



**University of North Alabama Foundation
Financial Report September 30, 2021 and 2020**

**UNIVERSITY OF NORTH ALABAMA FOUNDATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 and 2020**

University of North Alabama Foundation

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September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
University of North Alabama Foundation
Florence, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the University of North Alabama Foundation (the Foundation), a non-profit organization, which comprise the statement of financial position as of September 30, 2021, the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, collectively, the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

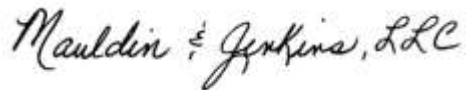
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of North Alabama Foundation as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors

The financial statements of the University of North Alabama Foundation, as of and for the year ended September 30, 2020, were audited by CDPA, PC (predecessor auditors), whose partners joined Mauldin & Jenkins, LLC on July 1, 2021. Their report, dated February 11, 2021, expressed an unmodified opinion on those financial statements.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in dark ink and is positioned in the lower-left quadrant of the page.

Florence, AL
February 24, 2022

University of North Alabama Foundation
Statement of Financial Position
September 30, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and Cash Equivalents	\$ 3,574,460	\$ 3,805,417
Pledges Receivable, net – Current	469,189	727,413
Certificate of Deposits	-	763,018
Other Receivable	76	2,245
Interest Receivable	<u>11,734</u>	<u>12,375</u>
 Total Current Assets	 <u>4,055,459</u>	 <u>5,310,468</u>
Long-Term Investments		
Restricted Certificates of Deposit for Long Term Investments	511,042	511,042
Investments	<u>43,342,179</u>	<u>31,776,676</u>
 Total Long-Term Investments	 <u>43,853,221</u>	 <u>32,287,718</u>
Fixed Assets		
Donated Artifacts and Collectibles	98,650	98,650
Furniture and Equipment	<u>24,364</u>	<u>24,364</u>
	123,014	123,014
Less: Accumulated Depreciation	<u>(24,364)</u>	<u>(24,364)</u>
 Total Fixed Assets	 <u>98,650</u>	 <u>98,650</u>
Other Assets		
Cash Surrender Value of Life Insurance	176,846	172,126
Pledges Receivable, net – Non-Current	<u>451,197</u>	<u>643,865</u>
 Total Other Assets	 <u>628,043</u>	 <u>815,991</u>
 Total Assets	 <u>\$ 48,635,373</u>	 <u>\$ 38,512,827</u>

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

University of North Alabama Foundation
Statement of Financial Position
September 30, 2021 and 2020

Liabilities and Net Assets	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts Payable	\$ 649,718	\$ 392,265
Agency Funds – North Alabama Lions Athletic Club	299,705	115,053
Obligations to Beneficiaries under Split-Interest Agreements – Current	<u>31,199</u>	<u>31,199</u>
Total Current Liabilities	<u>980,622</u>	<u>538,517</u>
Non-Current Liabilities		
Obligations to Beneficiaries under Split-Interest Agreements – Non-Current	<u>179,301</u>	<u>198,925</u>
Total Non-Current Liabilities	<u>179,301</u>	<u>198,925</u>
Total Liabilities	<u>1,159,923</u>	<u>737,442</u>
Net Assets		
Without Donor Restrictions	1,667,224	1,808,191
With Donor Restrictions	<u>45,808,226</u>	<u>35,967,194</u>
Total Net Assets	<u>47,475,450</u>	<u>37,775,385</u>
Total Liabilities and Net Assets	<u>\$ 48,635,373</u>	<u>\$ 38,512,827</u>

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

University of North Alabama Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2021

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Operating Activities			
<u>Revenue and Support:</u>			
Contributions	\$ 95,372	\$ 5,755,713	\$ 5,851,085
In-Kind Donations	1,130,428	18,857	1,149,285
Other Income	7,075	36,734	43,809
Transfers	360,264	(360,264)	-
Net Assets Released from Restrictions	<u>2,356,642</u>	<u>(2,356,642)</u>	<u>-</u>
 Total Support and Revenue	 <u>3,949,781</u>	 <u>3,094,398</u>	 <u>7,044,179</u>
 <u>Expenses:</u>			
Program Services	2,230,446	-	2,230,446
Management and General	1,194,484	-	1,194,484
Fundraising Expenses	<u>556,758</u>	<u>-</u>	<u>556,758</u>
 Total Expenses	 <u>3,981,688</u>	 <u>-</u>	 <u>3,981,688</u>
 Change in Net Assets from Operating	 <u>(31,907)</u>	 <u>3,094,398</u>	 <u>3,062,491</u>
 Nonoperating Activities			
Interest Income	34,372	33,392	67,764
Investment Return, Net of Fees	<u>(143,432)</u>	<u>6,713,242</u>	<u>6,569,810</u>
 Change in Net Assets from Nonoperating	 <u>(109,060)</u>	 <u>6,746,634</u>	 <u>6,637,574</u>
 Change in Net Assets	 <u>(140,967)</u>	 <u>9,841,032</u>	 <u>9,700,065</u>
 Net Assets at Beginning of Year	 <u>1,808,191</u>	 <u>35,967,194</u>	 <u>37,775,385</u>
 Net Assets at End of Year	 <u>\$ 1,667,224</u>	 <u>\$ 45,808,226</u>	 <u>\$ 47,475,450</u>

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

University of North Alabama Foundation
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2020

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Operating Activities			
<u>Revenue and Support:</u>			
Contributions	\$ 164,303	\$ 3,314,268	\$ 3,478,571
In-Kind Donations	1,085,376	13,344	1,098,720
Other Income	3,146	67,712	70,858
Transfers	435,846	(435,846)	-
Net Assets Released from Restrictions	<u>2,677,082</u>	<u>(2,677,082)</u>	<u>-</u>
 Total Support and Revenue	 <u>4,365,753</u>	 <u>282,396</u>	 <u>4,648,149</u>
 <u>Expenses:</u>			
Program Services	2,562,159	-	2,562,159
Management and General	1,465,703	-	1,465,703
Fundraising Expenses	<u>353,037</u>	<u>-</u>	<u>353,037</u>
 Total Expenses	 <u>4,380,899</u>	 <u>-</u>	 <u>4,380,899</u>
 Change in Net Assets from Operating	 <u>(15,146)</u>	 <u>282,396</u>	 <u>267,250</u>
 Nonoperating Activities			
Interest Income	31,776	70,530	102,306
Investment Return, Net of Fees	<u>(123,619)</u>	<u>2,402,345</u>	<u>2,278,726</u>
 Change in Net Assets from Nonoperating	 <u>(91,843)</u>	 <u>2,472,875</u>	 <u>2,381,032</u>
 Change in Net Assets	 <u>(106,989)</u>	 <u>2,755,271</u>	 <u>2,648,282</u>
 Net Assets at Beginning of Year	 <u>1,915,180</u>	 <u>33,211,923</u>	 <u>35,127,103</u>
 Net Assets at End of Year	 <u>\$ 1,808,191</u>	 <u>\$ 35,967,194</u>	 <u>\$ 37,775,385</u>

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

University of North Alabama Foundation
Statement of Cash Flows
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 9,700,065	\$ 2,648,282
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Realized and Unrealized Gain on Investments	(5,316,443)	(989,489)
Bad Debt Expense	137,351	213,792
Change in Pledge Receivables	313,541	(63,737)
Change in Other Receivables	2,169	(2,245)
Change in Other Assets	641	2,723
Change in Accounts Payable	257,453	(190,539)
Change in Agency Funds	184,652	(35,372)
Change in Actuarial Obligations Under Split-Interest Agreements	11,575	18,786
Restricted Contributions to Endowment	<u>(5,755,713)</u>	<u>(3,314,268)</u>
Net Cash Used in Operating Activities	<u>(464,709)</u>	<u>(1,712,067)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(12,839,229)	(3,154,709)
Change in Cash Surrender Value	(4,720)	(4,602)
Proceeds from Investments	<u>7,353,187</u>	<u>3,902,383</u>
Net Cash Used in Investing Activities	<u>(5,490,762)</u>	<u>743,072</u>
Cash Flows from Financing Activities:		
Payments of Obligations Under Split-Interest Agreements	(31,199)	(31,199)
Contributions to Endowment	<u>5,755,713</u>	<u>3,314,268</u>
Net Cash From Financing Activities	<u>5,724,514</u>	<u>3,283,069</u>
Net (Decrease) Increase in Cash	(230,957)	2,314,074
Cash at Beginning of Year	<u>3,805,417</u>	<u>1,491,343</u>
Cash at End of Year	<u>\$ 3,574,460</u>	<u>\$ 3,805,417</u>

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

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

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

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

University of North Alabama Foundation
Notes to the Financial Statements
September 30, 2021 and 2020

Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.
- *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, where by 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, 2021, \$39,266,834 is restricted for scholarship purposes while \$6,541,392 is restricted for instructional and program support services. Of the restricted balances at September 30, 2020, \$26,925,661 is restricted for scholarship purposes while \$9,041,533 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 other events specified by donors. The composition of net assets released from restrictions for the years ended September 30, 2021 and 2020 is as follows:

	2021	2020
	<u>With Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>
Program Services	\$ 1,014,765	\$ 1,465,550
Instruction	484,996	356,237
Scholarships	<u>856,881</u>	<u>855,295</u>
Total	<u>\$ 2,356,642</u>	<u>\$ 2,677,082</u>

Use of Estimates in the Preparation of Financial Statements

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

Allowance for Doubtful Accounts

Pledges receivable are stated net of an allowance for doubtful accounts. The Foundation estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor’s ability to pay. The allowance for doubtful accounts for pledges receivable was \$86,537 and \$85,088 at September 30, 2021 and 2020, respectively.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Fixed Assets

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

Donated artifacts and collectibles are recorded at cost if purchased or, if donated, at estimated fair value at the time of donation. The Foundation does not recognize depreciation on artifacts and collectibles. Collections are preserved and held for public exhibition, education and research. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. In addition, the Foundation utilizes certain facilities owned by the University. Such facilities are not recorded on the books of the Foundation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), collectively ASC 606, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). In June 2020, FASB issued ASU 2020-05, Revenue from Contract with Customers (Topic 606) and Leases (Topic 842), permitting the deferral of the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. The Foundation adopted Topic 606 effective October 1, 2020, using the modified retrospective method. Adoption of this standard did not result in an adjustment to net assets.

Income Taxes

The Foundation is exempt from paying tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation had no unrelated business activities that are subject to taxes. The Foundation's federal Exempt Organization Business Income Tax Returns for 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Cash Surrender Value

Cash surrender value of life insurance is reported at surrender value as September 30, 2021. Changes in cash surrender value of life insurance policies are reported as other income on the Statement of Activities and Changes in Net Assets.

Revenue, Gains, and Other Support and Expense's and Losses

Uncertainties

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Foundation and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Foundation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Subsequent Events

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

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At September 30, 2021, the Foundation had \$4,055,383 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$3,574,460, pledges receivable of \$469,189, and interest receivable of \$11,734.

At September 30, 2020, the Foundation had \$5,310,468 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$3,805,417, certificates of deposit of \$763,018, pledges receivable of \$727,413, accounts receivable of \$2,245, and interest receivable of \$12,375.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSITS

The Foundation considers all time deposits, certificates of deposit and highly liquid instruments with an initial maturity of three months or less to be cash equivalents, except for investments purchased with endowment assets, which are classified as long-term investments. The Foundation maintains its cash balances with one financial institution. At September 30, 2021 and 2020, the Foundation's cash balance exceeds FDIC insurable limits by \$3,327,994 and \$3,305,428, respectively.

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, 2021, these certificates of deposit with donor restrictions totaled \$511,042 and exceeded FDIC insurable limits by \$261,042.

At September 30, 2020, these certificates of deposit with donor restrictions totaled \$511,042 and exceeded FDIC insurable limits by \$261,042. At September 30, 2020, the Foundation also has certificate of deposits without donor restrictions with a certain bank that totaled \$763,018 and exceeded FDIC insurable limits by \$513,018.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

NOTE 4 – INVESTMENTS

The Foundation's endowment consists of approximately 370 individual funds established for the purposes of scholarships and overall support of the University, including instructional and athletic support. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

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

Investment Reporting

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends; realized/unrealized gains and losses are reported as investment return. Investment income attributable to amounts held for the benefit of the University is reported in 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 held for the benefit of the Foundation is reported in net assets without donor restrictions.

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

Investment Return Objective Risk Parameters and Strategies

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

Spending Policy

It is the policy of the Foundation to annually distribute, at least 3-5% of the average market value of the Foundation's investments (at the 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 adjustments necessary.

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. When this is the case, any such deficiencies are monitored for future results. At September 30, 2021, there were \$2,939 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies at September 30, 2021, the aggregate original gift amounts were \$342,913, while the aggregate fair value amounts are \$339,974. At September 30, 2020, there were \$425,433 in deficiencies included in net assets with donor restrictions related to investment losses on endowments. Of the investments associated with these deficiencies at September 30, 2020, the aggregate original gift amounts were \$1,620,113, while the aggregate fair value amounts are \$1,194,680.

University of North Alabama Foundation
Notes to the Financial Statements
September 30, 2021 and 2020

Changes in endowment net assets as of September 30, 2021 and 2020, are as follows:

	<u>With Donor Restrictions</u>
Endowment net assets at September 30, 2019	\$ 29,861,191
Contributions, net	991,879
Investment income	2,402,345
Amounts appropriated for expenditure	(1,616,790)
Transfer	<u>166,398</u>
Endowment net assets at September 30, 2020	\$ 31,805,023
Contributions, net	4,221,598
Investment income	6,713,242
Amounts appropriated for expenditure	(1,095,081)
Transfer	<u>(253,271)</u>
Endowment net assets at September 30, 2021	<u>\$ 41,391,511</u>

For the year ending September 30, 2021, investment management fees and investment income activity fees were \$143,432 and \$13,836, respectively.

For the year ending September 30, 2020, investment management fees and investment income activity fees were \$141,091 and \$5,484, respectively.

Remainder Trusts and Gift Annuities

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

University of North Alabama Foundation
Notes to the Financial Statements
September 30, 2021 and 2020

Investments by Group

	2021		
	General Investment <u>Pool</u>	Remainder Trusts and Gift <u>Annuities</u>	<u>Total</u>
Cash & Withdrawals	\$ 1,081	\$ -	\$ 1,081
Certificate of Deposit	511,042	-	511,042
Marketable Mutual Funds	39,524,143	336,013	39,860,156
Limited Partnerships	<u>3,480,942</u>	<u>-</u>	<u>3,480,942</u>
Total Investments at September 30, 2021	<u>\$ 43,517,208</u>	<u>\$ 336,013</u>	<u>\$ 43,853,221</u>
	2020		
	General Investment <u>Pool</u>	Remainder Trusts and Gift <u>Annuities</u>	<u>Total</u>
Cash & Withdrawals	\$ 35,636	\$ 8,393	\$ 44,029
Certificate of Deposit	511,042	-	511,042
Marketable Mutual Funds	28,964,330	309,153	29,273,483
Limited Partnerships	<u>2,459,164</u>	<u>-</u>	<u>2,459,164</u>
Total Investments at September 30, 2020	<u>\$ 31,970,172</u>	<u>\$ 317,546</u>	<u>\$ 32,287,718</u>

NOTE 5 – 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 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.

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

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

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

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

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

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

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The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>At NAV</u>	<u>Total</u>
Certificates of Deposit	\$ 511,042	\$ -	\$ -	\$ -	\$ 511,042
Money Market	1,081	-	-	-	1,081
Mutual Funds:					
SEI Extended Mkt Index-A	823,449	-	-	-	823,449
SEI Large Cap Fund	6,535,231	-	-	-	6,535,231
SEI S&P 500 Idx-A	6,606,752	-	-	-	6,606,752
SEI Small Cap II Fund-A	836,584	-	-	-	836,584
SEI Core Fixed Income Fund #285	10,637,057	-	-	-	10,637,057
SEI High Yield Bond Fund #284	3,393,675	-	-	-	3,393,675
SEI Global MGD Volatility FD	1,670,220	-	-	-	1,670,220
SEI World Equity Ex-Us Fund	7,386,249	-	-	-	7,386,249
SEI SIIT Real Return A	838,098	-	-	-	838,098
SEI Large Cap Index Fund	133,255	-	-	-	133,255
SEI Limited Duration Bond	999,586	-	-	-	999,586
Total Mutual Funds	39,860,156	-	-	-	39,860,156
Limited Partnerships:					
Core Property	-	-	-	655,216	655,216
Private Assets	-	-	-	290,131	290,131
Opportunistic	-	-	-	47,238	47,238
Real Assets	-	-	-	843,712	843,712
Private Equity	-	-	-	1,644,645	1,644,645
Total Limited Partnerships	-	-	-	3,480,942	3,480,942
	\$40,372,279	\$ -	\$ -	\$3,480,942	\$43,853,221

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The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>At NAV</u>	<u>Total</u>
Certificates of Deposit	\$ 1,274,060	\$ -	\$ -	\$ -	\$ 1,274,060
Money Market	44,029	-	-	-	44,029
Mutual Funds:					
SEI Extended Mkt Index-A	686,733	-	-	-	686,733
SEI Large Cap Fund	5,067,714	-	-	-	5,067,714
SEI S&P 500 Idx-A	5,212,000	-	-	-	5,212,000
SEI Small Cap II Fund-A	637,479	-	-	-	637,479
SEI Core Fixed Income Fund #285	7,133,703	-	-	-	7,133,703
SEI High Yield Bond Fund #284	2,468,407	-	-	-	2,468,407
SEI Global MGD Volatility FD	1,204,639	-	-	-	1,204,639
SEI World Equity Ex-Us Fund	5,940,908	-	-	-	5,940,908
SEI SIIT Real Return A	612,747	-	-	-	612,747
First Eagle Global Fund	228,504	-	-	-	228,504
Gotham Neutral FD	80,649	-	-	-	80,649
Total Mutual Funds	29,273,483	-	-	-	29,273,483
Limited Partnerships:					
Core Property	-	-	-	550,340	550,340
Private Assets	-	-	-	44,205	44,205
Opportunistic	-	-	-	92,994	92,994
Real Assets	-	-	-	715,551	715,551
Private Equity	-	-	-	1,056,074	1,056,074
Total Limited Partnerships	-	-	-	2,459,164	2,459,164
	\$30,591,572	\$ -	\$ -	\$2,459,164	\$33,050,736

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The following table provides information related to the previously mentioned investments that are valued based on Net Asset Values (NAV) at September 30, 2021:

	Fair Value at September 30, <u>2021</u>	Unfunded Commitments at September 30, <u>2021</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice</u> <u>Period</u>
Core Property (a)	\$ 655,216	\$ -	Quarterly	90 Days
Opportunistic (b)	47,238	78,645	Annual	90 Days
Real Assets (c)	843,712	340,000	Annual	90 Days
Private Assets (e)	290,131	-	Quarterly	90 Days
Private Equity (d)	1,644,645	200,000	Annual	90 Days
Total	<u>\$ 3,480,942</u>	<u>\$ 618,645</u>		

- a) *Core Property* – This category generally consists the collective investment of assets of participating tax qualified pension and profit sharing plans and relates trusts, and governmental plans (or the assets of a governmental 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 with built-in inflation protection characteristics. These investments will primarily be long-only.
- d) *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.
- e) *Private Assets Fund* – 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.

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September 30, 2021 and 2020

NOTE 6 – PLEDGE RECEIVABLES

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

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2021, are as follows:

	Less Than One <u>Year</u>	One to Five <u>Years</u>	<u>Total</u>
Pledges			
Gross	\$ 469,189	\$ 551,279	\$ 1,020,468
Discount	-	(13,545)	(13,545)
Allowance	<u>-</u>	<u>(86,537)</u>	<u>(86,537)</u>
Total Pledges at September 30, 2021	<u>\$ 469,189</u>	<u>\$ 451,197</u>	<u>\$ 920,386</u>

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2020, are as follows:

	Less Than One <u>Year</u>	One to Five <u>Years</u>	<u>Total</u>
Pledges			
Gross	\$ 727,413	\$ 750,314	\$ 1,477,727
Discount	-	(21,361)	(21,361)
Allowance	<u>-</u>	<u>(85,088)</u>	<u>(85,088)</u>
Total Pledges at September 30, 2020	<u>\$ 727,413</u>	<u>\$ 643,865</u>	<u>\$ 1,371,278</u>

University of North Alabama Foundation
Notes to the Financial Statements
September 30, 2021 and 2020

NOTE 7 – FIXED ASSETS

Fixed assets consisted of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donated artifacts and collectibles	\$ 98,650	\$ 98,650
Furniture and equipment	<u>24,364</u>	<u>24,364</u>
	123,014	123,014
Less accumulated depreciation	<u>(24,364)</u>	<u>(24,364)</u>
Total Fixed Assets	<u>\$ 98,650</u>	<u>\$ 98,650</u>

Depreciation expense was \$0 for both the years ending September 30, 2021 and September 30, 2020.

NOTE 8 – 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, 2021 are as follows:

	Split-Interest Agreement Assets
Cash	\$ -
Mutual Funds	<u>336,013</u>
	<u>\$ 336,013</u>

University of North Alabama Foundation
Notes to the Financial Statements
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The values of these at September 30, 2020 are as follows:

	Split-Interest Agreement
	<u>Assets</u>
Cash & Withdrawals	\$ 8,393
Mutual Funds	<u>309,153</u>
	<u>\$ 317,546</u>

Changes in obligations under the gift annuity and remainder trust contracts at September 30, 2021 and 2020, were as follows:

	Total Split- Interest <u>Liabilities</u>
Total Obligation at September 30, 2019	\$ 242,537
Obligation on New Gifts	-
Payments to Beneficiaries	(31,199)
Actuarial Value Changes	<u>18,786</u>
Total Obligation at September 30, 2020	\$ 230,124
Obligation on New Gifts	-
Payments to Beneficiaries	(31,199)
Actuarial Value Changes	<u>11,575</u>
Total Obligation at September 30, 2021	<u>\$ 210,500</u>

The above amounts agree to the statement of financial position as follows:

	<u>2021</u>	<u>2020</u>
Current Portion	\$ 31,199	\$ 31,199
Non-Current Portion	<u>179,301</u>	<u>198,925</u>
	<u>\$ 210,500</u>	<u>\$ 230,124</u>

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Notes to the Financial Statements

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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 years ended September 30, 2021 and 2020, the Foundation expensed \$2,230,446 and \$2,562,159, respectively, in support of the University's programs and scholarships.

At September 30, 2021, pledge receivables from University Board of Trustees/Foundation Board of Directors and Alumni Association were \$195,828 and \$12,917, respectively.

At September 30, 2020, pledge receivables from University Board of Trustees/Foundation Board of Directors and Alumni Association were \$396,375 and \$12,917, respectively.

During the years ended September 30, 2021 and 2020, the Foundation has payables to the University of \$619,526 and \$376,804, respectively.

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 \$27,772 and \$26,449 for the years ending September 30, 2021 and 2020, respectively. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the years ending September 30, 2021 and 2020 were \$1,078,346 and \$1,030,902, respectively. Supplies paid by the University for the Foundation totaled \$24,310 and \$27,026 for the years ending September 30, 2021 and 2020, respectively.

Funds Held for Others

The Foundation has an affiliation agreement with the North Alabama Lions Athletic 's Club. The North Alabama Lions Athletic Club has transferred funds to the Foundation for recordkeeping purposes. These funds are pooled together with the Foundations funds and the Foundation records a liability for such funds. As of September 30, 2021 and 2020, the liability associated with such funds was \$299,705 and \$115,053, respectively

University of North Alabama Foundation
Notes to the Financial Statements
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NOTE 10 – FUNCTIONAL EXPENSES

Certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and usage of assets. For 2021 natural expense accounts were allocated as follows:

	Year Ending September 30, 2021					
	Program Services	Supporting Services			Supporting Subtotal	Total
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>			
Scholarships Awarded	\$ 856,881	\$ -	\$ -	\$ -	\$ 856,881	
Eminent Scholars Support	177,211	-	-	-	177,211	
Academic Program Support	307,879	-	-	-	307,879	
Alumni Program Support	28,427	-	-	-	28,427	
Annuities	11,575	-	-	-	11,575	
Athletic Department Support	504,753	-	-	-	504,753	
Student and Faculty Support	139,913	-	-	-	139,913	
Other Program Support	112,615	-	-	-	112,615	
Capital Projects Support	91,192	-	-	-	91,192	
Contract Services - Other	-	31,312	2,000	33,312	33,312	
Supplies	-	10,317	2,654	12,971	12,971	
Postage	-	10,679	2,490	13,169	13,169	
Legal & Accounting	-	18,850	-	18,850	18,850	
Printing & Copying	-	9,788	-	9,788	9,788	
Membership Dues	-	4,097	-	4,097	4,097	
Marketing	-	415	69,238	69,653	69,653	
Donations & Sponsorships	-	6,350	-	6,350	6,350	
Software & Maintenance	-	63,677	-	63,677	63,677	
Insurance	-	7,138	-	7,138	7,138	
Fees	-	11,500	-	11,500	11,500	
Travel, Lodging, & Meals	-	-	4,108	4,108	4,108	
Staff Development	-	10,119	-	10,119	10,119	
Donor Appreciation	-	9,821	-	9,821	9,821	
Fundraiser & Volunteer	-	-	12,579	12,579	12,579	
In-Kind Expense	-	666,739	463,689	1,130,428	1,130,428	
General Support	-	333,682	-	333,682	333,682	
Total	\$ 2,230,446	\$ 1,194,484	\$ 556,758	\$ 1,751,242	\$ 3,981,688	

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Notes to the Financial Statements
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For 2020 natural expense accounts were allocated as follows:

	Year Ending September 30, 2020				
	Program Services	Supporting Services			Total
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	
Scholarships Awarded	\$ 855,295	\$ -	\$ -	\$ -	\$ 855,295
Eminent Scholars Support	158,539	-	-	-	158,539
Academic Program Support	197,698	-	-	-	197,698
Alumni Program Support	41,583	-	-	-	41,583
Annuities	18,786	-	-	-	18,786
Athletic Department Support	579,337	-	-	-	579,337
Student and Faculty Support	253,003	-	-	-	253,003
Other Program Support	457,918	-	-	-	457,918
Contract Services - Other	-	26,968	18,591	45,559	45,559
Supplies	-	5,876	180	6,056	6,056
Postage	-	25,795	-	25,795	25,795
Legal & Accounting	-	18,275	-	18,275	18,275
Printing & Copying	-	10,269	-	10,269	10,269
Membership Dues	-	4,413	-	4,413	4,413
Marketing	-	40,500	-	40,500	40,500
Donations & Sponsorships	-	1,450	1,750	3,200	3,200
Software & Maintenance	-	68,094	-	68,094	68,094
Insurance	-	12,593	-	12,593	12,593
Fees	-	10,766	-	10,766	10,766
Travel, Lodging, & Meals	-	1,486	18,247	19,733	19,733
Staff Development	-	20,316	-	20,316	20,316
Donor Appreciation	-	5,496	-	5,496	5,496
Fundraiser & Volunteer	-	12,399	1,369	13,768	13,768
In-Kind Expense	-	772,476	312,900	1,085,376	1,085,376
General Program Support	-	428,531	-	428,531	428,531
Total	\$ 2,562,159	\$ 1,465,703	\$ 353,037	\$ 1,818,740	\$ 4,380,899