

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

University of North Alabama Foundation

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REPORT OF THE BOARD OF DIRECTORS

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, for the year ended September 30, 2021. The financial statements were prepared by management and are the responsibility of management.

Our opinion

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.

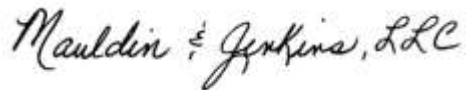
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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".

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		

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

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
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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		

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.

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 acoundatiUWV.H@: *K N B A poundat2 T

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-

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 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.

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

University of North Alabama

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-

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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

	<u>2021</u>		
	General Investment <u>Pool</u>	Remainder Trusts and Gift <u>Annuities</u>	<u>Total</u>
Cash & Withdrawals Certificate of Deposit	\$ 1,081	\$ -	\$ 1,081

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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.

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

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

University of North Alabama Foundation
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September 30, 2021 and 2020

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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, 20

University of North Alabama Foundation
Notes to the Financial Statements
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

University of North Alabama Foundation
Notes to the Financial Statements
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NOTE 7 6 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

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>

University of North Alabama Foundation

Notes to the Financial Statements

September 30, 2021 and 2020

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

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

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

NOTE 10 6 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	-	-	-	

University of North Alabama Foundation
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			
<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	<u>Total</u>