University of NORTH ALABAMA
Financial Report 2023

University of North Alabama
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September 30, 2023

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PART I

FINANCIAL STATEMENTS

MAULDIN & JENKINS
CPAs & ADVISORS

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, the University of North Alabama Foundation ("the Foundation"), as of and for the year ended September 30, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the discretely presented component unit, the Foundation, were not audited in accordance with *Government Auditing Standards*

Change in Accounting Principle

As discussed in Note 3, the University implemented GASB 96 *Subscription-Based Information Technology Arrangements* during the year ended September 30, 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, and the schedule of OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Listing of University Officials, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Athens, AL
March 6, 2024

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 14 and should be read in conjunction with the Notes to the Financial Statements starting on page 23. UNAF's statements presented are the Statement of Financial Position and Statement of Activities and Changes in Net Assets, shown on pages 16-18. The following summary and management discussion of financial information is intended to provide the reader with an overview of the financial statements.

Statement of Net Position

ASSETS	2023	2022	2021
Current Assets			
Cash and Short-term Investments	$ 62,800,235	$ 51,053,040	$ 59,525,930
Receivables	13,945,298	10,757,351	7,820,581
Inventory, Prepaid Expenses, and Other	15,693,015	14,568,017	12,885,328
Total Current Assets	92,438,548	76,378,408	80,231,839
Non-Current Assets			
Restricted Cash and Long-term Investments	45,154,029	36,860,506	38,210,725
Other Non-Current Assets	528,133	524,097	488,668
Capital Assets, Net of Depreciation	205,786,838	189,843,925	186,366,451
Total Non-Current Assets	251,469,000	227,228,528	225,065,844
Total Assets	**$ 343,907,548**	**$ 303,606,936**	**$ 305,297,683**
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pensions	$ 64,279,524	$ 54,437,295	$ 56,997,376
Loss on Refunding Bonds	3,393,407	3,588,310	3,783,213
Total Deferred Outflows of Resources	**$ 67,672,931**	**$ 58,025,605**	**$ 60,780,589**
LIABILITIES			
Current Liabilities			
Accounts Payable and Current Liabilities	$ 15,356,654	$ 12,175,357	$ 11,650,910
Unearned Revenue	34,955,053	31,656,803	28,722,776
Total Current Liabilities	50,311,707	43,832,160	40,373,686
Non-Current Liabilities Long-term Liabilities	244,523,730	230,492,930	259,854,628
Total Liabilities	**$ 294,835,437**	**$ 274,325,090**	**$ 300,228,314**
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pensions	**$ 53,284,053**	**$ 55,626,494**	**$ 33,095,622**
NET POSITION			
Invested in Capital Assets, Net of Related Debt	$ 83,434,790	$ 68,923,790	$ 62,353,600
Restricted	33,859,231	37,738,876	41,351,498
Unrestricted (deficit)	(53,833,032)	(74,981,709)	(70,950,762)
Total Net Position	**$ 63,460,989**	**$ 31,680,957**	**$ 32,754,336**

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 financial health of the University.

Cash and short-term investments increased by $11.7 million. This increase is due to receipt of one-time supplemental funds from State of Alabama.

Receivables include grants, state appropriations, student accounts, and various operating receivables. State appropriations receivable consists of the general appropriation from the State of Alabama. Total receivables increased $3.2 million, which was attributable to the timing of federal drawdowns made during the year associated with student programs.

Restricted cash and long-term investments include unrestricted, endowment, and bond proceeds. The University monitors the investment portfolio to ensure proper adherence to investment guidelines. Restricted cash and long-term investments increased $8.3 million related to additional funds received for capital projects.

Capital assets (net) increased due to current year equipment and building additions.

Accounts payable increased 26.1% due to the timing of payments for vendors at year end.

Long-term liabilities increased $14.0 million due to the increase in Net Pension Liabilities offset by a decrease in Net OPEB Liabilities.

Deferred outflows and inflow of resources represent employer contributions to the pension and OPEB plans subsequent to the measurement date, changes in proportionate share of contributions, and differences between projected and actual earnings of the pension and OPEB plans.

Net position increased $31.8 million, which was mainly driven by an increase in overall federal, state and local grants, and one-time state appropriations.

Statement of Revenues, Expenses and Changes in Net Position

REVENUES	**2023**	**2022**	**2021**
Operating Revenues			
Student Tuition and Fees (net of scholarship allowances)	$ 59,385,862	$ 56,991,779	$ 51,763,758
Auxiliary Enterprises Revenue (net of allowances)	17,635,747	15,048,285	15,773,484
Grants and Contracts	6,141,155	13,758,906	25,889,970
Athletic Revenue	4,283,782	2,987,289	2,040,752
Other Operating Revenue	2,206,111	1,289,312	2,438,811
Total Operating Revenues	89,652,657	90,075,571	97,906,775
EXPENSES			
Operating Expenses	147,186,554	143,318,911	131,326,928
Net Operating Loss	(57,533,897)	(53,243,340)	(33,420,153)
NON-OPERATING REVENUES (EXPENSES)			
State Appropriations	64,162,803	48,108,331	38,402,296
Federal Grants and Contracts	9,959,259	9,080,513	9,188,408
Gifts (including Endowment)	7,948	5,100	196,479
Capital Grants, Contracts, and Gifts	15,802,133	-	
Investment Income	3,369,638	(1,224,224)	1,717,108
Other Non-Operating Expense	(3,987,852)	(3,799,759)	(4,291,431)
Total Non-Operating Revenues-Net	89,313,929	52,169,961	45,212,860
Increase (Decrease) in Net Position	31,780,032	(1,073,379)	11,792,707
Net Position-Beginning of Year	31,680,957	32,754,336	20,961,629
Net Position-End of Year	**$ 63,460,989**	**$ 31,680,957**	**$ 32,754,336**

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 4.2% in fiscal year 2023. The increase was due to an increase in credit hour production.

Auxiliary revenue (net) consists of income from various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public. These entities are intended to be self-supporting, and charge a fee for their goods or services. Revenue from residence halls, apartments, food services, university health services, rental property, and other student related activities are included in this total. Auxiliary revenue increased 17.2% primarily due to increase in residential student occupancy; therefore, increased meal, dining, and housing utilization.

Grants and contracts revenue decreased 55.4% as a result of the U.S. Department of Education's Education Stabilization Fund proceeds received during the prior year.

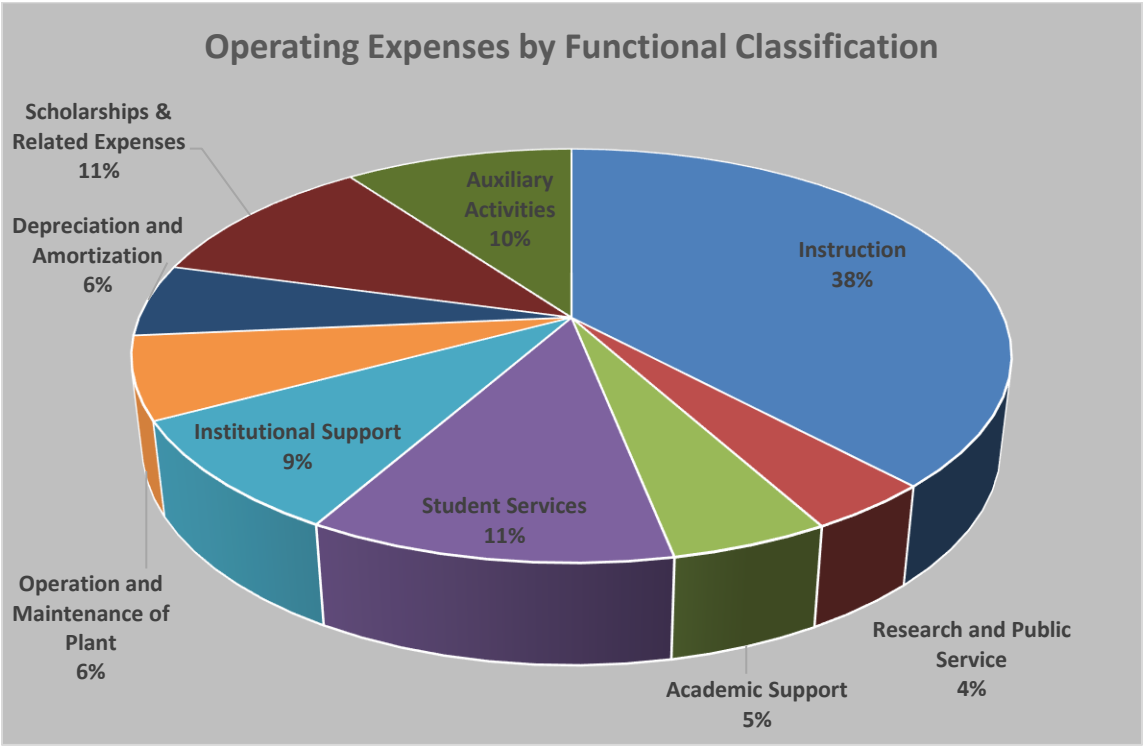
Athletic revenue increased by 43.4% due to increased activities and fundraising receipts during the year.

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

Investment income increased $4.6 million during the fiscal year primarily due to interest rate increases and positive market growth compared to previous year.

Operating Expenses by Functional Classification

	2023	2022	2021
Instruction	$ 55,986,279	$ 51,173,554	$ 51,990,051
Research & Public Service	5,757,977	5,778,757	6,388,150
Academic Support	7,261,347	6,269,083	6,222,203
Student Services	16,711,422	14,460,527	13,449,253
Institutional Support	13,129,239	15,765,127	12,953,476
Operation & Maintenance of Plant	9,469,684	8,597,766	9,587,667
Depreciation and Amortization	8,341,715	5,923,584	5,645,635
Scholarships & Related Expenses	15,780,310	23,105,548	11,013,204
Auxiliary Activities	14,748,581	12,244,965	14,077,289
	$ 147,186,554	**$ 143,318,911**	**$ 131,326,928**



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

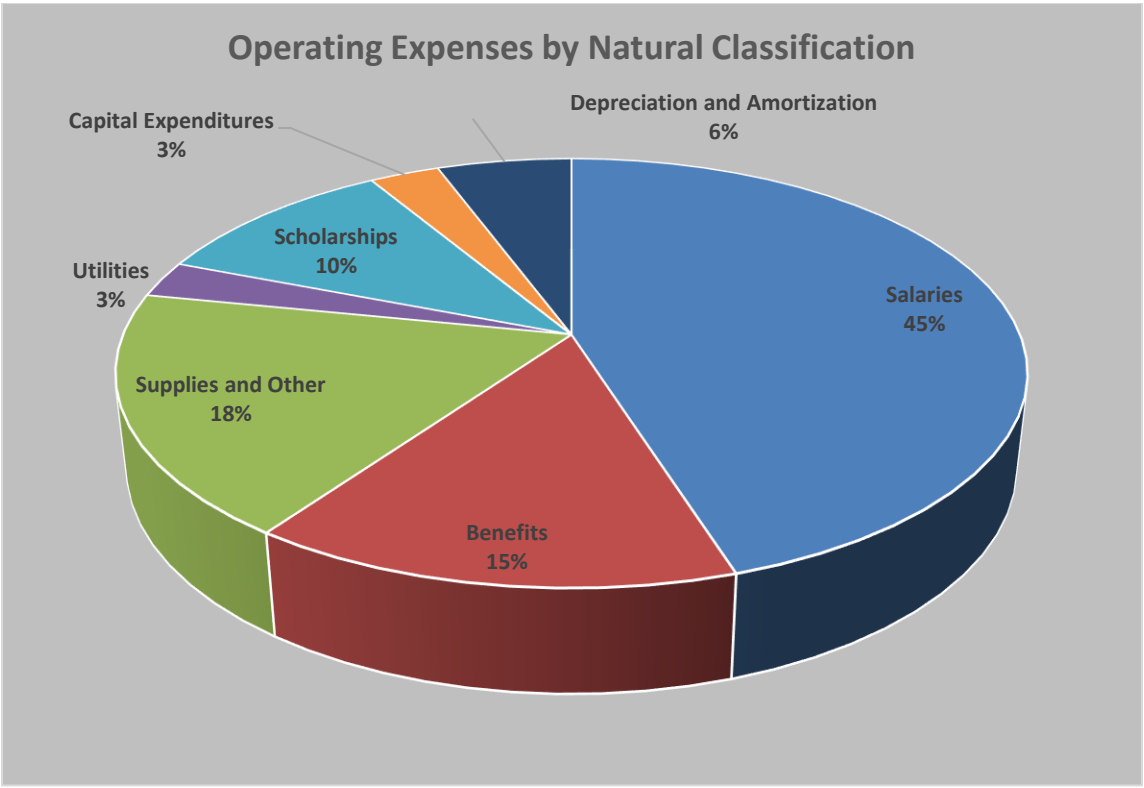
Instruction increased 9.4% due to faculty positions filled for new programs, promotions, and an increase in credit hour production.

Scholarship & Related expenses decreased 31.7% due to a decrease in federal relief scholarship funds as compared to previous years.

Auxiliary Activities increased 20.4% due to an increase in additional affiliated university housing and increased student residents.

Operating Expenses by Natural Classification

	2023	2022	2021
Salaries	$ 66,361,021	$ 63,002,799	$ 59,431,791
Benefits	21,728,551	18,966,633	22,758,140
Supplies and Travel	26,926,727	28,573,385	26,994,725
Utilities	4,036,530	3,888,175	3,386,506
Scholarships	15,461,753	19,123,372	9,159,365
Capital Expenditures	4,330,257	3,840,963	3,950,766
Depreciation & Amortization	8,341,715	5,923,584	5,645,635
Total	**$ 147,186,554**	**$ 143,318,911**	**$ 131,326,928**



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

Salaries increased 5.3% primarily due to filling vacant positions, promotions, and salary adjustments.

Benefits increased 14.6% due to the increase in salaries and the OPEB liability adjustment.

Supplies and Travel decreased 5.8% due to the increased cost of operations in the prior year.

Depreciation and Amortization increased 40.8% due to additions that began depreciating in the current year and also the adoption of GASB 96, in which software subscriptions were capitalized and are now being amortized.

Statement of Cash flows

	2023	2022	2021
Cash Provided (Used) By:			
Operating Activities	$ (47,440,202)	$ (48,242,989)	$ (24,856,035)
Non-Capital Financing Activities	74,538,417	57,485,503	47,178,991
Capital and Related Financing Activities	(4,813,718)	(16,413,872)	(12,263,828)
Investing Activities	(26,720,015)	(1,301,532)	2,597,143
Net Increase (Decrease) in Cash	(4,435,518)	(8,472,890)	12,656,271
Cash, Beginning of Year	51,053,040	59,525,930	46,869,659
Cash, End of Year	$ 46,617,522	$ 51,053,040	$ 59,525,930

The Statement of Cash Flows provides information about cash inflows and outflows during the period. It classifies cash flows as those related to operating, non-capital financing, capital financing, and investing activities. This statement assists users 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-capital financing. Accounting standards require this source of revenue to be reported as non-operating although the University's budget depends on this funding to continue the current level of operations.

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

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

Economic and Enrollment Factors That Will Affect the Future

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

The University continues to monitor the economic climate of the State as budgeting plans are considered. The University initiated "Project 208", led by President Dr. Kitts, an initiative for fair and equitable funding from the State of Alabama.

The University's overall enrollment has stabilized. The University continues to explore solutions for increasing enrollment, particularly in the area of retention. A long-term strategy for enrollment management is currently in development which will include the desired overall student enrollment.

STUDENT FALL ENROLLMENT DATA (head count)

	2023	%	2022	%	2021	%	2020	%	2019	%	2018	%	2017	%
Undergraduate	7863	75%	7492	74%	6302	71%	6105	73%	6339	79%	6196	81%	6221	83%
Graduate	2666	25%	2699	26%	2530	29%	2256	27%	1707	21%	1454	19%	1236	17%
Total	10,529		10,191		8,832		8,361		8,046		7,650		7,457	
FALL ENROLLMENT														
BREAKDOWN														
Graduate	2666	25%	2699	26%	2530	29%	2256	27%	1707	21%	1454	19%	1236	17%
Seniors	1439	14%	1529	15%	1559	18%	1677	20%	1714	21%	1602	21%	1562	21%
Juniors	1229	12%	1143	11%	1214	14%	1220	15%	1329	17%	1415	18%	1277	17%
Sophomores	1079	10%	1033	10%	978	11%	1163	14%	1073	13%	1120	15%	1201	16%
Freshmen	1799	17%	1571	15%	1445	16%	1299	16%	1430	18%	1497	20%	1681	23%
*Special**	2317	22%	2216	22%	1106	13%	746	9%	793	10%	562	7%	500	7%
In-State	7613	72%	7365	72%	6216	70%	5967	71%	5737	71%	5723	75%	5774	77%
International	1050	10%	932	9%	761	9%	686	8%	783	10%	495	6%	381	5%
Out-of-State	1,866	18%	1,894	19%	1,855	21%	1,708	20%	1526	19%	1432	19%	1302	17%
Full-Time	5582	53%	5494	54%	5127	58%	5341	64%	5397	67%	5369	70%	5505	74%
Part-Time	4947	47%	4697	46%	3705	42%	3020	36%	2649	33%	2281	30%	1952	26%
Female	6665	63.3%	6480	63.6%	5594	63.3%	5199	62%	4900	61%	4529	59%	4409	59%
Male	3855	36.6%	3699	36.3%	3230	36.6%	3162	38%	3146	39%	3121	41%	3048	41%
Not-Reported	9	0.1%	12	0.1%	8	0.1%								
White	7062	67.1%	6931	68.0%	6160	69.7%	5864	70%	5603	70%	5406	71%	5296	71%
Black	1241	11.8%	1167	11.5%	1030	11.7%	1049	13%	993	12%	1034	14%	1045	14%
Other	2226	21.1%	2093	20.5%	1642	18.6%	1448	17%	1450	18%	1210	16%	1116	15%

** Special includes all Non-classified, ESL and Postbaccalaureate*

University of North Alabama
Statement of Net Position
September 30, 2023

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 46,617,522
Certificates of Deposit – Current Portion	16,182,713
Accounts Receivable, Net of Allowance for Doubtful Accounts	13,945,298
Inventories	12,830
Prepaid Expenses and Unearned Scholarships	15,680,185
Total Current Assets	92,438,548
Non-Current Assets	
Deposit with Trustee	22,675,604
Certificates of Deposit	14,320,938
Long Term Investments	8,157,487
Perkins Loan Receivable	22,792
Nursing Loan Receivable	505,341
Capital Assets	
Land	4,475,429
Improvements Other Than Buildings	39,684,170
Buildings	219,856,992
Software	7,615,055
Equipment and Furniture	10,434,546
Library Holdings	10,001,739
Construction in Progress	20,571,403
Intangible Right to Use Subscription Assets	6,616,211
Less: Accumulated Depreciation and Amortization	(113,468,707)
Total Capital Assets, Net of Depreciation and Amortization	205,786,838
Total Non-Current Assets	251,469,000
Total Assets	343,907,548
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	40,199,893
Deferred Outflows of Resources Related to OPEB	24,079,631
Loss on Bond Defeasance	3,393,407
Total Deferred Outflows of Resources	67,672,931

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

University of North Alabama
Statement of Net Position
September 30, 2023

LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	$ 8,916,710
Unearned Revenue	34,955,053
Deposit Liabilities	442,295
Bonds Payable-Current Portion	3,967,621
Subscription Liabilities – Current Portion	1,812,209
Compensated Absences- Current Portion	217,819
Total Current Liabilities	50,311,707
Non-Current Liabilities	
Bonds Payable	116,723,203
Net Pension Liability	112,317,000
Net OPEB Liability	10,520,269
Compensated Absences	1,720,836
Subscription Liability	3,242,422
Total Non-Current Liabilities	244,523,730
Total Liabilities	294,835,437
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	2,725,865
Deferred Inflows of Resources Related to OPEB	50,558,188
Total Deferred Outflows of Resources	53,284,053
NET POSITION	
Net Investment in Capital Assets	83,434,790
Restricted:	
Nonexpendable	4,840,930
Expendable	
Capital Projects	22,675,604
Scholarships and Instruction	5,814,564
Loans	528,133
Unrestricted Deficit	(53,833,032)
Total Net Position	$ 63,460,989

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

University of North Alabama Foundation
Discretely Presented Component Unit
Statement of Financial Position
September 30, 2023

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,844,867
Certificates of Deposit	1,000,000
Pledges Receivable, net – Current	2,362,249
Interest Receivable	23,295
Total Current Assets	5,230,411
Long-Term Investments	
Restricted Certificates of Deposit for Long Term Investments	511,042
Investments	51,574,953
Total Long-Term Investments	52,085,995
Fixed Assets	
Donated Artifacts and Collectibles	98,650
Furniture and Equipment	24,364
Construction in Progress	891,787
	1,014,801
Less: Accumulated Depreciation	(24,364)
Total Fixed Assets	990,437
Other Assets	
Cash Surrender Value of Life Insurance	186,656
Pledges Receivable, net – Non-Current	11,887,023
Total Other Assets	12,073,679
Total Assets	$ 70,380,522

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

University of North Alabama Foundation
Discretely Presented Component Unit
Statement of Financial Position
September 30, 2023

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	$ 1,699,845
Agency Funds – North Alabama Lions Athletic Club	170,051
Obligations to Beneficiaries under Split-Interest Agreements – Current	23,489
Total Current Liabilities	1,893,385
Non–Current Liabilities	
Obligations to Beneficiaries under Split-Interest Agreements – Non-Current	131,001
Total Non–Current Liabilities	131,001
Total Liabilities	2,024,386
Net Assets	
Without Donor Restrictions	1,732,018
With Donor Restrictions	66,624,118
Total Net Assets	68,356,136
Total Liabilities and Net Assets	$ 70,380,522

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, 2023

OPERATING REVENUES		
Student Tuition and Fees (Net of Scholarship Allowances of $29,749,165)	$	59,385,862
Federal Grants and Contracts		1,980,905
State and Local Grants and Contracts		3,959,160
Nongovernmental Grants and Contracts		201,090
Auxiliary Enterprises (Net of Allowances of $4,864,385)		17,635,747
Athletic Revenue		4,283,782
Other Operating Revenue		2,206,111
Total Operating Revenues		89,652,657
OPERATING EXPENSES		
Instruction		55,986,279
Research		329,070
Public Service		5,428,907
Academic Support		7,261,347
Student Services		16,711,422
Institutional Support		13,129,239
Operation and Maintenance		9,469,684
Scholarships and Financial Aid		15,780,310
Depreciation		6,617,706
Amortization		1,724,009
Auxiliary Enterprises		14,748,581
Total Operating Expenses		147,186,554
Operating Loss		(57,533,897)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations		64,162,803
Capital Grants, Contracts and Gifts		15,802,133
Federal Grants		9,959,259
Investment Income - Net		3,369,638
Interest on Debt		(4,370,719)
Other Nonoperating Revenue (Expenses)		382,867
Net Nonoperating Revenues		89,305,981
Income before Other Changes in Net Position		31,772,084

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

OTHER CHANGES IN NET POSITION	
Additions to Permanent Endowments	7,948
Change In Net Position	31,780,032
Net Position - Beginning of Year	31,680,957
Net Position - End of Year	$ 63,460,989

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenue and Support:			
Contributions	$ 149,876	$ 20,380,745	$ 20,530,621
In-Kind Donations	1,091,909	24,494	1,116,403
Other Income	36,211	51,747	87,958
Transfers	696,051	(696,051)	-
Net Assets Released from Restrictions	6,740,745	(6,740,745)	-
Total Support and Revenue	8,714,792	13,020,190	21,734,982
Expenses:			
Program Services	6,569,227	-	6,569,227
Management and General	996,746	-	996,746
Fundraising Expenses	817,574	-	817,574
Total Expenses	8,383,547	-	8,383,547
Change in Net Assets from Operating	331,245	13,020,190	13,351,435
NONOPERATING ACTIVITIES			
Interest Income	35,459	37,449	72,908
Investment Return, Net of Fees	(199,946)	4,978,320	4,778,374
Change in Net Assets from Nonoperating	(164,487)	5,015,769	4,851,282
Change in Net Assets	166,758	18,035,959	18,202,717
Net Assets at Beginning of Year	1,565,260	48,588,159	50,153,419
Net Assets at End of Year	$ 1,732,018	$ 66,624,118	$ 68,356,136

The accompanying notes are an integral part of these financial statement

University of North Alabama
Statement of Cash Flows
For the Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees	$	61,998,127
Federal Grants and Contracts		354,940
State and Local Grants and Contracts		3,083,162
Nongovernmental Grants and Contracts		201,090
Sales and Services of Educational Departments		17,635,747
Athletic Income		4,283,782
Other Operating Revenues		1,268,271
Payments to Employees		(66,852,308)
Payments for Benefits		(17,590,397)
Payments to Suppliers		(39,669,662)
Payments for Scholarships		(12,152,954)
Net Cash Used in Operating Activities		(47,440,202)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		64,162,803
Federal Grants and Contracts		9,959,259
Gifts and Grants Received for Other than Capital Purposes		7,948
Direct and Other Loan Receipts		33,789,968
Direct and Other Loan Disbursements		(33,786,762)
Nonoperating Expenses		382,867
Deposit Liabilities		22,334
Net Cash Provided by Noncapital Financing Activities		74,538,417
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Gifts Received		15,802,133
Purchases of Capital Assets		(17,766,697)
Principal Payments on Subscription Liabilities		(1,561,580)
Proceeds from Sale of Assets		98,280
Deposits with Trustees		6,551,257
Principal Paid on Capital Debt		(3,305,000)
Interest Paid on Capital Debt		(4,632,111)
Net Cash Used in Capital and Related Financing Activities		(4,813,718)

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

University of North Alabama
Statement of Cash Flows
For the Year Ended September 30, 2023

CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		433,261
Purchase of Investments		(30,522,914)
Investment Income		3,369,638
Net Cash Used in Investing Activities		(26,720,015)
Net Decrease in Cash and Cash Equivalents		(4,435,518)
Cash and Cash Equivalents - Beginning of Year		51,053,040
Cash and Cash Equivalents - End of Year	$	46,617,522
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	$	(57,533,897)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities		
Depreciation and Amortization Expense		8,341,715
Unrealized Gain on Investment		(937,840)
Bad Debt Expense		326,360
Changes in Assets and Liabilities and Deferred Inflows and Outflows:		
Receivables		(3,514,307)
Prepaid Expenses		(1,141,059)
Inventory		(2,051)
Accounts Payable and Accrued Expenses		1,101,731
Pension and OPEB Related Deferrals and Liabilities		2,620,896
Deferred Revenue		3,298,250
		10,093,695
Net Cash Used in Operating Activities	$	(47,440,202)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The University of North Alabama, a publicly supported, state funded institution, is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement No. 14, *The Financial Reporting Entity*, states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the University of North Alabama's Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University of North Alabama is considered for financial reporting purposes to be a component unit of the State of Alabama.

During the fiscal year ended 2005, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement provides criteria for determining whether organizations for which a government is not financially accountable, should be reported as component units. Because of the significance of the relationship between the University and the University of North Alabama Foundation (the "Foundation" or "UNAF"), the University has determined UNAF to be a discrete component unit under GASB 39 and, therefore, has included the UNA Foundation statements in this report.

University of North Alabama Foundation, Inc. (the "Foundation" or "UNAF") is a legally separate, tax-exempt organization that is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and UNAF, UNAF is considered a component unit of the University. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.

- 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 from UNAF, the majority of resources, or income thereon that 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 to 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported and Assets and Liabilities*. These statements establish standards for external financial reporting for public colleges and universities on an entity-wide perspective and require that resources be classified in three net position categories.

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt, attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

Restricted:

Nonexpendable - Net position subject to externally imposed stipulations that it be maintained permanently by the University. Such net position would include permanent endowment funds.

Expendable - Net position whose use by the University is subject to externally imposed 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.

Unrestricted - Net positions that are not subject to externally imposed stipulations. These may be designated for specific purposes by action of management or the Board of Trustees.

The financial statements of the University have been prepared on the accrual basis of accounting and in accordance with accounting standards of the United States of America. The University reports as a Business Type Activity (BTA) as defined by GASB Statement No. 35. BTAs are those institutions that are financed in whole or in part by fees charged to external parties for goods or services. Under BTA reporting, it is required that statements be prepared using the economic resources measurement focus.

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments - The University has defined cash to include currency on hand and demand deposits with financial institutions. Cash also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the University may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

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

Investments with readily marketable fair values are reported at fair value in the Statement of Net Position, with all net realized and unrealized gains and losses reflected in the Statement of Revenues, Expenses and Changes in Net Position. Fair value of these investments is based on quoted market prices or dealer quotes where available.

The University uses Net Asset Value (NAV), under GASB Statement No. 72, reported by the investment managers as a practical expedient to estimate fair value for certain investments. The NAV is applied to certain investments that do not have readily determinable fair values. As these investments are not readily marketable, the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed. While these investments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its capital balance in each investment and the amounts of unfunded commitments.

Receivables - Accounts receivable relate to amounts due from federal grants, state appropriations, third party tuition, and auxiliary enterprise sales, such as food service, bookstore and residence halls. Notes receivable relate to amounts due from students for tuition and fee billings. An allowance for doubtful accounts has been established.

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

Capital Assets - Capital assets with a unit cost of over $5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated.

Depreciation is not allocated to functional expense categories. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. The method of depreciation and useful lives of the capital assets are as follows:

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	25-50 years
Improvements other than Buildings	Straight-Line	25 years
Equipment	Straight-Line	5-10 years
Library Materials	Composite	10 years
Capitalized Software	Straight-Line	10 years

Depreciation expense for the fiscal year ended September 30, 2023 was $6,617,706.

Long-Term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds.

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:

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

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

Prepaid Expenses and Unearned Scholarships – Prepaid expenses are composed predominantly of financial obligations for food services. Unearned scholarship expense results from the Fall academic term spanning across the fiscal year end. The University prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

Unearned Revenue - Unearned revenue consists primarily of amounts received in advance of an event, such as student tuition and fees, and advance ticket sales related to the next fiscal year.

Fall term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of sessions falling into the next fiscal year are recorded as unearned revenue in the statement of net position and will be recognized in the following fiscal year.

Pensions - The Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value.

Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Postemployment Benefits Other Than Pensions (OPEB) **-** The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the Net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Trust and additions to/deductions from the Trust's Fiduciary Net Position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

Federal Financial Assistance Programs **-** The University participates in various federal programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Office of Management and Budget (OMB) Compliance Supplement.

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

Deferred Outflows of Resources **–** Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Deferred Inflows of Resources **–** Deferred inflows of resources are reported in the statement of net position. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating according to the following criteria:

- ***Operating Revenues*** - Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, most federal, state, local, private grants and contracts and federal appropriations, and interest on institutional student loans.

- ***Nonoperating Revenues*** - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues. In accordance with GASB Statement No. 35, certain significant revenues on which the University relies to support its operational mission are required to be recorded as nonoperating revenues. These revenues include state appropriations, private gifts, federal Pell grants and investment income, including realized and unrealized gains and losses on investments.

Grants and Contracts Revenue – The University receives sponsored funding from governmental and private sources. Revenues from these projects are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract. Pell grants are recorded as nonoperating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Auxiliary Revenues – Sales and services of auxiliary enterprises primarily consist of revenues generated by athletics, bookstore, housing, dining, printing and telecommunications, which are substantially self-supporting activities that primarily provide services to students, faculty, administrative and professional employees and staff.

Donor Pledges – The University normally does not receive gift pledges. Pledged revenue representing unconditional promises to give is normally received by The University of North Alabama Foundation and later disbursed in accordance with the donors' wishes for the benefit of the University. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and Deposits

The University's non-operating deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all

public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. The statement of net position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

Investments

The University's investment policies and procedures separate investments into two categories: Operational Fund Investments consisting of relatively short-term investments; and Permanent Fund Investments consisting of longer term investments. The methods and significant assumptions used to estimate the fair value of investments mirrors that of the UNAF (See Note 15).

A. Operational Fund Investments

1. *General Policy*: Operational Fund Investments (which may be pooled) are applicable to the following fund groups – Current Funds, Loan Funds, and Agency Funds.

2. *Investment Objectives*: The Board's investment objective for Operational Fund Investments is to maximize current investment returns consistent with the liquidity needs of the University and to protect principal from value decline due to investment losses or inflation. It is expected that the maturities of the investments in the Operational Fund will be matched against the cash flow needs of the University to maximize yields consistent with the liquidity needs of the University and consistent with economic projections.

3. *Responsibility*: The Board assigns to the University President the responsibility for direct investment and administration of Operational Fund Investments. The President may choose to delegate investment responsibilities to University employee(s), a committee of University employees, or to arrange for outside investment management. The responsible investment authority shall monitor the Operational Funds to ensure that these investment objectives are met.

4. *Investment Criteria*: Investments of Operational Funds shall be limited to the following marketable securities:
    a. Direct obligations of the United States of America or obligations unconditionally guaranteed as to principal and interest by the United States of America.
    b. Obligations of an agency or instrumentality of the United States of America.
    c. Commercial paper of corporate issues with a minimum quality rating of P-1 by Moody's or A-1 by Standard & Poor's. No more than 5% of the Operational Fund Investments of the University shall be invested in a single corporation.
    d. Repurchase agreements secured by the United States of America or its agencies or "AAA" rated corporate obligations.
    e. Shared in externally managed money-market funds specifically approved by the President or the Board.
    f. Negotiable fixed rate or variable rate certificates of deposit with commercial banks or savings and loan associations chartered by the U.S. government or the State of Alabama, and secured as set out below.
    g. Bankers acceptances of U.S. banks or savings and loan associations, and secured as set out below.

    The majority of Operational Fund Investments shall be consistent with liquidity requirements of the funds in this category. However, funds established under certain debt instruments may be invested in accordance with the applicable criteria. Investments in commercial bank or savings and loan association certificates of deposit or bankers' acceptances must always be secured by a pledge of bonds or the obligation of either the 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 Investments (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 donor-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 University 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. If a donor has not provided specific instructions, state law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established. The Board approved a spending rate of 3.0%-5.0%, which is based on a rolling three-year period.

1. *General Policy*: Permanent Fund Investments are applicable to the following fund groups:
    a. Endowment (including Quasi-endowment and Term endowment)
    b. Life Income or Annuity Funds managed by the University where the principal will eventually become the fee simple absolute property of the University.

2. *Investment Objectives*
    a. The Board of Trustees for the University of North Alabama, through its President, is charged with fiduciary responsibility of growing the value of the endowment, thereby sustaining its ability to generate financial support to further the mission of the University. As a part of a commitment to long-range financial equilibrium, the Board adopts the Board objective of investing endowment assets so as to enhance the purchasing power or endowment income as to keep pace with inflation and evolving University needs. The Board's investment objective for the Permanent Fund Investments is to maximize investment returns consistent with liquidity needs of the University and to protect principal from decline in value due to investment losses or inflation.
    b. The Board seeks superior investment returns through professional management, but not by assuming imprudent risks.
    c. The primary long-term financial objective for the endowment is to grow the real (inflation-adjusted) purchasing power of endowment assets and income, after accounting for endowment spending, inflation, and costs or portfolio management.
    d. It is the Board's general policy to pool endowment resources whenever possible. There are, however, occasional holdings that must be kept in non-pooled accounts.

3. *Investment Responsibility*: The Board assigns to the University President the responsibility for direct investment and the administration of Permanent Fund Investments. The President may choose to delegate investment responsibilities to University employee(s), a committee of University employees, or to arrange for outside investment management. The responsible investment authority shall monitor the Permanent Fund Investments to ensure that the above investment objectives are being met.

4. *Asset Allocation*: Permanent Fund Investments (including approved mutual funds) shall have target allocations and normal ranges in accordance with University policy.

5. *Investment Criteria*
    a. Fixed Income Investments - The criteria for cash or cash equivalent investments with Permanent Funds shall be the same as for Operational Funds. With the exception of High Yield, all fixed income securities must have at least an "A" rating by Moody's or Standard & Poor's at the time of purchase. Call protection should be emphasized to assure stable and current income. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or the Board. No more than 10% of fixed income investments (except for cash and cash equivalents secured as required herein) shall be invested in one industry, nor shall one bond issue exceed 5% of total fund portfolio. (This limitation does not apply to U.S. government obligations.)
    b. Equity Investments - Equity investments must 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. The aggregate investment in the equity securities or any one issuing corporation shall not exceed 1% of the outstanding capital of that corporation. Shares in externally managed equity mutual funds may only be purchased with prior approval of the President or Board. "No load" funds with excellent earnings and growth history are preferred.
    c. Alternative Investments - Alternative investments may consist of, but are not limited to, hedge funds, private equity, venture capital, limited partnerships, futures, commodities, and derivative investments. Further, any asset investment that requires liquidity beyond five months will also be considered an alternative investment. The suggested range for this asset class is 0-35% of the aggregate portfolio. Real estate and oil and gas investments from Permanent Funds shall not be made without express prior approval of the Board.

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 two-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 the 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 involves the adverse effect changes in interest rates could have on the fair value of an investment. As a means of limiting its exposure to fair value losses arising from interest rates, the University's investment policies require that maturities of investments be matched against cash flow needs to minimize unnecessary risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This type of risk falls into the three categories described below:

1. *Credit Quality* – Nationally recognized statistical rating organizations provide ratings of debt securities quality, which provide investors with information about the issuer's ability to meet its obligations. The University's investment policies require that at least 85% of market value of the total equity portfolio shall be stocks rated "B" or better by Standard & Poor's, with preference given to "Blue Chip" stocks. "No Load" funds with excellent earnings and growth history are preferred. All fixed income securities must have at least

   "A" rating by Moody's or Standard & Poor's at the time of purchase. Shares in externally managed fixed income funds may only be purchased with prior approval by the President or Board. In addition, the policy specifically prohibits eleven types of high-risk transactions, such as futures, commodities, and margin purchases.

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 are in the possession of an outside party if that party fails. The University's custodial risk is limited. All investments are in the name of the University. Securities held by a third party are either collateralized or part of the SAFE program previously mentioned in the 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 the 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.

Investments' fair value measurements are as follows at September 30, 2023:

		Fair Value Measurement Using		
	9/30/2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment by Fair Value Level				
Equity Securities				
Oil Industry	$ 51,865	$ 51,865	$ -	$ -
Mutual Funds				
SEI Extended Mkt Index-A	163,076	163,076	-	-
SEI Large Cap Fund	829,184	829,184	-	-
SEI S&P 500 Index-A	839,282	839,282	-	-
SEI Small Cap II Fund-A	160,291	160,291	-	-
SEI Emerging Mrkts Eq-A	246,046	246,046		
SEI Global MGD Volatility Fd	327,111	327,111	-	-
SEI World Equity Ex-Us Fund	1,375,798	1,375,798	-	-
SEI Dynamic Asset Alloc Fund	500,643	500,643		
SEI Core Fixed Income Fund #285	1,522,720	1,522,720	-	-
SEI High Yield Bond Fund #284	415,180	415,180	-	-
SEI Emerging Markets Debt Fund	242,546	242,546		
SEI SIIT Real Return A	238,382	238,382	-	-
Total Mutual Funds	6,860,259	6,860,259	-	-
Total Investments by Fair Value Level	$ 6,912,124	$ 6,912,124	$ -	$ -

GASB Statement No. 72 allows for the use of Net Asset Value (NAV) as a practical expedient for valuation purposes. The University invests in Limited Partnerships that use NAV in determining fair value and are disclosed separately from the valuation hierarchy as follows:

Investments Measured at the Net Asset Value (NAV)	
Core Property Fund	$ 379,049
Global Private Assets V	154,093
Global Private Assets Vi	17,369
Real Assets Fund	337,265
Private Equity Fund	357,587
Total Investments Measured at the NAV	$ 1,245,363

The total investments from the above schedules are as follows:

Total Investments by Fair Value Level	$ 6,912,124
Total Investments Measured at the NAV	1,245,363
	$ 8,157,487

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, 2023, are as follows:

	Fair Value at September 30, 2023	Unfunded Commitments at September 30, 2023	Redemption Frequency	Redemption Notice Period
Core Property Fund (a)	$ 379,049	$ -	Quarterly	90 Days
Real Assets Fund (b)	337,265	49,000	Annual	90 Days
Private Equity Fund (c)	357,587	35,000	Annual	90 Days
Global Private Assets Fund (d)	171,462	284,566	Quarterly	90 Days
Total	$ 1,245,363	$ 368,566		

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 governmental unit used to satisfy its obligations under a governmental plan).

b) *Real Asset*s – 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.

c) *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.

d) *Global 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.

At September 30, 2023, UNA had a significant amount invested in long term investments, primarily tax free bonds. During the year ended September 30, 2023, the University had no realized losses from the disposal of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University had unrealized gains during the year ended September 30, 2023 of $937,840.

At September 30, 2023, the University's investments types and related maturities were comprised of the following:

	Maturity in Years				
Type of Investments	**<1**	**1-5**	**6-10**	**>10**	**Total**
Certificates of Deposit	$ 16,182,713	$ 14,320,938			$ 30,503,651
Equity Securities					51,865
Mutual Funds					6,860,259
Limited Partnerships					1,245,363
Total University Investments	$ 16,182,713	$ 14,320,938	$ -	$ -	$ 38,661,138

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land	$ 4,464,729	$ -	$ -	$ 10,700	$ 4,475,429
Construction in Progress	6,595,053	16,490,612	-	(2,514,262)	20,571,403
Total Capital Assets Not Being Depreciated	11,059,782	16,490,612	-	(2,503,562)	25,046,832
Capital Assets Being Depreciated:					
Improvements Other than Buildings	37,461,409	-	-	2,222,761	39,684,170
Buildings	219,576,191	-	-	280,801	219,856,992
Equipment	9,993,962	1,194,110	(753,526)	-	10,434,546
Intangible Right to Use Subscription Assets	-	6,616,211	-	-	6,616,211
Software	7,615,055	-	-	-	7,615,055
Library Holdings	10,430,491	81,975	(510,727)	-	10,001,739
Total Capital Assets Being Depreciated	285,077,108	7,892,296	(1,264,253)	2,503,562	294,208,713
Less Accumulated Depreciation:					
Improvements Other than Buildings	(10,890,440)	(1,378,231)	-	-	(12,268,671)
Buildings	(70,972,816)	(4,411,521)	-	-	(75,384,337)
Equipment	(6,836,330)	(706,625)	655,246	-	(6,887,709)
Intangible Right to Use Subscription Assets	-	(1,724,009)	-	-	(1,724,009)
Software	(7,615,055)	-	-	-	(7,615,055)
Library Holdings	(9,978,324)	(121,329)	510,727	-	(9,588,926)
Total Accumulated Depreciation	(106,292,965)	(8,341,715)	1,165,973	-	(113,468,707)
Total Capital Assets, Net	$ 189,843,925	$ 16,041,193	$ (98,280)	$ -	$ 205,786,838

The University implemented Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements, as of October 1, 2022. The University has 31 technology arrangements that require recognition under GASB Statement No. 96. The technology arrangements include an ERP system subscription, cloud subscriptions, portal subscriptions as well as other software subscriptions. The University now recognizes Intangible Right to Use Subscription Assets, as shown in the previous table, as well as Subscription Liabilities as further discussed in Note 9. The amortization expense for the SBITA assets will be recognized over the remaining subscription terms and is included in Depreciation and Amortization on the Statement of Revenues, Expenses, and Changes in Net Position. The terms of the agreements range from 2 to 5 years, with the longest-term subscription ending in fiscal year 2028. The University has used a discount rate of 5.00% for each of these arrangements as this is their estimated incremental borrowing rate in fiscal year 2023, the year of implementation. There are no options in the agreements for purchase of the assets, no residual value guarantees nor renewal options in the arrangements that are reasonably certain of exercise.

NOTE 4 - RECEIVABLES

Receivables at September 30, 2023 are summarized as follows:

Accounts Receivable:		
Federal and State Agencies	$	5,217,072
Third Party		1,138,665
Students		6,809,580
Other		1,676,294
Less: Allowance for Doubtful Accounts		(896,313)
Total Accounts Receivable, Net		13,945,298
Loan Receivables:		
Nursing Loan Receivables		505,341
Perkins Loan Receivable		22,792
Total Loan Receivable		528,133
Total Receivables, Net	$	14,473,431

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.rsa-al.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 non-student 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, 2013, with no previous creditable service referred to as "Tier 2". Employees hired or with creditable service prior to that date are "Tier 1" participants. Tier 1 TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability

retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions

Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Effective October 1, 2021 the covered Tier 2 members of the TRS contribution rate increased from 6% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021 the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2023 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were $7,135,893 for the year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the University reported a liability of $112,317,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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 TRS employers. At September 30, 2022, the University's proportion was 0.722726%, which was an increase of 0.005197% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the University recognized pension expense of $15,564,000. At September 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,469,000	$ 2,725,865
Changes of assumptions	5,097,000	-
Net difference between projected and actual earnings on pension plan investments	22,538,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,960,000	-
Employer contributions subsequent to the measurement date	7,135,893	-
	$ 40,199,893	$ 2,725,865

$7,135,893 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 ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:	
2024	$ 9,336,000
2025	7,322,000
2026	4,605,000
2027	9,075,135
Total	$ 30,338,135

Actuarial Assumptions

The total pension liability as of September 30, 2022, was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Investment rate of return*	7.45%
Projected salary increases, including inflation	3.25% - 5.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 -67 Female: 112% ages < 69 98% > age 74
Beneficiaries	Contingent Survivor Below	Male: +2, Female: None	None
Disabled	Teacher Disability	Male: +8, Female: +3	None

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
Total	100.00%	

**Includes assumed rate of inflation of 2.00%.*

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increases (8.45%)
University's proportionate share of collective net pension liability	$145,334,000	$112,317,000	$84,507,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP.

Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Annual Comprehensive Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination

of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of $1,250 per year for individual coverage and $1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible

to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and 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 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, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2023 the University reported a liability of $10,520,269 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the total employer contributions of all participating employers. At September 30, 2022, the University proportion was 0.60376355% percent, which was a decrease of 0.17887945% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the System recognized OPEB expense of $4,533,675, with no special funding situations.

At September 30, 2023, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 482,501	$ 21,271,121
Changes of assumptions	8,533,376	15,312,886
Net difference between projected and actual earnings on OPEB plan investments	1,323,024	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	12,453,411	13,974,181
Employer contributions subsequent to the measurement date	1,287,319	-
Total	$ 24,079,631	$ 50,558,188

$1,287,319 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	
2024	$ (6,627,187)
2025	(6,620,375)
2026	(1,826,761)
2027	(2,729,901)
2028	(5,731,562)
Thereafter	(4,230,090)
Total	$ (27,765,876)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increase[1]	3.25% -5.00%
Long-term Investment rate of return[2]	7.00%
Municipal Bond Index Rate at Measurement Date	4.40%
Municipal Bond Index Rate at Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at Measurement Date	7.00%
Single Equivalent Interest Rate at Prior Measurement Date	3.97%
Healthcare cost trend rates	
Initial Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

[1] Includes 2.75% wage inflation

[2] Compounded annually, net of investment expense, and includes inflation.

** Initial Medicare claims are set based on scheduled increases through plan year 2025.

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages <63, 96% ages> 67; Phasing down 63-67 Female: 112% ages <69, 98% ages > 74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	

** Geometric mean, includes 2.50% inflation*

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per active

member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. 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. Projected future benefit payments for all current plan members are projected through 2120.

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:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	$ 7,977,542	$ 10,520,269	$ 13,638,686

The following table presents the University's proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 13,006,760	$ 10,520,269	$ 8,432,935

OPEB plan fiduciary net position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 7 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of September 30, 2023, the University had been awarded approximately $3,424,038 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, 2023, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	$ 1,535,845
Benefits	2,019,332
Interest Payable	1,697,862
Trade Payables to Vendors	3,663,671
Total Accounts Payable and Accrued Liabilities	$ 8,916,710

NOTE 9 – NON-CURRENT LIABILITIES

Non-Current Liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
2010A Revenue Bonds	$ 2,480,000	$ -	$ (795,000)	$ 1,685,000
2012 Revenue Bonds	980,000	-	(480,000)	500,000
2014 Revenue Bonds	3,410,000	-	(795,000)	2,615,000
2019A Revenue Bonds	7,195,000	-	(455,000)	6,740,000
2019B Revenue Bonds	16,260,000	-	(400,000)	15,860,000
2019C Revenue Bonds	24,155,000	-	-	24,155,000
2021A Revenue Bonds	25,000,000	-	-	25,000,000
2021B Revenue Bonds	35,190,000	-	(380,000)	34,810,000
Total Bonds	114,670,000	-	(3,305,000)	111,365,000
2010A Bond Discount	(22,530)	-	1,240	(21,290)
2012 Bond Discount	(23,233)	-	1,787	(21,446)
2014 Bond Premium	107,242	-	(4,874)	102,368
2019B Bond Premium	2,607,467	-	(155,670)	2,451,797
2019C Bond Premium	2,931,441	-	(161,364)	2,770,077
2021A Bond Premium	4,238,058	-	(193,740)	4,044,318
Total Bonds, net	124,508,445	-	(3,817,621)	120,690,824
Other Liabilities:				
Net Pension Liability	67,594,000			112,317,000
Net OPEB Liability	40,437,703			10,520,269
Subscription Liabilties	-			5,054,631
Compensated Absences	1,955,580			1,720,836
Total	$ 234,495,728			$ 250,303,560
Less: Current Portion of:				
Bonds Payable	(3,305,000)			(3,455,000)
Bond Discounts	3,027			3,027
Bond Premium	(515,648)			(515,648)
Subscription Liabilities	-			(1,812,209)
Compensated Absences	(185,177)			(217,819)
Total Current Portion	(4,002,798)			(5,997,649)
Total Non-Current Portion	$ 230,492,930			$ 244,305,911

he Series 2021A general fee revenue bond and Series 2021B taxable general fee revenue refunding bonds were issued in 2021 by the Board of Trustees to partially refinance the 2012 and 2014 general fee revenue bonds and to fund the University's campus improvements. The bonds were authorized in the original amounts of $25,000,000 and $35,190,000, respectively.

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 2043. The current refunding resulted in a cash flow savings with a net present value of $4,760,295. This transaction met the requirements of a defeasance of the refunded 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 $2,847,441. 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 a 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%-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 bonds were issued in 2014 by the Board of Trustees to provide funds for the acquiring and construction of new dormitories on the University's campus. These bonds were authorized in the original amount of $32,680,000 with interest rates ranging from 2%-5% and a maturity date of November 2044.

The Series 2012 General Fee Revenue Build America Bonds were issued in 2012 by the Board of Trustees to refund the Series 2003 bonds, with the remainder of the proceeds of the bonds applied to the cost of acquiring and constructing the University Improvements. These bonds were authorized in the original amount of $11,530,000 with an interest rate of 3.75% and a maturity date of November 2035. The current refunding of the Series 2003 bonds resulted in a cash flow savings with a net present value of $402,698. This transaction met the requirements of a defeasance of the Series 2003 bonds.

The Series 2010A general fee revenue bonds were issued in 2010 by the Board of Trustees. The Series 2010A bonds were issued to refund the Series 1999A revenue bond. These bonds were authorized in the original amount of $9,850,000 with interest rates ranging from 2%-4% and a maturity date of November 2035. The current refunding resulted in a cash flow savings with a net present value of $164,908.

A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay the annual debt service are pledged to secure the bonds.

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

Fiscal Year	Prepaid Insurance	Bond Discounts	Bond Premium
2024	$ 10,870	$ 3,027	$ 515,648
2025	10,870	3,027	515,648
2026	10,870	3,027	515,648
2027	10,870	3,027	515,648
2028-2032	54,350	15,137	2,578,239
2033-2037	54,350	15,491	2,578,239
2038-2042	42,410	-	1,776,479
2043-2045	11,213	-	373,011
Totals	$ 205,803	$ 42,736	$ 9,368,560

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

Fiscal Year	Principal	Interest	Totals
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	$ 111,365,000	$ 49,720,975	$ 161,085,975

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 $161,085,975 are pledged to repay principal and interest on the bonds at September 30, 2023. Pledged revenues in the amount of $87,138,839 were received during the fiscal year ended September 30, 2023, with $7,269,676 or 8.34% of pledged revenues being used to pay principal and interest during the fiscal year.

Subscription Liabilities

See Note 3 for further information on the Subscription Liabilities. The future subscription payments under these SBITA agreements are as follows:

Fiscal Year	Principal	Interest	Totals
2023-2024	$ 1,812,209	$ 210,146	$ 2,022,355
2024-2025	1,373,856	128,369	1,502,225
2025-2026	1,050,616	68,134	1,118,750
2026-2027	706,434	24,169	730,603
2027-2028	111,516	720	112,236
	$ 5,054,631	$ 431,538	$ 5,486,169

NOTE 10 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested.

The SIF provides coverage up to $2 million per occurrence and is self-insured up to a maximum of $6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed $6 million. The University purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the University has fidelity bonds on the University's President, Vice-President of Financial Affairs, as well as on all other University personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining.

Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The University contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium. Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years. Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the University 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 12 – UNEARNED REVENUE

Unearned revenue primarily includes tuition, room, and meal plan revenue related to the portion of the Fall semester subsequent to September 30, 2023, funding received for contracts and grants which has not been expended as of September 30, 2023, as well as athletic revenue related to games played subsequent to September 30, 2023.
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Unearned revenues at September 30, 2023 are as follows:

Tuition and Fees, Net	$ 26,023,396
Federal, State, and Local Government Grants and Contracts	2,971,182
Auxiliary Revenues, Net	5,871,833
Athletic Revenue	88,642
Total Unearned Revenue	$ 34,955,053

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, 2023, the Foundation expensed $6,569,227 in support of the University's programs and scholarships. At September 30, 2023, pledge receivables from University Board of Trustees and Employees/Foundation Board of Directors were $2,463,490. The Foundation has payables to the University of $1,600,281. The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was $30,618 for the year ending September 30, 2023. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the year ending September 30, 2023 were $1,032,885. Supplies paid by the University for the Foundation totaled $28,407 for the year ending September 30, 2023.

NOTE 14 – DIRECT LOAN PROGRAM

The Federal Direct Loan Program (DL) enables an eligible student or parent to obtain a loan directly through the Department of Education. Under DL, files are transmitted via the Federal Common Originator and Disbursement System (COD). Funds are received via G5, a federal website. The Department of Education is responsible for the collection of these loans.

The University disbursed approximately $33.787 million under these programs during the fiscal year ended September 30, 2023.

NOTE 15 – UNIVERSITY OF NORTH ALABAMA FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

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.

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, 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, 2023, $45,758,222 is restricted for scholarship purposes while $20,865,896 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 year ended September 30, 2023 is as follows:

	With Donor Restrictions
Program Services	$ 4,472,596
Instruction	1,043,369
Scholarships	1,224,780
Total	$ 6,740,745

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 $1,378,593 at September 30, 2023.

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.

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 2020, 2021 and 2022 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 of September 30, 2023. Changes in cash surrender value of life insurance policies are reported as other income on the Statement of Activities and Changes in Net Assets.

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.

Liquidity and Availability of Financial Assets

At September 30, 2023, the Foundation had $4,230,411 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 $1,844,867, pledges receivable of $2,362,249, and interest receivable of $23,295.

Cash and Certificates of Deposit

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, 2023, the Foundation's cash balance exceeds FDIC insurable limits by $1,640,828.

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, 2023, these certificates of deposit with donor restrictions totaled $1,511,042 and exceeded FDIC insurable limits by $1,011,042.

Investments

The Foundation's endowment consists of approximately 300 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 fair value increase and decrease. 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.

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 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.

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, 2023, there were $625,914 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 $13,110,751, while the aggregate fair value amounts are $12,484,837.

Changes in endowment net assets as of September 30, 2023, are as follows:

	With Donor Restrictions
Endowment net assets – October 1, 2022	$ 38,520,086
Contributions, net	5,102,431
Investment income	4,978,320
Amounts appropriated for expenditure	(3,531,400)
Transfer	250,553
Endowment net assets – September 30, 2023	$ 45,319,990

For the year ending September 30, 2023, investment management fees and investment income activity fees were $199,946 and $21,998, 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.

Investments by Group

	General Investment Pool	Remainder Trusts and Gift Annuities	Total
Cash & Withdrawals	$ 1,421,832	$ -	$ 1,421,832
Certificate of Deposit	1,511,042	-	1,511,042
Marketable Mutual Funds	44,926,524	168,990	45,095,514
Limited Partnerships	5,057,607	-	5,057,607
Total Investments	$ 52,917,005	$ 168,990	$ 53,085,995

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.

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.

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, 2023:

	Level 1	Level 2	Level 3	At NAV	Total
Certificates of Deposit	$ 1,511,042	$ -	$ -	$ -	$ 1,511,042
Money Market	1,421,832	-	-	-	1,421,832
Mutual Funds:					
SEI Extended Mkt Index-A	897,644	-	-	-	897,644
SEI Large Cap Fund	4,556,335	-	-	-	4,556,335
SEI S&P 500 Idx-A	4,485,954	-	-	-	4,485,954
SEI Small Cap II Fund-A	902,699	-	-	-	902,699
SEI Core Fixed Income Fund	12,331,819	-	-	-	12,331,819
SEI High Yield Bond Fund	2,307,112	-	-	-	2,307,112
SEI Dynamic Asset Allocation	2,688,796	-	-	-	2,688,796
SEI World Equity Ex-Us Fund	7,683,641	-	-	-	7,683,641
SEI Emerging Markets Debt Fund	1,348,520	-	-	-	1,348,520
SEI Limited Duration Bond	3,333,669	-	-	-	3,333,669
SEI SIIT Real Return A	1,385,899	-	-	-	1,385,899
SEI Emerging Markets Eq-A Fund	1,351,194	-	-	-	1,351,194
SEI Global MGD Volatility FD	1,822,232	-	-	-	1,822,232
Total Mutual Funds	45,095,514	-	-	-	45,095,514
Limited Partnerships:					
Core Property	-	-	-	1,970,319	1,970,319
Private Assets	-	-	-	1,043,658	1,043,658
Real Assets	-	-	-	978,897	978,897
Private Equity	-	-	-	1,064,733	1,064,733
Total Limited Partnerships	-	-	-	5,057,607	5,057,607
	$48,028,388	$ -	$ -	$5,057,607	$53,085,995

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, 2023	Unfunded Commitments at September 30, 2023	Redemption Frequency	Redemption Notice Period
Core Property (a)	$ 1,970,319	$ -	Quarterly	90 Days
Private Assets (b)	1,043,658	838,260	Quarterly	90 Days
Real Assets (c)	978,897	140,000	Annual	90 Days
Private Equity (d)	1,064,733	100,000	Annual	90 Days
Total	$ 5,057,607	$ 1,078,260		

a) *Core Property* – This category generally consists of 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) *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

c) *Real Asset*s – 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.

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 5.75%.

Total pledge receivables, net of an allowance for uncollectible pledges and discounted to present value at September 30, 2023, are as follows:

	Less Than One Year	One to Five Years	Total
Pledges			
Gross	$ 2,362,249	$ 19,028,970	$ 21,391,219
Discount	-	(5,763,354)	(5,763,354)
Allowance	-	(1,378,593)	(1,378,593)
Total Pledges	$ 2,362,249	$ 11,887,023	$ 14,249,272

Fixed Assets

Fixed assets consisted of the following at September 30, 2023:

Donated artifacts and collectibles	$ 98,650
Furniture and equipment	24,364
Construction in progress	891,787
	1,014,801
Less accumulated depreciation	(24,364)
Total Fixed Assets	$ 990,437

Depreciation expense for the year ending September 30, 2023 was $0.

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 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, 2023 are as follows:

	Split-Interest Agreement Assets
Cash & Withdrawals	$ -
Mutual Funds	168,990
	$ 168,990

Changes in obligations under the gift annuity and remainder trust contracts at September 30, 2023, were as follows:

	Total Split-Interest Liabilities
Total Obligation at September 30, 2022	$ 195,478
Obligation on New Gifts	-
Payments to Beneficiaries	(23,489)
Actuarial Value Changes	(17,499)
Total Obligation at September 30, 2023	$ 154,490
Current Portion	$ 23,489
Non-Current Portion	131,001
	$ 154,490

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, 2023, the Foundation expensed $6,569,227 in support of the University's programs and scholarships. At September 30, 2023, pledge receivables from University Board of Trustees and Employees/Foundation Board of Directors and Alumni Association/Lions Athletics Club were $2,463,490 and $244,000. The Foundation has payables to the University of $1,600,281.

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 $30,618 for the year ending September 30, 2023. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for the year ending September 30, 2023 were $1,032,885. Supplies paid by the University for the Foundation totaled $28,407 for the year ending September 30, 2023.

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's funds and the Foundation records a liability for such funds. As of September 30, 2023, the liability associated with such funds was $170,051.

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 2023 natural expense accounts were allocated as follows:

	Year Ending September 30, 2023				
	Program Services	Supporting Services			
	Programs	Management and General	Fundraising	Supporting Subtotal	Total
Scholarships Awarded	$ 1,224,780	$ -	$ -	$ -	$ 1,224,780
Eminent Scholars Support	186,988	-	-	-	186,988
Academic Program Support	856,381	-	-	-	856,381
Alumni Program Support	69,127	-	-	-	69,127
Annuities	(14,441)	-	-	-	(14,441)
Athletic Department Support	3,462,478	-	-	-	3,462,478
Student and Faculty Support	269,884	-	-	-	269,884
Other Program Support	26,597	-	-	-	26,597
Capital Projects Support	487,433	-	-	-	487,433
Contract Services - Other	-	5,492	-	5,492	5,492
Supplies	-	6,476	-	6,476	6,476
Postage	-	5,699	-	5,699	5,699
Legal & Accounting	-	20,500	-	20,500	20,500
Printing & Copying	-	6,737	-	6,737	6,737
Membership Dues	-	4,589	-	4,589	4,589
Marketing	-	-	152,425	152,425	152,425
Donations & Sponsorships	-	13,880	-	13,880	13,880
Software & Maintenance	-	104,387	-	104,387	104,387
Insurance	-	15,345	-	15,345	15,345
Fees	-	20,763	-	20,763	20,763
Travel, Lodging, & Meals	-	-	33,712	33,712	33,712
Staff Development	-	21,892	-	21,892	21,892
Donor Appreciation	-	21,829	-	21,829	21,829
Special Events	-	-	122,377	122,377	122,377
In-Kind Expense	-	582,850	509,060	1,091,910	1,091,910
General Support	-	166,307	-	166,307	166,307
Total	$ 6,569,227	$ 996,746	$ 817,574	$ 1,814,320	$ 8,383,547

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

	For the measurement period ended September 30,								
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
UNA's proportion of the net pension liability	0.722726	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	$112,317,000	$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	$56,787,967	$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 pension liability as a percentage of its covered-employee payroll	197.78%	138.24%	185.12%	155.91%	147.95%	147.76%	169.45%	165.22%	135.88%
Plan fiduciary net position as a percentage of the total pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

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

This schedule presents only nine years of information, rather than ten years, as only nine years of trend information are available at September 30, 2023.

University of North Alabama
Schedule of University of North Alabama's Pension Contributions
Teachers' Retirement System of Alabama

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 7,135,893	$ 6,749,789	$ 6,242,922	$ 6,094,530	$ 5,756,422	$ 5,282,992	$ 5,028,999	$ 4,746,066	$ 4,714,970
Contributions in relation to the Contractually required contribution	7,135,893	6,749,789	6,242,922	6,094,530	5,756,422	5,282,992	5,028,999	4,746,066	4,714,970
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
System's covered-employee payroll	$59,074,573	$56,787,967	$48,895,348	$47,242,670	$47,500,130	$44,402,602	$42,790,190	$40,395,642	$40,538,730
Contributions as a percentage of covered-employee payroll	12.08%	11.89%	12.77%	12.90%	12.12%	11.90%	11.75%	11.75%	11.63%

Notes to the Schedule of University Pension Contributions

This schedule presents only nine years of information, rather than ten years, as only eight years of trend information are available at September 30, 2023.

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

	For the measurement period ended September 30,					
	2022	**2021**	**2020**	**2019**	**2018**	**2017**
UNA's proportion of the net OPEB liability	0.60376355%	0.782643%	0.710025%	0.516724%	0.593967%	0.640289%
UNA's proportionate share of the net OPEB liability	$10,520,269	$40,437,703	$46,079,634	$19,494,797	$48,816,523	$47,557,009
UNA's covered-employee payroll	$56,787,967	$48,895,348	$47,242,670	$47,500,130	$44,402,602	$42,790,190
UNA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	18.53%	82.70%	97.54%	41.04%	109.94%	111.14%
Plan fiduciary net position as a percentage of the total OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

Notes to the Schedule of University of North Alabama's Proportionate Share of the Net OPEB Liability

This schedule presents only six years of information, rather than ten years, as only six years of trend information are available at September 30, 2023.

University of North Alabama
Schedule of University of North Alabama's OPEB Contributions
Alabama Retired Education Employees Health Care Trust

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 1,287,319	$ 1,163,840	$ 1,335,001	$ 1,517,888	$ 1,472,448	$ 1,460,775
Contributions in relation to the contractually required contribution	1,287,319	1,163,840	1,335,001	1,517,888	1,472,448	1,460,775
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
System's covered-employee payroll	$59,074,573	$56,787,967	$48,895,348	$47,242,670	$47,500,130	$44,402,602
Contributions as a percentage of covered employee payroll	2.18%	2.05%	2.73%	3.21%	3.10%	3.29%

Notes to the Schedule of University OPEB Contributions

This schedule presents only six years of information, rather than ten years, as only six years of trend information are available at September 30, 2023.

Additional Information

University of North Alabama
Listing of University Officials
October 1, 2022 through September 30, 2023

Officials	Position
Kenneth D. Kitts	President
Evan M. Thornton	Vice-President of Financial Affairs
Shauna L. James	Director of Student Financial Services

PART II

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MAULDIN & JENKINS

CPAs & ADVISORS

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), a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 6, 2024. Our report includes an emphasis of matter reference to the change in accounting principle resulting from the implementation of GASB 96 *Subscription-Based Information Technology Arrangements*, as of October 1, 2022. The financial statements of the University of North Alabama Foundation, a discretely presented component unit of the University, 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 the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Athens, Alabama
March 6, 2024

MAULDIN & JENKINS
CPAs & ADVISORS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
University of North Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University of North Alabama (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended September 30, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the University, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated March 6, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Athens, Alabama
May 14, 2024, except for our report on the schedule of expenditures of federal awards, for which the date is March 6, 2024

PART III

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

University of North Alabama
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
MAJOR PROGRAMS				
Student Financial Assistance Cluster				
U.S. Department of Education Direct Programs				
Federal Pell Grant Program	84.063	N.A.	$ -	$ 10,353,377
Federal Direct Student Loans	84.268	N.A.	-	33,786,762
Federal Work-Study Program	84.033	N.A.	-	405,005
Federal Supplemental Education Opportunity Grants	84.007	N.A.	-	173,097
U.S. Department of Health and Human Services Direct Programs				
Nurse Faculty Loan Program	93.264	N.A.	-	43,909
Total Student Financial Assistance Cluster			-	44,762,150
Total Major Programs			$ -	$ 44,762,150

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

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
NON-MAJOR PROGRAMS				
U.S. Department of Education Passed Through Alabama Commission on Higher Education				
COVID 19 - Education Stabilization Fund	84.425C	N/A	$ -	$ 33,821
U.S. Department of Education Passed Through Alabama State Department of Education				
COVID 19 – Education Stabilization Fund	84.425U	N/A	-	9,190
COVID 19 - Education Stabilization Fund	84.425D	N/A	-	179,748
Total COVID 19 - Education Stabilization Fund			-	222,759
U.S. Department of Agriculture Passed Through Florence City School System				
National School Lunch Program	10.555	N.A.	-	37,865
Small Business Administration Passed Through the University of Alabama				
Small Business Development Center	59.037	A22-0074-S005	-	70,453
U.S. Department of Education Direct Programs				
TRIO – Student Support Services	84.042A	N.A.	-	170,896

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

U.S. Department of Health and Human Services Direct Programs				
Occupational Safety and Health Program	93.262	N.A.	-	32,569
Advanced Nursing Education Workforce	93.247	N.A.	-	48,038
National Science Foundation Direct Program				
Education and Human Resources	47.076	N.A.	-	332,916
Appalachian Regional Commission Passed Through East Tennessee State University				
Appalachian Teaching Project	23.011	21-127-1-S10.1	-	5,000
U.S. Department of Defense Passed Through Vanderbilt University				
Raman Spectroscopy for Non-Invasive Psychology Monitoring of Hydration	12.420	0SA00000194	-	104,007
Alabama NASA EPSCoR	43.008	2022-1522	-	16,404
U.S. Department of the Interior Direct Programs				
National Heritage Area Federal Financial Assistance	15.939	N.A.	-	603,170
National Endowment for the Humanities Passed Through Alabama Humanities Foundation				
Promotion of the Humanities – Federal/State Partnership	45.129	1222-2924MJ 1221-2846MJ	-	7,536
Total Non-Major Programs			-	1,651,613
Total Federal Awards			$ -	$ 46,413,763

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the University of North Alabama (the "University") under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Programs classified as Type A are as follows:

Student Financial Assistance Programs

Assistance Listing Numbers

Assistance Listing (formerly Catalog of Federal Domestic Assistance, CFDA) numbers are assigned to contracts and grants on the basis of program type. Assistance Listing numbers and pass-through numbers are provided when available.

NOTE 3 – FEDERAL PERKINS LOAN PROGRAM (Assistance Listing Number 84.038)

The Federal Perkins Loan Program (Perkins) is administered directly by the University. There were no current year student advances under this program. Outstanding loan balances from previous year's activity are included in the University's basic financial statements. The balances of loans outstanding at September 30, 2023 totaled $25,279, which is not reflected on the schedule of expenditures of federal awards.

NOTE 4 – FEDERAL DIRECT STUDENT LOAN PROGRAM (Assistance Listing Number 84.268)

The Direct Loan program enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. As a university qualified to originate loans, the University is responsible for handling the complete loan origination process, including funds management and promissory note functions. The University is not responsible for collection of these loans.

During the program year, the University processed approximately $33.8 million of student loans under the Direct Loan program.

NOTE 5 – Nursing Faculty Loan Program (Assistance Listing Number 93.264)

The Nurse Faculty Loan (NFL) program is administered directly by the University, and balances and transactions relating to this program is included in the University's financial statements.

The balances of loans outstanding at September 30, 2023 and funds advanced by the University to eligible students during the year ended September 30, 2023 under this federal student loan program is summarized as follows:

Student Loan Receivable, September 30, 2022	$	506,060
Funds Advanced to Students		43,909
Less:		
Collections		(25,631)
Cancellations		(18,997)
Student Loan Receivable, September 30, 2023	$	505,341

PART IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

University of North Alabama
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
- Material weakness(es) identified? ____ yes __x__ no
- Significant deficiency(ies) identified? ____ yes __x__ none reported
- Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ____ yes __x__ no
- Significant deficiency(ies) identified? ____ yes __x__ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ yes __x__ no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster
84.063	Federal Pell Grant Program
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.268	Federal Direct Student Loans
93.264	Nurse Faculty Loan Program

Threshold used to determine Type A and Type B Programs: $ 750,000

Auditee qualified as low-risk auditee? __x__ yes ____ no

Section II – Financial Statement Findings

The audit did not disclose any financial statement findings required to be reported.

Section III – Federal Award Findings and Questioned Costs

The audit did not disclose any financial statement findings required to be reported.

No matters were reported.