,272
Payments to Employees	(63,260,123)
Payments for Benefits	(19,426,318)
Payments to Suppliers	(34,872,421)
Payments for Scholarships	<u>(22,240,915)</u>
Net Cash Used in Operating Activities	<u>(48,242,989)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	48,108,331
Federal Grants and Contracts	9,080,513
Gifts and Grants Received for Other Than Capital Purposes	5,100
Direct and Other Loan Receipts	29,715,751
Direct and Other Loan Disbursements	(29,728,854)
Nonoperating Revenues (Expenses)	486,730
Deposit Liabilities	<u>(182,068)</u>
Net Cash Provided by Noncapital Financing Activities	<u>57,485,503</u>

**CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	(9,469,713)
Proceeds from Sale of Assets	1,270
Deposits with Trustees	(56,433)
Principal Paid on Capital Debt	(2,775,000)
Interest Paid on Capital Debt	<u>(4,113,996)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(16,413,872)</u>

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







**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Although the University does not control the timing or amount of receipts of resources, or income thereon, UNAF holds and invests are restricted to the activities of the University by the donors.

UNAF is a not-for-profit organization that reports its financial results under the Financial Accounting Standard Board (FASB) Statements. Most significant UNAF's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria presentation features. No modifications have been made to UNAF's financial information in the University's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements. Financial statements for UNAF may be obtained by writing to the University at UNA Box 5113, Florence, Alabama 35632.

**Financial Statement Presentation, Measurement Focus, and Basis of Accounting**

For financial reporting purposes, the University adheres to the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-for Public Colleges and Universities-an amendment of GASB Statement No. 34*, GASB Statement No. 67, *Financial Reporting of Deferred* ng. i9t G{for )000009sity adq0.00i9s12 Tf1 0 0

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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The University uses Net Asset Value (NAV), under GASB Statement No. 72, reported by the

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

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

***Prepaid Expenses and Unearned Scholarships***





**University of North Alabama**  
**Notes to the Financial Statements**  
**For the**



**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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United States, or the State of Alabama, or a public agency or public institution of higher learning in Alabama or a municipal or county government within Alabama. Obligations of other states may be acceptable if they are rated "AAA" and/or insured.

**B. Permanent Fund Investment (Restricted Nonexpendable)**

The Board of Trustees has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as restricted nonexpendable (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the restricted endowment fund that is not classified as restricted nonexpendable is classified as restricted expendable until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Un

- b. The Board seeks superior investment returns thr

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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C. Prohibited Transactions Under no circumstances shall there be any investment activity whatsoever with University funds in the following types of transactions:

1. Unregistered or restricted Stock
2. Foreign securities not traded on U.S. or NASDAQ exchange
3. Initial public offerings (must have one year trading history)
4. Uncovered options
5. Margin trading

D. Reporting and Performance Measurement

1. *Reporting:* Internal and external investment managers shall report through the President to the Board no less than quarterly.
2. *Performance Standards for Operational Funds:* Current funds, loan funds, and agency funds are generally expected to be maintained largely in cash or cash equivalents. Generally, such funds should be invested or deposited to earn an annualized return equivalent to at least the average interest rate paid for the reporting period by commercial banks in the Shoals locality for one year certificates of deposit in excess of \$100,000.00. Plant Funds should meet the performance standards required for the fixed income portion of the endowment.
3. *Performance Standards for Permanent Funds:* Manager performance will be evaluated according to the long-term asset allocation goals and guidelines specified in this policy.

E. Social Responsibility From time to time, the Board of Trustees or President may exclude from eligibility for investment the equities or bonds of certain corporations because of social concerns over the policies or practices of those corporations.

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 as follows:

*Interest Rate Risk* – Interest rate risk invnm000912 0 612 792 re W\* n BT /F2 12 Tf 1 0 0 1 201.86 368

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“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 elevating high-risk transactions, such as futures, commodities, and margin purchases.

2. *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 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 Deposits section.
3. *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 policies reduce risk of this type of loss. The policies require that equity investments be diversified so that no single issue shall exceed 5% nor shall any single industry exceed 10% of the market value of the total equity securities or any one issuing corporation. Shares in externally managed equity mutual funds may only be purchased with prior approval of University President or Board. These same criteria apply to fixed income investments.

Under GASB Statement No. 72, investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



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The debt, equity, bond fund, and mutual fund securities shown above are categorized as Level 1 and are valued based on prices quoted in active markets for those securities. Unfunded commitments and liquidity disclosures for limited Partnership investments measured using net asset value as of September 30, 2022, are as follows:

- a) *Core Property* – This category generally consists of the collective investment of assets of participating tax qualified pension and profit-sharing plans and related trusts, and governmental plans (or the assets of a government unit used to satisfy its obligations under a governmental plan).
- b) *Opportunistic*– This category may include any strategy that offers exceptional risk/reward opportunities. This category is designed to provide the Investment Committee with the flexibility to select investments for a relatively small part of an overall allocation, which may not fit into the other designed allocation categories.
- c) *Real Assets*– This category will generally consist of managers that invest in a diverse basket of tangible assets

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**Notes to the Financial Statements**  
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At September 30, 2022, the University's investments types and related maturities were comprised of the following:

<b>Type of Investments</b>	<b>Maturity in Years</b>				<b>Total</b>
	<b>&lt;1</b>	<b>1-5</b>	<b>6-10</b>	<b>&gt;10</b>	
Equity Securities					\$ 44,187
Mutual Funds					6,526,805
Limited Partnerships					<u>1,062,653</u>
Total University Investments					<u>\$ 7,633,645</u>

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:					
Land	\$ 4,250,729	\$ 214,000	\$ -	\$ -	\$ 4,464,729
Construction in Progress	20,941,995	5,940,765	-	(20,287,707)	6,595,053
Total Capital Assets Not Being Depreciated	<u>25,192,724</u>	<u>6,154,765</u>	<u>-</u>	<u>(20,287,707)</u>	<u>11,059,782</u>
Capital Assets Being Depreciated:					
Improvements Other than Buildings	19,126,169	-	-	18,335,240	37,461,409
Buildings	215,462,126	2,789,808	(628,210)	1,952,467	219,576,191
Equipment	9,906,964	468,489	(381,491)	-	9,993,962
Software	7,615,055	-	-	-	7,615,055
Library Holdings	10,639,825	56,651	(265,985)	-	10,430,491
Total Capital Assets Being Depreciated	<u>262,750,139</u>	<u>3,314,948</u>	<u>(1,275,686)</u>	<u>20,287,707</u>	<u>285,077,108</u>
Less Accumulated Depreciation:					
Improvements Other than Buildings	10,240,806	649,634	-	-	10,890,440
Buildings	67,231,171	4,369,856	(628,211)	-	70,972,816
Equipment	6,381,014	768,151	(312,835)	-	6,836,330
Software	7,615,055	-	-	-	7,615,055
Library Holdings	10,108,366	135,943	(265,985)	-	9,978,324
Total Accumulated Depreciation	<u>101,576,412</u>	<u>5,923,584</u>	<u>(1,207,031)</u>	<u>-</u>	<u>106,292,965</u>
Total Capital Assets, Net	<u>\$ 186,366,451</u>	<u>\$ 3,546,129</u>	<u>\$ (68,655)</u>	<u>\$ -</u>	<u>\$ 189,843,925</u>



#### NOTE 4 - RECEIVABLES

Receivables are summarized as follows:

#### NOTE 5 - DEFINED BENEFIT PENSION PLAN

##### Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16 Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.ala.gov](http://www.ala.gov).

##### Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. Substantially all nonstudent employees are members of TRS. Membership is mandatory for eligible employees. During the 2012 regular session of the Alabama Legislature, Act 2012-377 created a new defined benefit plan tier for employees hired on or after January 1,



**University of North Alabama**  
**Notes to the Financial Statements**  
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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2022, the University reported a liability of \$67,594,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating employers. At September 30, 2021, the University's proportion was 0.717529%, which was an increase of 0.010500% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the University recognized pension expense of \$6,873,000. At September 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

\$6,749,789 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year resource 20



**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	<b><u>Target Allocation</u></b>	<b><u>Long-Term Expected Rate of Return*</u></b>
Fixed Income	15.00%	2.80%





**University of North Alabama**  
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monthly premium, necessary to fund the coverage retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the



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For the year ended September 30, 2022, the System recognized OPEB expense of \$679,187, with no special funding situation. At September 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

\$1,163,840 reported as deferred outflows of resources related to OPEB from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB expense.





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Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 12.99% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the amount will increase at the same rate as expected benefit payments. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid.

Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

**Sensitivity of the University’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.**

The following table presents the University’s proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease (5.50% decreasing to 3.50% for pre- Medicare, Known decreasing to 3.50% for Medicare Eligible)</b>	<b>Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre- Medicare, Known decreasing to 4.50% for Medicare Eligible)</b>	<b>1% Increase (7.50% decreasing to 5.50% for pre- Medicare, Known decreasing to 5.50% for Medicare Eligible)</b>
Net OPEB Liability	\$ 31,730,360	\$ 40,437,703	\$ 51,656,272

The following table presents the University’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.97%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease (2.97%)</b>	<b>Current Discount Rate (3.97%)</b>	<b>1% Increase (4.97%)</b>
Net OPEB Liability	\$ 49,740,164	\$ 40,437,703	\$ 32,976,103

**OPEB plan fiduciary net position**

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. AdT Q q 0.00000912 0 612 792 rq 0 0.00000912 0 612 792 re /F2 12 Tf 1 0 0

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**Notes to the Financial Statements**  
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**NOTE 7 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of September 30, 2022, the University had been awarded approximately \$9,974,535 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, 2022, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 1,821,594
Benefits	504,171
Interest Payable	1,743,318

**University of North Alabama**  
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**NOTE 9 – NON-CURRENT LIABILITIES**

Non-Current Liability activity for the year ended September 30, 2020 was as follows:

The Series 2021A general fee revenue bond and Series 2021

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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The Series 2021A general fee revenue bond has an interest rate of 5% and a maturity date of November 2041. The Series 2021B taxable general fee revenue refunding bonds have interest rates ranging from 0.48% to 2.83% and a maturity date of November 2041. The current refunding resulted in a cash flow savings with a net present value of \$1,295,295. This transaction met the requirements of a defeasance of the funded portions of the Series 2012 and Series 2014 revenue bonds.

The Series 2019C general fee revenue bond was issued in 2020 by the Board of Trustees to refinance the 2010B general fee revenue bond. The bond was authorized in the original amount of \$24,155,000 with interest rates ranging from 4% to 5% and a maturity date of November 2040. The current refunding resulted in a cash flow savings with a net present value of \$4,441. This transaction met the requirements of a defeasance of the Series 2010B revenue bonds.

The Series 2019A and B general fee revenue bonds were issued in 2019 by the Board of Trustees to provide funds for the construction of College of Nursing and Health Professions facility on the University's campus. These bonds were authorized in the original amount of \$25,000,000 with interest rates ranging from 2% to 5% and maturity dates of November 2034 for the 2019A bond and November 2039 for the 2019B bond, respectively.

The Series 2014 general fee revenue bond has an interest rate of 5% and a maturity date of November 2034. The current refunding resulted in a cash flow savings with a net present value of \$1,295,295. This transaction met the requirements of a defeasance of the funded portions of the Series 2012 and Series 2014 revenue bonds.

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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The University has prepaid bond insurance, bond discounts and a bond premium in connection with the issuance of its 2010A, 2012, 2014, 2019A, 2019B, 2019C, 2021A, & 2021B Series Revenue Bonds. The prepaid insurance costs, bond discounts and bond premium will be amortized as follows:

<u>Fiscal Year</u>	<u>Prepaid Insurance</u>	<u>Bond Discounts</u>	<u>Bond Premium</u>
2023	\$ 10,870	\$ 3,027	\$ 515,648
2024	10,870	3,027	515,648
2025	10,870	3,027	515,648

Principal and interest maturity requirements on bond debt are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 3,305,000	\$ 3,964,676	\$ 7,269,676
2024	3,455,000	3,837,193	7,292,193
2025	3,600,000	3,786,097	7,386,097
2026	3,695,000	3,588,515	7,283,515
2027	3,845,000	3,470,390	7,315,390
2028-2032	21,355,000	15,581,525	36,936,525
2033-2037	25,215,000	11,770,171	36,985,171
2038-2042	29,570,000	6,606,539	36,176,539
2043-2045	20,630,000	1,080,545	21,710,545
Totals	<u>\$ 114,670,000</u>	<u>\$ 53,685,651</u>	<u>\$ 168,355,651</u>

**Pledged Revenues**

The University has pledged general student tuition and fees revenues for the payment of debt service on the 2010A, 2012, 2014, 2019A, 2019B, 2019C, 2021A, & 2021B Series Revenue Bonds. Future revenues in the amount of \$168,355,650 are pledged to repay principal and interest on the bonds at September 30, 2020. Pledged revenues in the amount of \$78,837,215 were received during the fiscal year ended September 30, 2020, with \$6,388,498 or 8.10% of pledged revenues being used to pay principal and interest during the fiscal year.



**University of North Alabama**  
**Notes to the Financial Statements**  
**For the**

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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Unearned revenues at September 30, 2022 are as follows:

**NOTE 13 – RELATED PARTIES**

The University of North Alabama Foundation (the Foundation) exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. During the year ended September 30, 2022, the Foundation expended \$791,598 in support of the University's programs and scholarships. At September 30, 2022, pledge receivables from University of Trustees Foundation Board of Directors were \$2,171,788. The Foundation has payables to the University of \$495,263. The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was \$0 for the year ending September 30, 2022. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the year ending September 30, 2022 were \$1,048,332. Supplies paid by the University for the Foundation totaled \$30,708 for the year ending September 30, 2022.

**NOTE 14 – DIRECT LOAN PROGRAM**

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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

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

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions represent expenses incurred during the year that satisfy the restricted purpose. Of the restricted balances at September 30, 2022, \$39,266,834 is restricted for scholarship purposes while \$41,392 is restricted for instructional and program support services.

Net assets were released from donor imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the events specified by donors. The composition of net assets released from restrictions for the year ended September 30, 2022, is as follows:

With Donor  
Restrictions

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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difference, net of proceeds, is charged or credited to operations. Expenses for repairs and maintenance are charged to operations as incurred. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets ranging from

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

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

### *Investment Reporting*

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends; realized/unrealized gains and losses are reported as fair value increase and decrease. Investment income attributable to amounts held for the benefit of the University is reported as net assets with donor restrictions. When the activities occur, the amounts are transferred from net assets with donor restrictions to net assets without donor restrictions and the disbursements are reported as decreases in net assets without donor restrictions. Investment income attributable to amounts for the benefit of the Foundation is reported in net assets without donor restrictions.

### *Investment Return Objective Risk Parameters and Strategies*

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

### *Spending Policy*

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

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

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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

***Funds with Deficiencies***

From time to time, the fair value of ~~assets~~ associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration due to unfavorable market ~~valuations~~. When this is the case, any such deficiencies are monitored for future results. At September ~~30, 2021~~ there were \$417,218 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies, the aggregate original gift amounts were \$5,349,979 while the aggregate fair value amounts ~~are~~ \$16,932,761.

Changes in endowment net assets as of September ~~23, 2020~~ as follows:

	With Donor Restrictions
Endowment net assets 10/1/2021	\$ 41,391,511
Contributions, net	5,309,814
Investment income	(7,483,151)
Amounts appropriated for expenditure	(807,331)
Transfer	<u>109,243</u>
Endowment net assets 9/30/2022	<u>\$ 38,520,086</u>



**Fair Value Measurements**

*Investment Valuation*

Investments are reported at estimated fair value as determined by the Foundation, based upon a fair value hierarchy that prioritizes the input techniques used to measure fair value in accordance with



**University of North Alabama**  
**Notes to the Financial Statements**  
**For the**

**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, ~~20~~ are as follows:

Less Than One <u>Year</u>	One to Five <u>Years</u>
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**University of North Alabama**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2022**

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Assets of the Foundation that are derived from gift annuities and charitable remainder trusts are included in investments on the statement of financial position. The values of these at September 30, 2022 are as follows:

	Split-Interest Agreement Assets
Cash & Withdrawals	\$ -
Mutual Funds	<u>246,019</u>
	<u>\$ 246,019</u>

Changes in obligations under the gift annuity and remainder trusts contracts at September 30, 2022 were as follows:

	Total Split Interest Liabilities
Total Obligation at September 30, 2021	\$ 210,500
Obligation on New Gifts	-
Payments to Beneficiaries	(30,589)
Actuarial Value Changes	<u>15,567</u>
Total Obligation at September 30, 2022	<u>\$ 195,478</u>
Current Portion	\$ 30,589
Non-Current Portion	<u>164,889</u>
	<u>\$ 195,478</u>

**Related Party**

**University Support** - The University of North Alabama Foundation exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. During the year ended September 30, 2022 the Foundation expensed \$1,598 in support of the University's programs and scholarships. At September 30, 2022, receivables from University Board of Trustees/Foundation Board of Directors and Alumni Association were \$2,171,788 and \$12,917. The Foundation has payables to the University of \$263.

**Personnel Costs and Facilities** - The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was \$160 for the year ending September 30, 2022. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the year ending September 30, 2022 were \$1,048,332. Supplies paid by the University for the Foundation totaled \$708 for the year ending September 30, 2022.

**Funds Held for Others** - The Foundation has an affiliation agreement with the North Alabama Lions Athletic Club. The North Alabama Lions Athletic Club has transferred funds to the Foundation for recordkeeping purposes. These funds are pooled together with the Foundation funds and the Foundation records liability for such funds. As of September 30, 2022, the liability associated with such funds was \$5,548.



**Required Supplementary Information**

# University of North Alabama

## Schedule of University of North Alabama's Proportionate Share of the Net Pension Liability

### Teachers' Retirement System of Alabama

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For the measurement period ended September 30,

	2021	2020	2019	2018	2017	2016	2015	2014
UNA's proportion of the net pension liability	0.717529%	0.707023%	0.669786%	0.660733%	0.643305%	0.632297%	0.6399%	0.6189%
UNA's proportionate share of the net pension liability	\$67,594,000	\$87,456,000	\$74,058,000	\$65,694,000	\$63,227,000	\$68,452,000	\$66,978,000	\$56,228,000
UNA's covered-employee payroll	\$48,895,348	\$47,242,670	\$47,500,130	\$44,402,602	\$42,790,190	\$40,395,642	\$40,538,730	\$41,380,141
UNA's proportionate share of the net								





**University of North Alabama**  
**Schedule of University of North Alabama's Proportionate Share of Net OPEB Liability**  
**Alabama Retired Education Employees Health Care Trust**

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**University of North Alabama**  
**Schedule of University of North Alabama's OPEB Contributions**

## **Additional Information**

**University of North Alabama**  
**Listing of University Officials**  
**October 1, 2021 through September 30, 2022**

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**Independent Auditor's 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**

To the Board of Trustees  
University of North Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the University of North Alabama (the University) as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023. The financial statements of the University of North Alabama Foundation, a discretely presented component unit of the University of North Alabama, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the University of North Alabama Foundation.

**Report on Internal Control over Financial Reporting**

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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