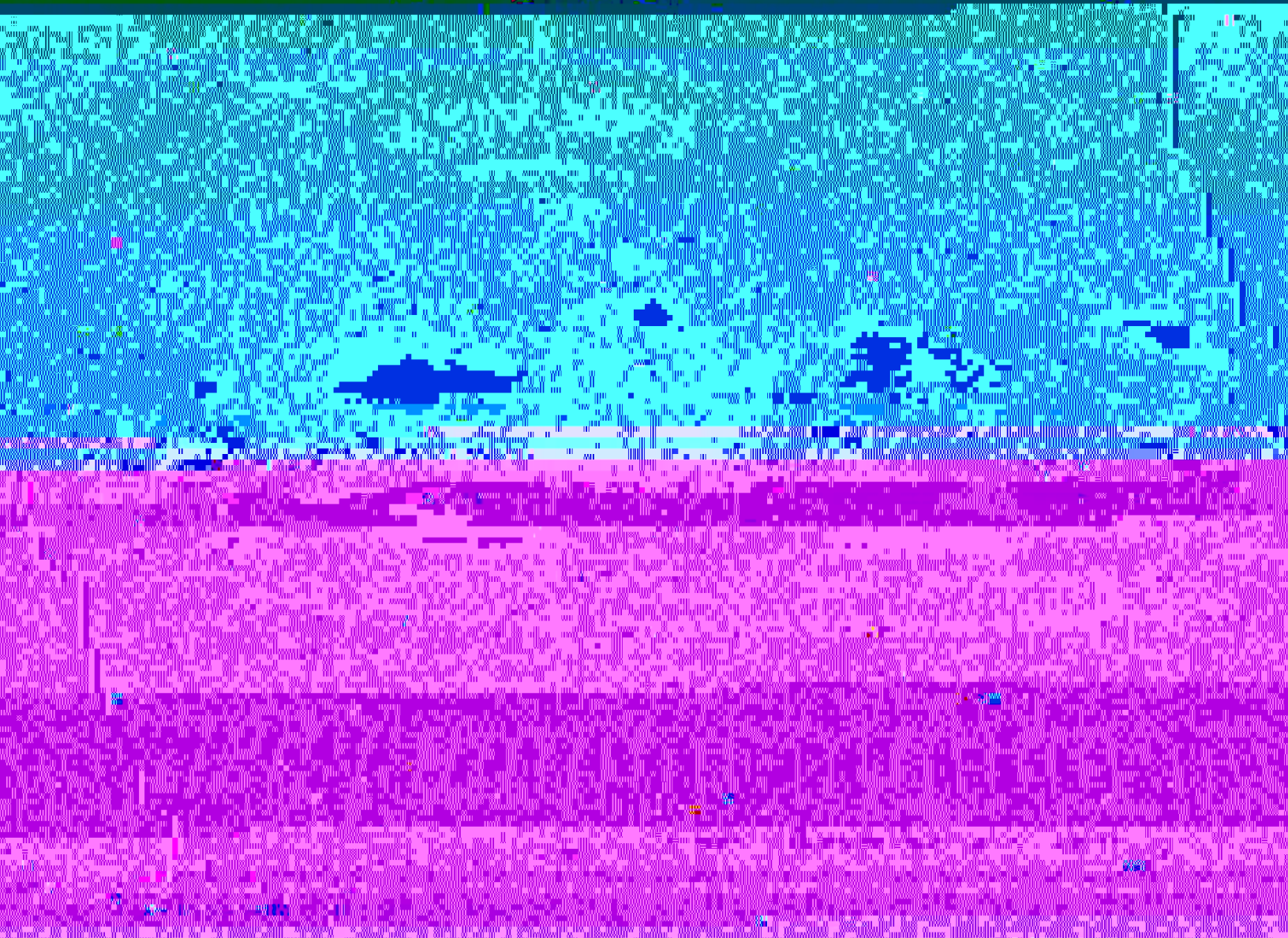


# University of North Alabama Foundation

Financial Report  
September 30, 2017



**UNIVERSITY OF NORTH ALABAMA FOUNDATION  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**





Board of Directors  
University of North Alabama Foundation  
Florence, Alabama

## **Report on the Financial Statements**

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

### **Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

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**Assets**

Current Assets

Cash and Cash Equivalents	\$ 9,280,411
Accounts Receivable	200
Pledges Receivable – Current	2,448,872
Inventories	8,752
Interest Receivable	<u>11,331</u>

Total Current Assets

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

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**Liabilities and Net Assets**

Current Liabilities

Accounts Payable	\$ 1,485,758
Obligations to Beneficiaries under Split-Interest Agreements – Current	<u>78,211</u>

Total Current Liabilities	1,563,969
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Non-Current Liabilities

Obligations to Beneficiaries under Split-Interest Agreements – Non-Current	<u>327,702</u>
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Total Non-Current Liabilities	<u>327,702</u>
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Total Liabilities	1,891,671
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Net Assets

Unrestricted	846,875
Temporarily Restricted	15,619,991
Permanently Restricted	

# University of North Alabama Foundation



**University of North Alabama Foundation**  
**Statement of Functional Expenses**

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

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	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total</u>
Contract Services – Other	\$ 32,866	\$ 27,315	\$ 60,181
Supplies	18,913	10,062	28,975
Postage	3,935	1,724	5,659
Legal and Accounting	19,435	-	19,435
Telephone	969	-	969
Equipment Repair	7,268	131	7,399
Stipend	750	-	750
Printing and Copying	10,399	434	10,833

**University of North Alabama Foundation**  
**Statement of Cash Flows**  
**For the Year**

**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

**NOTE 3 – INVESTMENTS**

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



**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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net assets. Investment income attributable to amounts held for the benefit of the Foundation is reported in unrestricted net assets.

Investment Return Objective Risk Parameters and Strategies

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

Spending Policy

**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets –				

**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 4 FAIR VALUE MEASUREMENTS**

Investment Valuation

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

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

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

Level 3: Significant unobservable inputs for assets or liabilities.

A financial instrument's level within this fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. All transfers between fair value hierarchy levels are recognized at the beginning of each reporting period. The fair value hierarchy does not correspond to a financial instrument's relative liquidity in the market or to its level of risk.

In determining the reasonableness of the fair value measurement methodology, management, with the oversight of the Investment Committee, evaluates a variety of factors including review of existing contracts, economic conditions, and industry and market developments. Certain unobservable inputs are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

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

For any level 3 investments, fair value would be determined by the Foundation to be best estimated by giving consideration to any factors which might necessitate an adjustment such as initial and



**University of North Alabama Foundation**  
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The following table provides information related to the previously mentioned investments that are valued based on Net Asset Values (NAV):

Fair Value at  
September 30,

**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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flexibility to select investments for a relatively small part of an overall allocation, which may not fit into the other designed allocation categories.

- g) *Real Assets* – This category will generally consist of managers that invest in a diverse basket of tangible assets with built-in inflation protection characteristics. These investments will primarily be long-only.
- h) *Private Equity* – This category consists of partnerships that invest primarily in U.S. based private companies. These investments cannot be voluntarily redeemed and are subject to sale based on market demand.

**NOTE 2BDC BTs NOTE**

**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 7 OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS**

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

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

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

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

Remainder Trusts <u>Assets</u>	Gift Annuities <u>Assets</u>	Total Assets
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**University of North Alabama Foundation**  
**Notes to the Financial Statements**  
**September 30, 2017**

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**NOTE 8 FUNCTIONAL ALLOCATION OF EXPENSES**

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

**NOTE 9 - RELATED PARTY**

University Support

The University of North Alabama Foundation exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services, instruction, and scholarship purposes. During the year ended September 30, 2017, the Foundation expensed \$3,553,111 in support of the University's programs and scholarships. At September 30, 2017, pledge receivables from the Alumni Association and University Board of Trustees/Foundation Board of Directors were \$17,760 and \$73,300 respectively. The Foundation has payables to the University of \$1,286,663.

Personnel Costs and Facilities



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