

**ALABAMA A&M UNIVERSITY  
FINANCIAL STATEMENTS  
September 30, 2012  
With Independent Auditors Report**

**ALABAMA A&M UNIVERSITY**  
**Normal, Alabama**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Alabama A&M University  
Normal, Alabama

We have audited the accompanying basic financial statements of Alabama A&M University ("the University"), a component unit of the State of Alabama, and its discretely presented component units as of and for the years ended September 30, 2012 and 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its discretely presented component units as of September 30, 2012 and 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2013, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



To the Board of Trustees of  
Alabama A&M University  
Normal Alabama  
Page 2

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Alabama A&M University taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

March 30, 2013

*Bank, Finley White & Co.*

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2012**

**INTRODUCTION**

The following discussion presents an overview of the financial position and financial performance of the University during the fiscal year ended September 30, 2012, with comparative information for 2011. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

The basic financial statements consist of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These financial statements focus on the financial position, results of operations, and cash flows of the University as a whole. The University reports the Alabama A&M University Foundation, Inc. and the Trust for Educational Excellence at Alabama A&M University as discretely presented component units. Complete financial statements of these component units can be obtained from their respective administrative offices on the University's campus.

**FINANCIAL HIGHLIGHTS**

At September 30, 2012 and 2011, the University has total assets of \$198,453,611 and \$198,084,807, respectively; total liabilities of \$114,584,512 and \$116,267,000, respectively. University net assets increased by \$2,051,292 during the year ended September 30, 2012.

An overview of each statement is presented herein along with a financial analysis of the transactions impacting each statement. When appropriate, comparative financial information is presented in the understanding of this analysis.

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

***Statement of Net Assets***

The statement of net assets presents the assets, liabilities, and net assets of the University at September 30, 2012. The net assets are displayed in three parts: invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets may either be expendable or nonexpendable and are those assets that are restricted by law or external donor. Unrestricted net assets, while they are generally designated for specific purposes, are available for use by the University to meet current expenses for any purpose. The statement of net assets, along with all of the University's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2012**

Assets included in the statements of net assets are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and accounts receivable. Noncurrent assets at September 30, 2012, consist primarily of capital assets.

The condensed statements of net assets at September 30, 2012 and 2011, follow:

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets	\$ 76,622,933	\$ 70,373,330
Capital assets	117,444,345	123,248,874
Other noncurrent assets	<u>4,386,333</u>	<u>4,462,603</u>
Total assets	<u>198,453,611</u>	<u>198,084,807</u>
<b>LIABILITIES</b>		
Current liabilities	63,836,480	62,507,615
Noncurrent liabilities	<u>50,748,032</u>	<u>53,759,385</u>
Total liabilities	<u>114,584,512</u>	<u>116,267,000</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	60,534,767	65,884,806
Restricted-expendable	19,355,988	17,281,478
Unrestricted	<u>3,978,344</u>	<u>(1,348,477)</u>
Total net assets	<u>\$ 83,869,099</u>	<u>\$ 81,817,807</u>

***Changes in Assets, Liabilities and Net Assets***

University cash, cash equivalents, and investments increased between September 30, 2012 and 2011 by \$2,105,851 or 15.4%, primarily due to an increase in student enrollment corresponding with an increase in tuition and fees. The University has also placed a greater emphasis on collections of receivables as well. Accounts and loans receivable increased between September 30, 2012 and 2011, by \$4,759,764 or 9.7% due to increased tuition and fees receivable and increased grants and contracts receivable. University debt (lease obligations and bonds payable) decreased by \$2,871,353 or 5.1% due to the payment of required debt payments and amortization of, bond issuance cost, premiums and discounts and loss on refunding. University net assets increased between September 30, 2012 and 2011, by \$2,051,292, primarily due to increases in tuition and fees.

***Statement of Revenues, Expenses and Changes in Net Assets***

Changes in total University net assets are the results of activity presented in the statements of revenues, expenses, and changes in net assets.

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2012**

The purpose of this statement is to present the change in net assets resulting from revenues earned by the University, both operating and nonoperating, and the expenses incurred by the University, both operating and nonoperating, as well as any other revenues, expenses, gains, and losses earned or incurred by the University.

Generally, operating revenues have the characteristics of exchange transactions and are received or accrued for providing goods and services to the various customers and consistencies of the University. These include tuition and fees (net of scholarship discounts and allowances), most noncapital grants and contracts and revenues from auxiliary activities and sales and services of education activities (primarily athletic activities). Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University.

Nonoperating revenues have the characteristics of nonexchange transactions and are revenues generally earned for which goods and services are not provided, such as investment income, capital appropriations, gifts and other contributions. State appropriations are required by the Governmental Accounting Standards Board to be classified as nonoperating revenues. Nonoperating expenses are those expenses required in the operating and administration of the University, but not directly incurred to acquire or produce the goods and services provided by operating revenues. Such nonoperating expenses include interest on the University's indebtedness and losses related to the disposition of capital assets.

The condensed statements of revenues, expenses and changes in net assets for the years ended September 30, 2012 and 2011, follow:

	<u>2012</u>	<u>2011</u>
<b>Operating revenues:</b>		
Tuition and fees (net of allowances of \$9,865,627 and \$11,828,843, respectively)	\$ 37,246,529	\$ 35,817,107
Federal appropriations	2,223,795	5,294,117
Federal, state and private grants and contracts	43,320,591	44,864,555
Auxiliary enterprises and other	<u>14,888,114</u>	<u>18,510,467</u>
Total operating revenues	97,679,029	104,486,246
Operating expenses	<u>133,800,914</u>	<u>138,623,610</u>
Operating loss	(36,121,885)	(34,137,364)
<b>Nonoperating revenues (expenses):</b>		
State appropriations	40,405,340	38,821,235
Investment income, net	63,138	380,888
Interest expense on capital debt	(2,646,365)	(2,318,647)
Other nonoperating revenues (expenses)	<u>351,064</u>	<u>1,676,816</u>
Net nonoperating revenues	<u>38,173,177</u>	<u>38,560,292</u>
Increase in net assets	2,051,292	4,422,928
Net assets-beginning of year	<u>81,817,807</u>	<u>77,394,879</u>
Net assets-end of year	<u>\$ 83,869,099</u>	<u>\$ 81,817,807</u>

**ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2012**

***Changes in Revenues and Expenses***

The University's operating revenues decreased by \$6,807,217 or 6.5% during the year ended September 30, 2012, due to several uncontrollable factors. The 2012 fiscal year was the first year of elimination of the State Fiscal Stabilization Funds (SFSF), under the State Fiscal Stabilization Program. The State Fiscal Stabilization Program is part of the American Recovery and Reinvestment Act (ARRA) of 2009 (Federal Stimulus Package). ARRA provided more than \$48 billion to America's governors to reduce the potential of additional funding reductions in state and local budgets for education and other essential government services. SFSF were awarded by the Federal Department of Education directly to the Governor's office in each state. The University had received approximately \$3.2 million dollars annually from the SFSF. The remaining differences are attributed to the changes in student enrollment for the 2012 year. In response to these changes operating expenses decreased by \$4,822,696 or 3.5%, primarily due to management decisions to direct and in some cases, reduce general operating costs. State appropriations and other state revenues decreased by \$392,991 or 0.9%.

***Grants and Contracts***

Grants and contracts include all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions. Nonexchange revenues are recorded when received, or when eligibility criteria have been met.

The following table details the University's grant and contract awards for the fiscal years ended September 30, 2012 and 2011 by source:

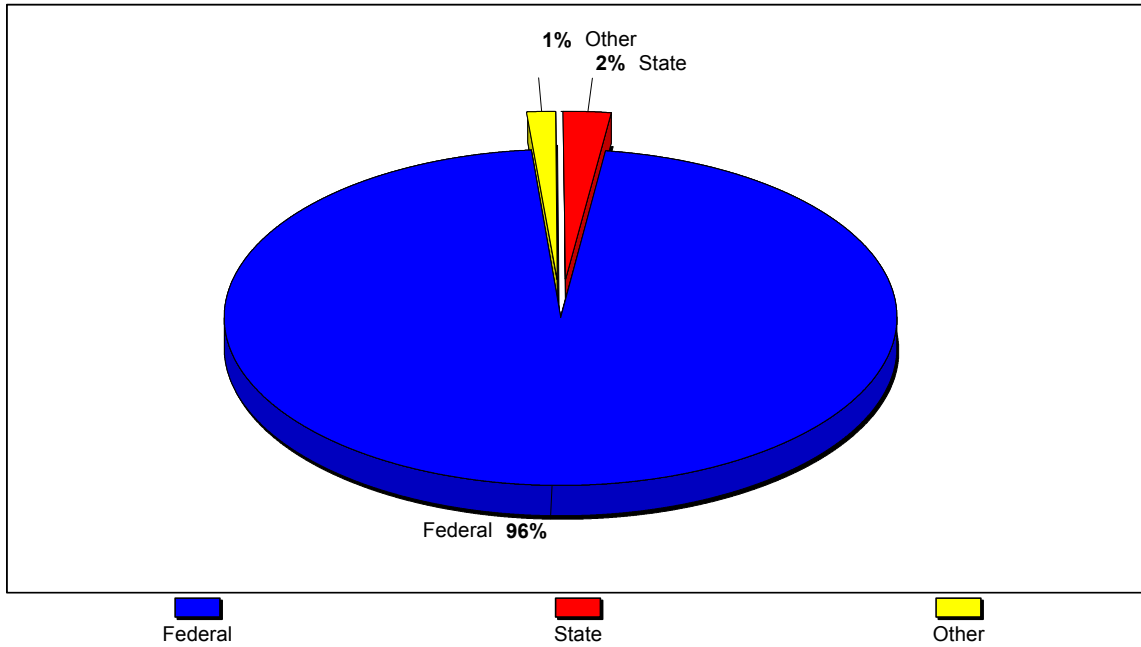
	<u>2012</u>	<u>2011</u>
<b>Federal Sources</b>		
Financial aid (excludes loan programs)	\$16,528,412	\$16,037,952
Department of Education	9,058,509	8,789,708
National Aeronautics and Space Administration	525,693	510,094
United States Department of Agriculture	5,981,779	5,804,277
Other federal agencies	<u>9,681,187</u>	<u>9,393,909</u>
Total federal sources	41,775,581	40,535,940
<b>State sources</b>		
Grants and contracts	974,834	2,951,930
Other sources	<u>570,176</u>	<u>1,376,683</u>
Total all sources	<u>\$43,320,591</u>	<u>\$44,864,553</u>



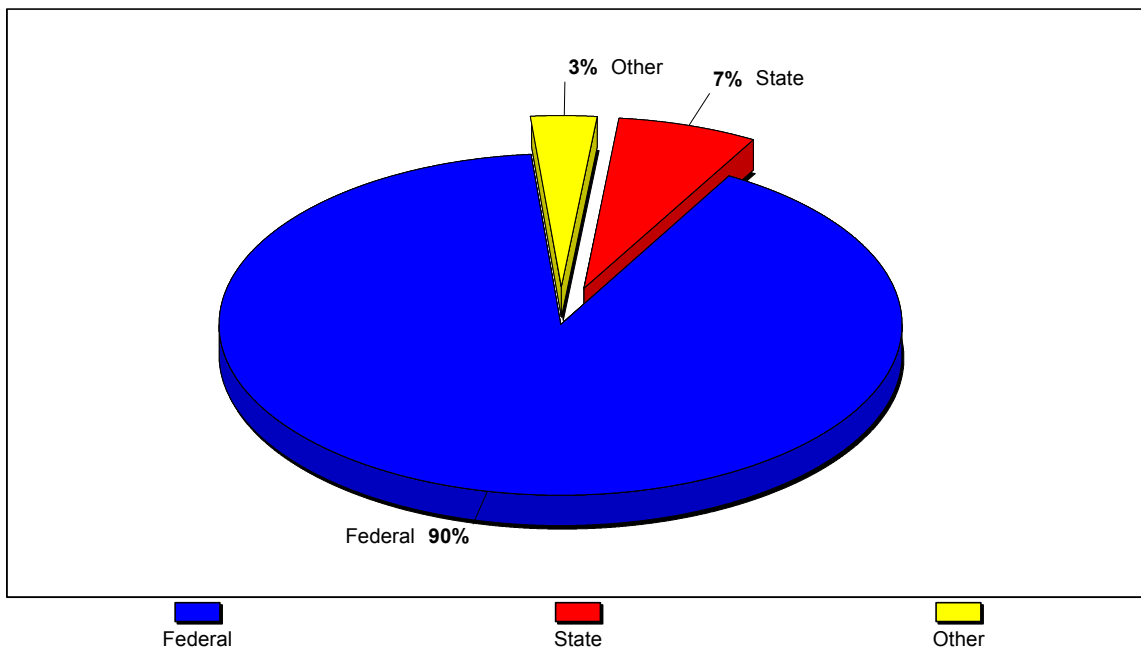
**ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2012**

The following is a graphic illustration of grant awards by source:

**Analysis of Grant Revenues  
2012**



**Analysis of Grant Revenues  
2011**



**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2012**

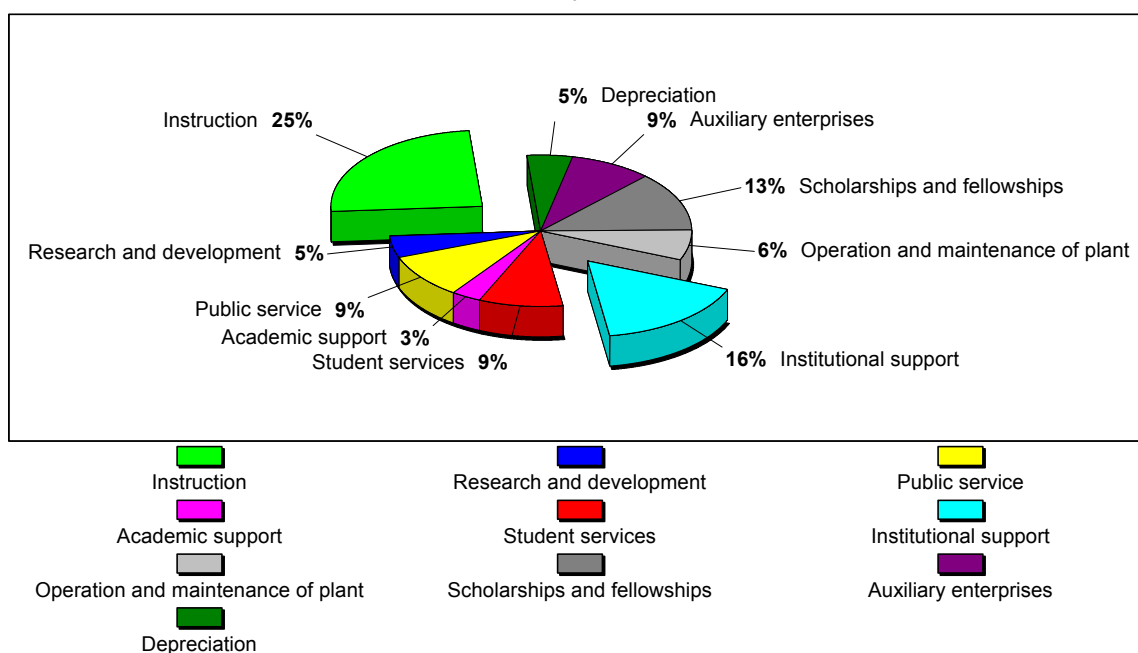
Operating expenses by functional classification for the fiscal years ended September 30, 2012 and 2011, are listed below:

**Expenses by Function**

	<b>2012</b>	<b>2011</b>
<b>Educational and General:</b>		
Instruction	\$ 33,048,260	\$ 31,601,763
Research and development	6,238,817	12,340,037
Public service	12,651,020	18,437,691
Academic support	4,243,765	6,307,016
Student services	11,995,890	10,250,584
Institutional support	21,964,690	18,576,568
Operation and maintenance of plant	8,542,169	8,301,556
Scholarships and fellowships	<u>16,856,540</u>	<u>18,302,572</u>
	115,541,151	124,117,787
<b>Auxiliary Enterprises</b>	11,770,223	8,365,570
<b>Depreciation and amortization</b>	<u>6,489,540</u>	<u>6,140,253</u>
<b>Total Operating Expenses</b>	<u><u>\$ 133,800,914</u></u>	<u><u>\$ 138,623,610</u></u>

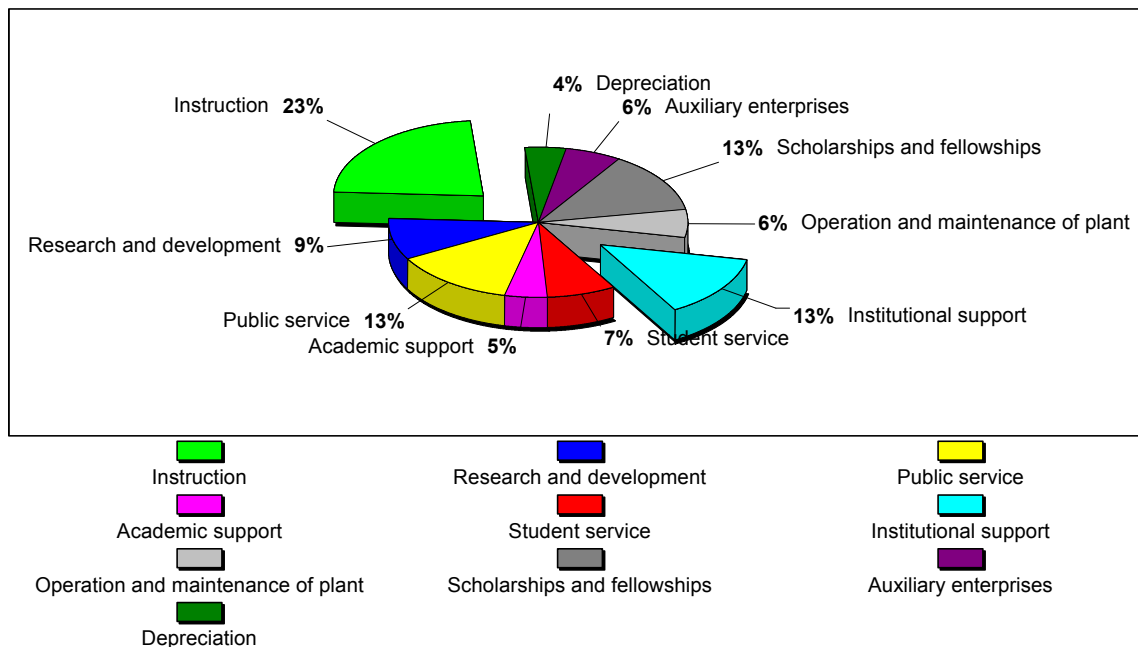
**Analysis of Expenditures by Function**

2012



**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2012**

**Analysis of Expenditures by Function**  
2011



**Statements of Cash Flows**

The statements of cash flows presents information related to cash flows of the University. This statement presents cash flows by category: operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net cash provided to, or used by, the University is presented by category.

**ENROLLMENT**

The following table indicates the total historical on-campus enrollment of undergraduate and graduate students for the 2008 through 2012 academic years. Also indicated are the full-time equivalent students and the total number of on-campus credit hours taken by the students attending the University.

**Fall Headcount Enrollment and Full-Time Equivalent**

<u>Year ended September 30</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Full-Time Equivalent</u>	<u>Annual Total Credit Hours Taken</u>
2012	4,169	776	4,945	4,279	129,330
2011	4,940	874	5,814	5,066	184,004
2010	4,496	831	5,327	4,723	147,809
2009	4,496	831	5,327	4,845	149,936
2008	4,297	827	5,124	4,872	155,170

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2012**

**Student Admissions**

The table below shows the total of new freshman and transfer applications received, the number accepted, and the number who enrolled for the fall semesters of 2008 through 2012.

**Fall Semester First-Year Student Admissions**

<u>Year ended September 30</u>	<u>Number of Applicants</u>	<u>Percent Accepted</u>	<u>Number Accepted</u>	<u>Percent Enrolled</u>	<u>Number Enrolled</u>
2012	9,676	56.1%	5,427	19.1%	1,034
2011	8,082	45.9%	3,709	23.0%	852
2010	5,705	47.3%	2,696	38.9%	1,050
2009	5,622	46.1%	2,592	41.1%	1,066
2008	3,961	49.0%	1,941	53.9%	1,046

**Fall Semester Transfer Student Admissions**

<u>Year ended September 30</u>	<u>Number of Applicants</u>	<u>Percent Accepted</u>	<u>Number Accepted</u>	<u>Percent Enrolled</u>	<u>Number Enrolled</u>
2012	738	37.3%	275	56.7%	156
2011	808	39.7%	321	66.1%	180
2010	400	76.3%	305	77.7%	237
2009	447	71.1%	318	85.2%	271
2008	387	35.9%	139	88.5%	123

**Student Costs per Credit Hour**

Student fees are based on a student's classification, full or part-time, in-state or out-of-state. Tuition for graduate and part-time students is based on the number of credit hours taken. The fees for an on-campus student, for the academic years indicated, are set forth below.

**Student Cost per Credit Hour**

<u>Student Classification</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Undergraduate, resident	\$222	\$203	\$165	\$143	\$143
Undergraduate, nonresident	444	406	330	286	286
Graduate, resident	337	309	251	218	198
Graduate, nonresident	674	618	502	436	396

**Annual Full-Time Tuition**

<u>Student Classification</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Undergraduate, resident	\$ 8,250	\$ 7,048	\$ 5,776	\$ 5,694	\$ 4,930
Undergraduate, nonresident	14,910	13,138	10,726	10,616	9,020
Graduate, resident	7,666	6,520	5,354	6,778	5,882
Graduate, nonresident	13,732	12,082	9,872	12,058	11,114

**ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2012**

**Room and Board and Estimated Total Cost**

The annual cost of room and board and the estimated cost for two semesters for a resident undergraduate student for five academic years are set forth below:

**Annual Room and Board and Estimated Total Costs**

<u>Year ended September 30</u>	<u>Room and Board</u>	<u>Estimated Tuition, Fees, Books and Miscellaneous</u>	<u>Estimated Total Costs</u>
2012	\$6,980	\$10,286	\$17,266
2011	\$6,542	\$9,086	\$15,628
2010	5,632	7,126	12,758
2009	5,170	5,697	10,867
2008	4,770	5,450	10,220

**Residence Hall Occupancy Analysis**

<u>Fall Semester</u>	<u>Number of Occupants</u>	<u>Capacity</u>	<u>Percent of Occupancy</u>
2012	1,839	2,025	91%
2011	2,209	2,356	94%
2010	2,153	2,358	91%
2009	2,153	2,832	76%
2008	2,039	2,793	73%

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Total capital asset additions for the University were approximately \$13,785,836 and \$17,406,066 for the years ended September 30, 2012 and 2011, respectively. During 2012, noncurrent liabilities decreased by \$3,011,353.

**ECONOMIC OUTLOOK**

The macroeconomic environment is likely to be extremely volatile for the foreseeable future both nationally and for the State of Alabama. Based on this volatility, the University will conserve capital for use on facilities and equipment and to provide an investment return for future operating subsidies of housing. We will continue to increase our capital through operating surpluses.

We will maintain strong controls over operating expenses and evaluate closely any additional programs no matter how strong the program claims might be. We will also discourage any expenditures or investments which do not take into account the possibility of a continued recession or sustained inflation.

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2012**

We will continue to maintain our below state-wide average pricing on tuition, we believe this will create sustained upward pressure on enrollment and provide us with a hedge against possible continued state funding reductions.

The need to continue to address priority needs and requirements for deferred maintenance, new technology, repairs and new construction projects is a large challenge facing the University in the years to come. Various committees and individuals are assessing the University's performance toward identified goals, use of energy resources and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting future challenges and reducing our cost of operation.

Ralph Johnson  
Vice President for Business and Finance

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF NET ASSETS**  
**September 30, 2012 and 2011**

	<u>2012</u>		<u>2011</u>	
	<u>Alabama A&amp;M University</u>	<u>Component Units</u>	<u>Alabama A&amp;M University</u>	<u>Component Units</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 7,022,893	\$ 3,237,722	\$ 6,980,091	\$ 29,586,849
Trusted fund assets:				
Cash and cash equivalents	-	-	-	1,499,620
Investments	4,928,735	-	2,817,815	-
Student accounts receivable, net of allowances	14,090,731	-	11,693,013	-
Loans receivable, net	9,326,395	-	9,326,395	-
Accounts receivable-other, net	30,600,532	3,112,354	28,238,486	4,861,852
Prepaid expenses	<u>10,653,647</u>	<u>-</u>	<u>11,317,530</u>	<u>12,074</u>
Total current assets	76,622,933	6,350,076	70,373,330	35,960,395
<b>Noncurrent assets:</b>				
Investments	3,816,227	39,371,726	3,864,098	12,592,755
Bond issuance costs	570,106	828,703	598,505	934,468
Capital assets, net	<u>117,444,345</u>	<u>8,665,570</u>	<u>123,248,874</u>	<u>9,203,552</u>
Total noncurrent assets	<u>121,830,678</u>	<u>48,865,999</u>	<u>127,711,477</u>	<u>22,730,775</u>
Total assets	<u>198,453,611</u>	<u>55,216,075</u>	<u>198,084,807</u>	<u>58,691,170</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	14,505,744	604,695	15,242,881	21,211
Compensated absences	3,273,143	-	2,920,750	-
Student deposits	2,675,914	-	2,666,637	-
Deposits held in custody for others	300,290	1,307,824	372,303	1,085,303
Deferred revenue	38,730,756	-	37,101,860	37,747
Accrued interest on bonds payable	1,240,633	317,825	1,233,184	326,752
Bonds payable, current portion	<u>3,110,000</u>	<u>480,000</u>	<u>2,970,000</u>	<u>455,000</u>
Total current liabilities	<u>63,836,480</u>	<u>2,710,344</u>	<u>62,507,615</u>	<u>1,926,013</u>
<b>Noncurrent liabilities:</b>				
Bonds payable, noncurrent portion, net	<u>50,748,032</u>	<u>15,560,000</u>	<u>53,759,385</u>	<u>16,040,000</u>
Total noncurrent liabilities	<u>50,748,032</u>	<u>15,560,000</u>	<u>53,759,385</u>	<u>16,040,000</u>
Total liabilities	<u>114,584,512</u>	<u>18,270,344</u>	<u>116,267,000</u>	<u>17,966,013</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF NET ASSETS (CONT'D)**  
**September 30, 2012 and 2011**

	<u>2012</u>		<u>2011</u>	
	<u>Alabama A&amp;M University</u>	<u>Component Units</u>	<u>Alabama A&amp;M University</u>	<u>Component Units</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	60,534,767	-	65,884,806	-
<b>Restricted expendable:</b>				
Scholarships and fellowships	1,428,015	-	1,435,313	-
Research	2,368,558	-	2,209,882	-
Public service	948,283	-	939,727	-
Instructional department uses	32,509	-	14,464	-
Loans	8,790,036	-	9,326,395	-
Debt service	5,662,309	-	3,229,419	-
Other	126,278	863,920	126,278	3,036,950
Nonexpendable	-	36,173,989	-	41,409,140
Unrestricted	<u>3,978,344</u>	<u>(92,178)</u>	<u>(1,348,477)</u>	<u>(3,720,933)</u>
Total net assets	<u>\$ 83,869,099</u>	<u>\$ 36,945,731</u>	<u>\$ 81,817,807</u>	<u>\$ 40,725,157</u>



**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the years ended September 30, 2012 and 2011**

	<u>2012</u>		<u>2011</u>	
	<u>Alabama A&amp;M University</u>	<u>Component Units</u>	<u>Alabama A&amp;M University</u>	<u>Component Units</u>
<b>REVENUES</b>				
<b>Operating revenues:</b>				
Student tuition and fees (net of scholarship and other allowances of \$9,865,627 and \$11,828,843)	\$ 37,246,529	\$ -	\$ 35,817,107	\$ -
Federal appropriations	2,223,795	-	5,294,117	-
Federal grants and contracts	41,775,581	-	40,535,942	-
State and local grants and contracts	974,834	-	2,951,930	-
Nongovernmental grants and contracts	570,176	-	1,376,683	-
Sales and services of educational departments	2,191,128	-	2,284,895	-
Auxiliary revenue	12,557,384	-	14,979,412	-
Interest earned on student loans	-	-	-	-
Other operating revenues (expenditures)	<u>139,602</u>	<u>599,052</u>	<u>1,246,160</u>	<u>6,969,713</u>
Total operating revenues	<u>97,679,029</u>	<u>599,052</u>	<u>104,486,246</u>	<u>6,969,713</u>
<b>EXPENSES</b>				
<b>Operating expenses:</b>				
Salaries and wages	52,704,609	-	56,102,924	-
Fringe benefits	14,100,498	-	16,414,641	-
Scholarships and fellowships	16,856,540	-	18,302,572	-
Utilities	4,621,813	-	5,538,863	-
Supplies and other services	39,027,914	-	36,124,357	-
Depreciation and amortization	6,489,540	575,200	6,140,253	625,260
Other operating expenses	<u>-</u>	<u>3,803,278</u>	<u>-</u>	<u>3,159,352</u>
Total operating expenses	<u>133,800,914</u>	<u>4,378,478</u>	<u>138,623,610</u>	<u>3,784,612</u>
Operating income (loss)	<u>(36,121,885)</u>	<u>(3,779,426)</u>	<u>(34,137,364)</u>	<u>3,185,101</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	40,405,340	-	38,821,235	-
Investment income	63,138	-	380,888	-
Interest expense	(2,646,365)	-	(2,318,647)	-
Other nonoperating revenues (expenses)	<u>351,064</u>	<u>-</u>	<u>1,676,816</u>	<u>-</u>
Net nonoperating revenues	<u>38,173,177</u>	<u>-</u>	<u>38,560,292</u>	<u>-</u>
Increase (decrease) in net assets	2,051,292	(3,779,426)	4,422,928	3,185,101
Net assets at beginning of the year	<u>81,817,807</u>	<u>40,725,157</u>	<u>77,394,879</u>	<u>37,540,056</u>
Net assets at end of the year	<u>\$ 83,869,099</u>	<u>\$ 36,945,731</u>	<u>\$ 81,817,807</u>	<u>\$ 40,725,157</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tuition and fees	\$ 34,848,811	\$ 36,753,833
Cash received from federal appropriations	2,223,795	5,294,117
Cash received from grants and contracts	42,587,441	44,187,013
Cash received from sales and services of educational departments	2,191,128	2,284,895
Cash received from auxiliary enterprises	12,557,384	14,979,412
Other receipts and payments (net)	139,602	1,246,160
Cash payments to suppliers	(39,163,904)	(30,685,669)
Payment to utilities	(4,621,813)	(5,538,863)
Cash payments to employees and related benefits	(66,452,714)	(72,894,762)
Cash payments for scholarships and fellowships	(16,856,540)	(18,302,572)
Cash payments for loans issued to students	-	(4,900,000)
Net cash provided (used) by operating activities	(32,546,810)	(27,576,436)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	40,405,340	38,821,235
Other nonoperating expenses	351,064	1,676,815
Net cash provided by noncapital financing activities	40,756,404	40,498,050
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(597,441)	(3,141,585)
Loss on disposal of assets	(87,570)	-
Principal paid on capital debt and leases	(2,871,353)	(3,459,082)
Interest cost on capital debt and leases	(2,610,517)	(2,567,649)
Net cash provided (used) by capital financing activities	(6,166,881)	(9,168,316)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	6,681,913	8,842,360
Purchase of investments	(8,744,962)	(6,681,915)
Investment income	63,138	380,888
Net cash provided by investing activities	(1,999,911)	2,541,333
Net increase (decrease) in cash	42,802	6,294,631
Cash and cash equivalents, beginning of the year	6,980,091	685,460
Cash and cash equivalents, end of the year	<u>\$ 7,022,893</u>	<u>\$ 6,980,091</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (36,121,885)	\$ (34,137,364)
<b>Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:</b>		
Depreciation and amortization expense	6,489,540	6,140,253
<b>Changes in assets and liabilities:</b>		
Receivables, net	(4,759,764)	(13,888,411)
Prepaid expenses	663,883	1,413,926
Accounts payable and accrued expenses	(737,137)	3,501,621
Compensated absences	352,393	(377,197)
Student deposits	9,277	523,141
Deposits held in trust for others	(72,013)	-
Deferred revenues	1,628,896	9,247,590
Net cash provided (used) by operating activities	<u>\$ (32,546,810)</u>	<u>\$ (27,576,441)</u>

**ALABAMA A&M UNIVERSITY FOUNDATION, INC. AND SUBSIDIARY**  
**(A Component Unit of Alabama A&M University)**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended September 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 455,725	\$ 1,469,647
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	680,964	625,260
Change in accounts receivable	(603,532)	(657,253)
Change in prepaid expenses	12,074	-
Change in accounts payable and accrued expenses	434,671	(770,140)
Change in accrued interest	(8,929)	(8,388)
Change in funds held for other organizations	224,398	(391,416)
Change in unearned rental income	<u>(37,747)</u>	<u>(151,088)</u>
Net Cash Provided by Operating Activities	<u>1,157,624</u>	<u>116,622</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(37,216)	-
Purchase of investments	(3,182,929)	(1,665,971)
Proceeds from sale of investments	<u>3,296,929</u>	<u>1,655,438</u>
Net Cash Used by Investing Activities	<u>76,784</u>	<u>(10,533)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	<u>(455,000)</u>	<u>(430,000)</u>
Net Cash Used by Financing Activities	<u>(455,000)</u>	<u>(430,000)</u>
Increase (decrease) in Cash and Cash Equivalents	<u>779,408</u>	<u>(323,911)</u>
Cash and Cash Equivalents - beginning of year	<u>1,609,202</u>	<u>1,933,113</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,388,610</u>	<u>\$ 1,609,202</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 1,314,165</u>	<u>\$ 1,346,674</u>

**TRUST FOR EDUCATIONAL EXCELLENCE AT  
ALABAMA A&M UNIVERSITY  
(A Component Unit of Alabama A&M University)  
STATEMENTS OF CASH FLOWS  
For the years ended July 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (454,974)	\$ 1,715,452
<b>Adjustment to reconcile change in net assets to net cash provided by operating activities:</b>		
Change in pledges and contributions receivable	-	1,085,494
Change in due from Alabama A&M University	<u>(1,280,210)</u>	<u>2,200,033</u>
Net cash provided by operating activities	<u>(1,735,184)</u>	<u>5,000,979</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	9,183,026	41,097,245
Purchase of investments	<u>(36,075,997)</u>	<u>(18,240,721)</u>
Net cash used by investing activities	<u>(26,892,971)</u>	<u>22,856,524</u>
Net decrease in cash and cash equivalents	(28,628,155)	27,857,503
Cash and cash equivalents, beginning of the year	<u>29,477,267</u>	<u>1,619,764</u>
Cash and cash equivalents, end of the year	<u>\$ 849,112</u>	<u>\$ 29,477,267</u>

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1      ORGANIZATION**

Alabama A&M University ("the University") is a land-grant educational institution, supported by the State of Alabama and federal funds from the Morrill Acts of 1862 and 1890. The University was founded in 1875 and is located in Normal, Alabama.

The University has evolved from a small teaching school in 1875 to a modern university of approximately 5,700 students providing baccalaureate and graduate studies in technical, professional, vocational and liberal arts area of study. The six undergraduate schools include Agriculture and Environmental Sciences, Arts and Sciences, Business, Education, Engineering and Technology and University College. The School of Graduate Studies and Extended Education coordinates graduate programs. The programs offered at the University are primarily accredited by the Southern Association of Colleges and Schools and other various accreditation associations.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by Alabama A&M University ("the University") are described below to enhance the usefulness of the financial statements to the reader.

**A.      Reporting Entity**

The University 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. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, 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, and 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'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 is considered for financial reporting purposes to be a component unit of the State of Alabama.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Furthermore, in accordance with GASB Statement No. 61, two discretely presented component units are reported in a separate column on the University's financial statements to emphasize that they are legally separate from the University. The Alabama A&M University Foundation, Inc. ("the Foundation") and the Trust for Educational Excellence at Alabama A&M University ("the Trust") are not-for-profit organizations supporting the University. The Foundation primarily receives and holds gifts, grants, bequests, money, property and other things for the benefit of the University, its faculty and its students, and gives the University such resources for educational and research purposes. The Trust primarily receives public funds, gifts, grants income, interest, dividends, real estate and any and all property rights of every kind and character to be held, invested and reinvested for educational purposes at the University. Although the University does not control the timing or amount of receipts from the Foundation and Trust, the majority of resources, or income thereon, which they hold and invest are restricted to support the activities of the University. Because these restricted resources held by the Foundation and Trust can only be used by, or for the benefit of, the University, they are considered component units of the University. These component units are described in greater detail in NOTE 19.

The Trust presents its financial statements in accordance with standards issued by the Financial Accounting Standards Board (FASB). The Trust is reported in separate financial statements because of the difference in the financial reporting format for the Trust. The Trust has a July 31 fiscal year end which differs from the University's September 30 fiscal year end. In accordance with GASB Statement No. 61, this discretely presented unit has been included for the most recent fiscal years.

The Foundation presents its financial statements in accordance with standards issued by the FASB.

Financial statements for the Trust and the Foundation may be obtained by writing to the applicable entity at 4900 - Meridian Street, Normal, Alabama 35762.

The University is also affiliated with the North Alabama Center for Educational Excellence. This entity is not considered a component unit of the University under the provisions of GASB Statement Number 61.

**B. Basis of Accounting**

The financial statements of the University have been prepared on the accrual basis of accounting.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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In accordance with GASB Statement No. 62, the University is required to follow all applicable GASB pronouncements. In addition, the University applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions (APB) and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

**C. Measurement Focus and Basis of Accounting and Financial Statement Presentation**

For financial reporting purposes, the University is considered a special-purpose governmental agency engaged only in business-type activities as defined by 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. It accounts for operations in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The term measurement focus is used to denote what is being measured and reported in the University's operating statement. The University is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the University is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the University's operating statement. The University uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The University prepares its basic financial statements in accordance with U.S. generally accepted accounting principles, as prescribed by GASB, including all applicable effective statements of the GASB and all statements of FASB issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**D. Revenue and Expense Recognition**

The University classifies its revenues and expenses as operating or nonoperating in the accompanying statements of revenues, expenses and changes in net assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as 1) student tuition and fees, 2) sales and services of auxiliary enterprises, 3) certain federal, state and local grants and contracts that are essentially contracts for services, and 4) interest earned on loans.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as State appropriations and investment income.

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the University considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and demand deposits.

**F. Investments**

State statutes authorize the University to invest in U.S. government obligations, or in bonds of the State of Alabama or in any county or municipality therein, or in certificates of deposit collaterally secured by a pledge of U.S. government obligations.

Investments in equity securities, mutual funds and debt securities are reported at fair value in the accompanying statements of net assets, with all net realized and unrealized gains and losses reflected in the accompanying statements of revenues, expenses and changes in net assets. Fair value of these investments is based on quoted market prices or dealer quotes, where available.

**G. Receivables**

**Student receivables** are receivables from students of the University for tuition and fees and are recorded at their estimated net realizable value. The University establishes reserves for balances determined to be impaired or otherwise uncollectible.



**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

**Grants receivable** are comprised of amounts due to the University for expenditures relating to grant awards, principally from the United States government. The amount recorded represents the estimated net realizable value.

**Student loans receivable** include Perkins and other federal loans receivable for financial aid awarded to students primarily under Title IV federal programs. Federal contributions to the University's loan programs are considered refundable advances and are presented as a liability for U.S. government grants refundable on the statement of net assets.

**H. Restricted Assets**

Restricted assets consist of monies and other resources which are restricted legally as described below:

**Scholarships** - These assets represent State government revenues restricted for student scholarships and are shown as current assets on the accompanying statements of net assets.

**Grants and Contracts** - These assets represent federal, state and local government grants and contract revenues restricted for student aid, research and development and other educational programs.

**Capital Projects and Debt Service** - These assets represent capital debt proceeds that are restricted for designated capital projects and portions of bond proceeds deposited in the Debt Service Reserve Account or Capital Projects Account, pursuant to the terms of trust indentures.

**I. Capital Assets**

Capital assets, which include property, plant, equipment, software, and library holdings, are recorded in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' useful lives are not capitalized.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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A capitalization threshold of \$100,000 is used for building, land improvement, and infrastructure. Equipment and software are capitalized when the unit acquisition cost is \$5,000 or greater and estimated useful life is five years or more. The capitalization threshold for additions to buildings, infrastructure and land improvements is also \$100,000.

Building	10-50 years
Infrastructure improvements	5-30 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-15 years

These assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 50 years.

**J. Net Assets**

The University's net assets are classified as follows:

**Invested in capital assets, net of related debt** - this component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

**Restricted-nonexpendable** - this component of net assets consists of endowments and similar type assets whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity. The University currently does not have any restricted-nonexpendable net assets.

**Unrestricted net assets** - this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. While unrestricted net assets may be designated for specific purposes by action of management of the Board of Trustees, they are available for use at the discretion of the governing board to meet current expenses for any purpose.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University. For projects funded by tax-exempt debt proceeds and other sources, the debt proceeds are always used first.

**K. Interest Capitalization**

Interest cost related to construction financing is capitalized, net of interest revenue earned on the borrowed proceeds, from the time of borrowing until construction is substantially complete and the asset is placed in service.

**L. Bond Issue Costs and Deferred Loss on Bond Refunding**

Bond issue costs, original issue discount and deferred loss on refunding on long-term indebtedness are deferred and amortized using the effective interest method over the life of the debt to which it relates.

**M. Deferred Revenue**

Deferred revenue consists primarily of student tuition and fees related to future fiscal years.

**N. Compensated Absences**

The University's employees earn vacation leave at graduated rates based on their length of service (one day per month of service initially) and up to thirty days of unused leave may be carried over to the following year. Sick leave is earned at the rate of eight hours for each month of service and can accumulate up to 225 days. The University funds sick leave as taken.

**O. Use of Estimates**

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, disclosure of contingent assets and 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.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**P. Income Taxes**

The University, a public corporation and an instrument of the State of Alabama, is exempt from federal income taxes under Section 115 of the Internal Revenue Code. Contributions to the University are deductible by donors as provided under Section 170 of the Internal Revenue Code.

**Q. Scholarship Allowances and Student Financial Aid**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the accompanying statements of revenues, expenses and changes in net assets. Scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf.

Certain governmental grants, such as PELL grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's basic financial statements based on their classification as either an exchange or nonexchange transaction. To the extent that revenues from such programs are used to satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

**NOTE 2 CONCENTRATION OF CREDIT AND MARKET RISK**

The University maintains cash accounts with several large financial institutions. All accounts at each financial institution are guaranteed by the FDIC up to \$250,000 per bank, with the remaining amounts being secured by the SAFE program (See NOTE 3). The University also places its cash equivalents and short-term investments in investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer. The University believes that no significant concentration of credit risk exists with respect to these cash investments.

Financial instruments that potentially subject the University to credit risk consist principally of student accounts receivable and student loans. Concentration of credit risk, however, is limited due to the large number of students comprising the University's enrollment base.

A substantial portion of the University's revenues is derived from federal grants and contracts and Student Financial Assistance Programs, which to a significant extent, provide resources for payment of student accounts receivable.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The maximum loss the University would incur is the value of student accounts and loans receivable which at September 30, 2012 and 2011 totaled \$23,417,126 and \$21,019,408.

**NOTE 3**      **CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less, held in the name of the University. The University's Board of Trustees approves all banks or other institutions as depositories for University funds. GASB Statement No. 40 defines custodial risk for deposits as "the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party."

Pursuant to the Security for Alabama Funds Enhancement Act (SAFE), funds on deposit may be placed in an institution designated as a qualified public depository (QPD) by the State of Alabama. QPD institutions pledge securities to a statewide collateral pool administered by the State Treasurer's office. Such financial institutions contribute to this collateral pool in amounts proportionate to the total amount of public fund deposits at their respective institutions. The securities are held at the Federal Reserve Bank and are designated for the State of Alabama.

Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2012 and 2011, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$8,080,000,000 and \$8,135,000,000, respectively. The University had cash and cash equivalents totaling \$7,022,893 and \$6,980,091 at September 30, 2012 and 2011, respectively. In the unlikely event a public entity should suffer a loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. As a result, the University believes its custodial risk related to cash and cash equivalents is remote.

**NOTE 4**      **INVESTMENTS**

The University is authorized to invest all available cash and is responsible for the management of the investments.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments, (including Repurchase Agreements), and Reverse Repurchase Agreements*, as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, and GASB Statement No. 59, *Financial Instruments Omnibus* requires certain disclosures related to interest rate and credit risk.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The University has not formally adopted deposit and investment policies that limit its allowable deposits or investments and address the specific types of risk to which the University is exposed.

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. All of the University's investments are collateralized with securities held by the pledging financial institution's trust department.

**Interest rate risk-** Interest rate risk is the risk the University may face should interest rate variances affect the fair value of investments. The University does not have a formal policy that addresses interest rate risk.

**Credit risk-** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations as they become due. The University does not have a formal policy that addresses credit risk.

**Foreign currency risk-** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University does not have a formal policy for foreign currency risk. At September 30, 2012 and 2011, there were no investments held that are directly impacted by fluctuations in foreign currency exchange rates.

**Interest Rate Risk-** The University manages its exposure to declines in fair values of investments due to market interest rate changes by limiting the maturity of their directly-held investments to less than one year, or by only purchasing obligations that it intends to hold to maturity. Any investments in mutual funds are limited to those which the underlying obligations have a weighted-average maturity of 90 days or less. The following table provides information as of September 30, 2012 and 2011, concerning the fair value of investments and interest rate risk:

<b>Type of Investments</b>	<b>2012</b>			
	<b>Maturity in Years at Fair Value</b>		<b>Total Fair Value</b>	<b>Cost</b>
	<b>Less Than 1 Year</b>	<b>1-5 Years</b>		
Fixed maturity:				
U.S. Treasury Obligations	\$ 4,928,735	\$ -	\$ 4,928,735	\$ 4,928,735
Mortgage-backed securities	<u>3,816,227</u>	<u>-</u>	<u>3,816,227</u>	<u>3,822,492</u>
Total fixed maturity	<u>8,744,962</u>	<u>-</u>	<u>8,744,962</u>	<u>8,751,227</u>
Total investments			<u>\$ 8,744,962</u>	<u>\$ 8,751,227</u>

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>Type of Investments</b>	<b>2011</b>			
	<b>Maturity in Years at Fair Value</b>			<b>Cost</b>
	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>Total Fair Value</b>	
Fixed maturity:				
U.S. Treasury Obligations	\$ 3,196,499	\$ -	\$ 3,196,499	\$ 3,202,450
Mortgage-backed securities	<u>3,485,414</u>	-	<u>3,485,414</u>	<u>3,485,273</u>
Total fixed maturity	<u>6,681,913</u>	-	<u>6,681,913</u>	<u>6,687,723</u>
Total investments			<u>\$ 6,681,913</u>	<u>\$ 6,687,723</u>

**Credit Risk**

The following tables provide information as of September 30, 2012 and 2011, respectively, concerning credit risk and concentration of credit risk:

<b>Moody's Rating</b>	<b>2012</b>			<b>Fair Value as a % of Total Fixed Maturity Fair Value</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Cost</b>	
U.S. Treasury Obligations	\$ 4,928,735	\$ 4,928,735		56.36%
Aaa	<u>3,816,227</u>	<u>3,822,492</u>		43.64%
	<u>\$ 8,744,962</u>	<u>\$ 8,751,227</u>		
<b>Moody's Rating</b>	<b>2011</b>			<b>Fair Value as a % of Total Fixed Maturity Fair Value</b>
	<b>Fair Value</b>	<b>Cost</b>	<b>Cost</b>	
U.S. Treasury Obligations	\$ 3,196,499	\$ 3,202,450		47.84%
Aaa	<u>3,485,414</u>	<u>3,485,273</u>		52.16%
	<u>\$ 6,681,913</u>	<u>\$ 6,687,723</u>		

At September 30, 2012 and 2011, the University owned debt securities at Federal Home Loan Mortgage Corporation and Federal National Mortgage Association, which represented various percentages of the total fair value of investments.

**ALABAMA A&M UNIVERSITY**  
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**Trust for Educational Excellence at Alabama A&M University**

Investments in debt and equity securities are carried at fair value determined as of the last business day of the year as reported by the financial institution holding the security at quoted market price. The cost of marketable securities represents amounts paid for purchased securities or average market values as of the date the security was donated to the Trust for contributed securities.

Realized gains and losses from the sales of securities are primarily determined by the specific identification method. Net unrealized appreciation (depreciation) of marketable securities represents the change in the difference between the Trust's cost and current market value of securities as determined at the end of each year and includes the effect of amortization expense on securities.

For the years ended July 31, 2012 and 2011, the Trust's \$(3,113,529) and \$2,644,118 investment income (loss) includes the following:

	<b>2012</b>	<b>2011</b>
Realized and unrealized appreciation (depreciation) in market value	\$ (3,569,587)	\$ 2,289,870
Dividends, interest and other income	456,058	354,248
	<b>\$ (3,113,529)</b>	<b>\$ 2,644,118</b>

At July 31, 2012 and 2011, the Trust's major investments are classified as follows:

	<b>2012</b>	<b>2011</b>
U.S. Government Obligations	\$ 10,590,345	\$ 3,845,179
Corporate obligations		
Equity mutual funds	25,485,652	4,881,325
Certificates of deposit		
Other	849,109	456,522
	<b>\$36,925,106</b>	<b>\$ 9,183,026</b>

**NOTE 5**      **ACCOUNTS RECEIVABLE**

Accounts receivable include certain federal grants and contracts, local grants and contracts, uncollected student tuition, fees, room and board charges.



**ALABAMA A&M UNIVERSITY**  
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The following is a schedule of total accounts receivable as of September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Accounts receivable:		
Student accounts receivable	\$ 28,541,712	\$ 26,156,404
Grants receivable	22,917,754	20,425,656
Other receivables	<u>7,682,778</u>	<u>7,812,830</u>
	59,142,244	54,394,890
Allowance for doubtful accounts	<u>(14,475,800)</u>	<u>(14,463,391)</u>
Accounts receivable, net	<u>\$ 44,666,444</u>	<u>\$ 39,931,499</u>
Loans receivable:		
Perkins loans advances	\$ 19,845,442	\$ 19,845,442
Less:		
Loans assigned to U.S. Government	(1,054,621)	(1,742,768)
Principal collected	(8,438,020)	(6,325,473)
Principal cancellations	<u>(1,026,406)</u>	<u>(2,450,806)</u>
	<u>(10,519,047)</u>	<u>(10,519,047)</u>
Loans receivable, net	<u>\$ 9,326,395</u>	<u>\$ 9,326,395</u>

**NOTE 6      CHANGE IN CAPITAL ASSETS**

A summary of the changes in physical plant for the years ended September 30, 2012 and 2011, respectively, is as follows:

	<u>Balance 10/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/12</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 4,982,207	\$ -	\$ -	\$ 4,982,207
Construction in progress	13,188,296	-	(13,188,296)	-
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>21,915,170</u>	<u>-</u>	<u>(13,188,296)</u>	<u>8,726,874</u>
<b>Capital assets being depreciated</b>				
Buildings	161,324,285	11,273,356	-	172,597,641
Equipment	13,062,494	325,027	-	13,387,521
Library holdings	<u>14,818,287</u>	<u>2,187,453</u>	<u>-</u>	<u>17,005,740</u>
	189,205,066	13,785,836	-	202,990,902
<b>Less: accumulated depreciation</b>				
Buildings	(72,907,287)	(4,169,030)	-	(77,076,317)
Equipment	(8,912,155)	(615,394)	-	(9,527,549)
Library holdings	<u>(6,051,920)</u>	<u>(1,617,645)</u>	<u>-</u>	<u>(7,669,565)</u>
	<u>(87,871,362)</u>	<u>(6,402,069)</u>	<u>-</u>	<u>(94,273,431)</u>
Capital assets being depreciated, net	<u>101,333,704</u>	<u>7,383,767</u>	<u>-</u>	<u>108,717,471</u>
Capital assets, net	<u>\$ 123,248,874</u>	<u>\$ 7,383,767</u>	<u>\$(13,188,296)</u>	<u>\$ 117,444,345</u>

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Balance 10/01/10</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/11</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 4,982,207	\$ -	\$ -	\$ 4,982,207
Construction in progress	27,452,778	-	(14,264,482)	13,188,296
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>36,179,652</u>	<u>-</u>	<u>(14,264,482)</u>	<u>21,915,170</u>
<b>Capital assets being depreciated</b>				
Buildings	145,029,312	16,294,973	-	161,324,285
Equipment	12,702,277	360,217	-	13,062,494
Library holdings	<u>14,067,411</u>	<u>750,876</u>	<u>-</u>	<u>14,818,287</u>
	171,799,000	17,406,066	-	189,205,066
<b>Less: accumulated depreciation</b>				
Buildings	(67,817,228)	(5,090,059)	-	(72,907,287)
Equipment	(7,988,983)	(923,172)	-	(8,912,155)
Library holdings	<u>(6,051,920)</u>	<u>-</u>	<u>-</u>	<u>(6,051,920)</u>
	<u>(81,858,131)</u>	<u>(6,013,231)</u>	<u>-</u>	<u>(87,871,362)</u>
Capital assets being depreciated, net	<u>89,940,869</u>	<u>11,392,835</u>	<u>-</u>	<u>101,333,704</u>
Capital assets, net	<u>\$ 126,120,521</u>	<u>\$ 11,392,835</u>	<u>\$(14,264,482)</u>	<u>\$ 123,248,874</u>

Depreciation expense (including amortization expense on capital lease assets) for the years ended September 30, 2012 and 2011, was \$6,489,540 and \$6,013,231, respectively.

**NOTE 7      COMPENSATED ABSENCES**

The following is a schedule of accrued expenses at September 30, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Accrued vacation pay	\$ 3,023,276	\$ 2,670,884
Accrued sick leave	<u>249,867</u>	<u>249,866</u>
	<u>\$ 3,273,143</u>	<u>\$ 2,920,750</u>

Regular University employees accumulate vacation and sick leave, subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon termination of employment, employees are paid all unused accrued vacation at their rate of pay up to 240 hours.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 8      BONDS PAYABLE**

A summary of the University's bonds payable activity for the years ended September 30, 2012 and 2011, is as follows:

	<b>Balance 10/01/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 09/30/12</b>	<b>Due within one Year</b>
Dormitory Revenue Bonds, Series 1980, due in varying amounts including interest at 3.00% to May 1, 2018	\$ 790,000	\$ -	\$ 110,000	\$ 680,000	\$ 115,000
Revenue Refunding and Capital Improvement Bonds, Series 2007, due in varying amounts including interest at 3.50% to 5.00% to May 1, 2033	<u>56,320,000</u>	<u>-</u>	<u>2,860,000</u>	<u>53,460,000</u>	<u>2,995,000</u>
	57,110,000	-	2,970,000	54,140,000	<u>\$ 3,110,000</u>
Less unamortized loss on defeasance	(2,708,080)	-	(209,041)	(2,499,039)	
Plus unamortized premium	<u>2,327,465</u>	<u>-</u>	<u>110,394</u>	<u>2,217,071</u>	
Bonds payable	<u>\$ 56,729,385</u>	<u>\$ -</u>	<u>\$ 2,871,353</u>	53,858,032	
Less current portion				<u>(3,110,000)</u>	
				<u>\$ 50,748,032</u>	

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**ALABAMA A&M UNIVERSITY**  
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	<u>Balance 10/01/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/11</u>	<u>Due within one Year</u>
Dormitory Revenue Bonds, Series 1980, due in varying amounts including interest at 3.00% to May 1, 2018	\$ 895,000	\$ -	\$ 105,000	\$ 790,000	\$ -
Revenue Bonds, Series 1998, due in varying amounts including interest at 4.450% to 5.375% to November 1, 2025	2,355,000	-	2,355,000	-	-
Revenue Refunding and Capital Improvement Bonds, Series 2007, due in varying amounts including interest at 3.50% to 5.00% to May 1, 2033	<u>56,790,000</u>	<u>-</u>	<u>470,000</u>	<u>56,320,000</u>	<u>-</u>
	60,040,000	-	2,930,000	57,110,000	<u>\$ -</u>
Less unamortized loss on defeasance	(2,914,622)	-	(206,542)	(2,708,080)	
Plus unamortized premium	<u>2,438,183</u>	<u>-</u>	<u>110,718</u>	<u>2,327,465</u>	
Bonds payable	<u>\$ 59,563,561</u>	<u>\$ -</u>	<u>\$ 2,834,176</u>	56,729,385	
Less current portion				<u>(2,970,000)</u>	
				<u>\$ 53,759,385</u>	

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3,110,000	2,509,385	5,619,385
2014	3,255,000	2,352,685	5,607,685
2015	3,420,000	2,188,335	5,608,335
2016	3,555,000	2,027,380	5,582,380
2017	3,740,000	1,858,550	5,598,550
2018-2022	16,220,000	6,869,181	23,089,181
2023-2027	15,650,000	2,893,619	18,543,619
2028-2032	4,215,000	791,875	5,006,875
2033	<u>975,000</u>	<u>24,375</u>	<u>999,375</u>
	<u>\$ 54,140,000</u>	<u>\$ 21,515,385</u>	<u>\$ 75,655,385</u>

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**NOTE 9**      **DEFINED BENEFIT PLAN**

**Plan Description**

The University contributes to the Teachers' Retirement System of Alabama ("TRS"), a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama. Substantially all employees of the University are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the University. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by three methods with the retiree receiving payment under the method which yields the highest monthly benefit. The methods are 1) Minimum Guaranteed; 2) Money Purchase or 3) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits, in the amount of the annual salary for the fiscal year preceding death, are provided to plan members.

The TRS was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operating of the TRS is vested in the Board of Control (currently 14 members). Benefit provisions are established by the Code of Alabama 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The actuarial accrued liability ("AAL"), which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The actuarial value of assets, which is the actuarial present value of assets, is a standardized disclosure measure of the present value of accumulated assets, adjusted for projected investment performance and contributions. TRS does not make separate measurements of assets and the AAL for individual employers. The AAL and the actuarial valuation of assets at September 30, 2011 (the most recent valuation date) for TRS as a whole, determined through actuarial valuations performed as of that date, were \$19,430,134,593 and \$20,132,778,571, respectively, resulting in an under-funded AAL of \$9,346,181,466.

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Complete financial presentation and disclosure of the financial position and activities of the TRS is presented in the September 30, 2012 annual financial report of TRS. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

**Funding Policy**

Employees are required to contribute 5 percent of their salary to the Teachers' Retirement System. The University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year, the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the University and its employees equal the required contributions for 2012 and 2011 as follows:

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	<b>2012</b>	<b>2011</b>
Total Percentage of Covered Payroll	17.25%	17.51%
<b>Contributions:</b>		
Percentage contributed by the University	12.25%	12.51%
Percentage contributed by Employees	5.00%	5.00%
Contributed by the University	\$ 4,609,761	\$ 4,566,012
Contributed by Employees	3,345,833	2,862,298
Total Contributions	\$ 7,955,594	\$ 7,428,310

**NOTE 10**     **ADDITIONAL BENEFIT PLAN**

Regular full-time employees who have completed one year of continuous service as of the first of October are eligible for an optional supplemental retirement program, Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. The employee's contributions are funded as it accrues and are immediately and fully vested.

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NOTES TO THE FINANCIAL STATEMENTS**

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During fiscal years ended September 30, 2012 and 2011, employees' contributions to TIAA-CREF were \$264,476 and \$343,940, respectively.

**NOTE 11    OTHER POSTRETIREMENT EMPLOYEE BENEFITS**

The University offers postemployment healthcare benefits to all employees who officially retire from the University. Healthcare benefits are offered through the Alabama Public Education Employees' Health Insurance Plan (PEEHIP) with TRS. Retirees who elect to participate in PEEHIP pay a portion of the PEEHIP premium, with the University paying an allocation toward the cost of retiree coverage.

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are eligible for tuition assistance benefits for themselves as well as for their spouse and unmarried dependent children.

PEEHIP is a cost-sharing multiple-employer defined benefit healthcare plan administered by the Public Education Employee Health Insurance Board. PEEHIP offers a basic hospital/medical plan that provides basic medical coverage for up to 365 days of care during each hospital confinement. The basic hospital/medical plan also provides for physicians' benefits, outpatient care, prescription drugs, and mental health benefits. Major medical benefits under the basic hospital/medical plan are subject to a lifetime contract maximum of \$1,000,000 for each covered individual. The Code of Alabama 1975, Section 16-25A-9 provides the authority to set the contribution requirements for retirees and employers. The required rates of retirees are as follows as of September 30, 2012:

**Retired Member Rates:**

Individual Coverage/Non-Medicare Eligible	\$481
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependand(s)	\$885
Family Coverage/Non-Medicare Eligible Retired Member and Dependand Medicare Eligible	\$726
Individual Coverage/Medicare Eligible Retired Member	\$275
Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependand(s)	\$679
Family Coverage/Medicare Eligible Retired Member and Dependand Medicare Eligible	\$520

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The required contribution rate of the employer was \$480 per employee per month in the year ended September 30, 2012. The University paid \$1,358,489 for 261 retirees for the year ended September 30, 2012. The required contribution rate is determined by PEEHIP in accordance with state statute. The complete financial report for PEEHIP can be obtained by contacting the TRS Communication Department at 1-800-214-2158.

**NOTE 12**     **INCOME TAX STATUS**

The University is considered a political subdivision of the State of Alabama. Accordingly, it is exempt from federal income taxes under Section 115 of the Internal Revenue Code.

**NOTE 13**     **RELATED PARTIES**

The North Alabama Center for Educational Excellence was chartered under the laws of the State of Alabama on October 30, 1991, as a nonprofit organization incorporated to receive public funds, gifts, grant income, interest, dividends, real estate and any and all property rights of every kind and character to be held, invested and reinvested for educational purposes at the University. Because the University is not financially accountable for the related party, it is not included in the University's financial statements as a component unit.

**NOTE 14**     **COMMITMENTS AND CONTINGENCIES**

**Litigation**

The University is a defendant in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any for these actions, will not have a material effect on the University's financial position.

**Grants and contracts**

At September 30, 2012 and 2011, the University has been awarded approximately \$6,253,521 and \$5,479,558, respectively, in grants and contracts for which resources had not been received and for which reimbursable expenditures had not been made for the purposes specified. These awards, which represent commitments of sponsors to provide funds for research or training projects, have not been reflected in the accompanying basic financial statements as the eligibility requirements of the awards have not been met. Advances include amounts received from grant and contract sponsors which have not been earned under the terms of the agreements and, therefore, have not yet been included in revenues in the accompanying basic financial statements. Federal awards are subject to audit by federal agencies. The University's management believe any adjustment from such audits will not be material.



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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 15**     **OPERATING EXPENSES**

Operating expenses by functional classification for the fiscal years ended September 30, 2012 and 2011, are listed below:

	<b>Expenses by Function</b>	
	<b>2012</b>	<b>2011</b>
<b>Educational and General:</b>		
Instruction	\$ 33,048,260	\$ 31,601,763
Research and development	6,238,817	12,340,037
Public service	12,651,020	18,437,691
Academic support	4,243,765	6,307,016
Student services	11,995,890	10,250,584
Institutional support	21,964,690	18,576,568
Operation and maintenance of plant	8,542,169	8,301,556
Scholarships and fellowships	16,856,540	18,302,572
Auxiliary Enterprises	11,770,223	8,365,570
Depreciation and amortization	6,489,540	6,140,253
Total operating expenses	<b>\$ 133,800,914</b>	<b>\$ 138,623,610</b>

**NOTE 16**     **RISKS AND UNCERTAINTIES**

The University has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the University. There were no significant reductions in coverage compared to the prior year.

**NOTE 17**     **RECENTLY ISSUED ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, and its adoption did not have a material effect on the University's basic financial statements.

The GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and its adoption is not expected to have a material effect on the University's basic financial statements.

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The GASBS issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and its adoption is not expected to have a material effect on the University's basic financial statements.

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**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 18      COMPONENT UNITS**

Details of the Foundation's net assets at September 30, 2012 and 2011 and the Trust's net assets at July 31, 2012 and 2011, are as follows:

	<u>2012</u>			<u>2011</u>		
	<u>Foundation</u>	<u>Trust</u>	<u>Totals</u>	<u>Foundation</u>	<u>Trust</u>	<u>Totals</u>
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 2,388,610	\$ 849,112	\$ 3,237,722	\$ 109,582	\$ 29,477,267	\$ 29,586,849
Restricted cash and cash equivalents	-	-	-	1,499,620	-	1,499,620
Intercompany receivable	3,112,354	-	3,112,354	-	2,499,967	2,499,967
Accounts receivable, less allowance for doubtful accounts	-	-	-	2,361,885	-	2,361,885
Pledges receivable, net	-	-	-	-	-	-
Prepaid expenses	-	-	-	12,074	-	12,074
<b>Total current assets</b>	<u>5,500,964</u>	<u>849,112</u>	<u>6,350,076</u>	<u>3,983,161</u>	<u>31,977,234</u>	<u>35,960,395</u>
<b>Non-current assets:</b>						
Investments	3,182,929	36,075,997	39,258,926	3,296,929	9,183,026	12,479,955
Real estate held for investment	-	112,800	112,800	-	112,800	112,800
Capital assets, net	8,665,570	-	8,665,570	9,203,552	-	9,203,552
Bond issuance costs, net	828,703	-	828,703	934,468	-	934,468
<b>Total non-current assets</b>	<u>12,677,202</u>	<u>36,188,797</u>	<u>48,865,999</u>	<u>13,434,949</u>	<u>9,295,826</u>	<u>22,730,775</u>
<b>Total assets</b>	<u>\$ 18,178,166</u>	<u>\$ 37,037,909</u>	<u>\$ 55,216,075</u>	<u>\$ 17,418,110</u>	<u>\$ 41,273,060</u>	<u>\$ 58,691,170</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	\$ 604,695	\$ -	\$ 604,695	\$ 21,211	\$ -	\$ 21,211
Accrued interest	317,825	-	317,825	326,752	-	326,752
Funds held for other organizations	1,307,824	-	1,307,824	1,085,303	-	1,085,303
Unearned rental income	-	-	-	37,747	-	37,747
Long term debt, current	480,000	-	480,000	455,000	-	455,000
<b>Total current liabilities</b>	<u>2,710,344</u>	<u>-</u>	<u>2,710,344</u>	<u>1,926,013</u>	<u>-</u>	<u>1,926,013</u>
<b>Non-Current liabilities:</b>						
Long-term debt, noncurrent	15,560,000	-	15,560,000	16,040,000	-	16,040,000
<b>Total liabilities</b>	<u>18,270,344</u>	<u>-</u>	<u>18,270,344</u>	<u>17,966,013</u>	<u>-</u>	<u>17,966,013</u>
<b>NET ASSETS</b>						
<b>Restricted:</b>						
Temporarily	-	863,920	863,920	2,173,030	863,920	3,036,950
Permanently	-	36,173,989	36,173,989	1,000,000	40,409,140	41,409,140
<b>Total restricted</b>	<u>-</u>	<u>37,037,909</u>	<u>37,037,909</u>	<u>3,173,030</u>	<u>41,273,060</u>	<u>44,446,090</u>
Unrestricted	(92,178)	-	(92,178)	(3,720,933)	-	(3,720,933)
<b>Total net assets</b>	<u>(92,178)</u>	<u>37,037,909</u>	<u>36,945,731</u>	<u>(547,903)</u>	<u>41,273,060</u>	<u>40,725,157</u>
<b>Total liabilities and net assets</b>	<u>\$ 18,178,166</u>	<u>\$ 37,037,909</u>	<u>\$ 55,216,075</u>	<u>\$ 17,418,110</u>	<u>\$ 41,273,060</u>	<u>\$ 58,691,170</u>

**ALABAMA A&M UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

Details of the Foundation's revenues, expenses and changes in net assets at September 30, 2012 and 2011 and the Trust's revenues, expenses, and changes in net assets at July 31, 2012 and 2011 are as follows:

	<b>2012</b>			<b>2011</b>		
	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>						
Net rental revenue	\$ 3,600,197	\$ -	\$ 3,600,197	\$ 3,588,790	\$ -	\$ 3,588,790
Contributions	-	56,421	56,421	553,579	56,421	610,000
Investment income	17,802	456,058	473,860	34,847	354,248	389,095
Realized and unrealized gain (loss) on investments	<u>38,161</u>	<u>(3,569,587)</u>	<u>(3,531,426)</u>	<u>91,958</u>	<u>2,289,870</u>	<u>2,381,828</u>
Total revenues	<u>3,656,160</u>	<u>(3,057,108)</u>	<u>599,052</u>	<u>4,269,174</u>	<u>2,700,539</u>	<u>6,969,713</u>
<b>OPERATING EXPENSES</b>						
<b>Educational and general:</b>						
Scholarships	147,768	1,111,815	1,259,583	65,115	791,723	856,838
Rental operating expenses	655,564	-	655,564	381,103	-	381,103
Program administration	463,918	-	463,918	377,308	-	377,308
Depreciation and amortization	575,200	-	575,200	625,260	-	625,260
Bad debt	-	66,228	66,228	-	-	-
Investment fees	52,749	-	52,749	12,453	193,364	205,817
Interest expense	<u>1,305,236</u>	<u>-</u>	<u>1,305,236</u>	<u>1,338,286</u>	<u>-</u>	<u>1,338,286</u>
Total expenses	<u>3,200,435</u>	<u>1,178,043</u>	<u>4,378,478</u>	<u>2,799,525</u>	<u>985,087</u>	<u>3,784,612</u>
<b>CHANGE IN NET ASSETS</b>						
Increase (decrease) in net assets	455,725	(4,235,151)	(3,779,426)	1,469,649	1,715,452	3,185,101
Total net assets, beginning of the year	<u>(547,903)</u>	<u>41,273,060</u>	<u>40,725,157</u>	<u>(2,017,552)</u>	<u>39,557,608</u>	<u>37,540,056</u>
Total net assets, end of the year	<u>\$ (92,178)</u>	<u>\$ 37,037,909</u>	<u>\$ 36,945,731</u>	<u>\$ (547,903)</u>	<u>\$ 41,273,060</u>	<u>\$ 40,725,157</u>

**NOTE 19 CHANGES IN PRESENTATION OF PRIOR YEAR AMOUNTS**

Certain presentations of liabilities and operating expenses of the 2011 year have been changed to conform to the 2012 classifications and presentations. The changes did not affect the University's net assets.

**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 of  
Alabama A&M University  
Normal, Alabama

We have audited the financial statements of Alabama A&M University ("the University"), a component unit of the State of Alabama, and its discretely presented component units as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated March 30, 2013. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of University, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.



To the Board of Trustees of  
Alabama A&M University  
Normal, Alabama  
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.

This report is intended solely for the information and use of the management, the audit committee, others within the University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

March 30, 2013

*Bank, Finley White & Co.*

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees of  
Alabama A&M University  
Normal, Alabama

Compliance

We have audited the compliance of Alabama A&M University ("the University"), a component unit of the State of Alabama, with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University, complied, in all material respects, with the 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, 2012.





To the Board of Trustees of  
Alabama A&M University  
Normal, Alabama  
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### Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, others within the University, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

March 30, 2013

*Bank, Finley White & Co.*

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH</u> <u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Aid Cluster</b>			
Federal Family Education Loan	84.032		\$ 44,020,315
College Work Study Program	84.033	OE P033A070001 07 JLD FCWP	252,072
National Smart Grant	84.376	OE 9375A071027	750
TEACH Grants	84.379	-	44,528
Pell Grant Program	84.063	P063P121097	14,017,178
Federal Supplemental Educational Opportunity Program	84.007	OE P063910127 PELL	181,168
<b>Total Student Financial Aid Cluster</b>			<u>58,516,011</u>
<b>Trio Cluster:</b>			
TRIO-Student Support	84.042	P042A101164-10	68,829
Trio -McNair Post-Baccalarete Achievement	84.042	OE 7217A070339MCNAIR	121,485
TRIO-Student Support	84.042	P047A070505	470,806
TRIO-Upward Bound	84.047	P047A070505	356,254
TRIO-Cluster	84.047	P047A070505 06	116
TRIO - Upward Bound -	84.047	P042A051191 07	13,323
TRIO- McNair Post- Baccalaureate Achievement	84.217	OE 7217A070339MCNAIR 07	120,392
<b>Total TRIO Cluster</b>			<u>1,151,206</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Federal Transit Cluster:</b>			
Federal Transit Capital Investment Grant	20.500	AL-03-0053-00	67,659
Federal Transit Formula Grant	20.507	DTFH64-11-G-00068	3,000
Federal Transit Formula Grant	20.507	DTFH64-11-G-00071	1,556
Federal Transit Formula Grant	20.507	K-09-1558	210
Federal Transit Formula Grant	20.507	K-10-1392	12,477
Federal Transit Formula Grant	20.507	STATO-100057666-1	51,683
Federal Transit Formula Grant	20.507	DBELE 100057557-2	109,261
<b>Total Federal Transit Cluster</b>			<u>245,845</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Child Nutrition Cluster:</b>			
Summer Food Service Program for Children	10.559	USDA Summer Food Program	12,852
<b>Total Child Nutrition Cluster</b>			<u>12,852</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Pass-Through Programs:</b>			
<b>Innovative Education Program Strategies -Cluster:</b>			
State Grants for Innovative Programs	84.298	U200140	113,712
State Grants for Innovative Programs	84.298	Regional Inservice	198,749
State Grants for Innovative Programs	84.298	U202210	38,640
State Grants for Innovative Programs	84.298	Regional Inservice	28,126
State Grants for Innovative Programs	84.298	U100103	502
State Grants for Innovative Programs	84.298	UC00142	29,568
State Grants for Innovative Programs	84.298	Regional Inservice	54,298
State Grants for Innovative Programs	84.298	95-AL06 05 NWP	722
State Grants for Innovative Programs	84.298	ACT OF 1984 (84-622)	
State Grants for Innovative Programs	84.298	UC00142	464,317
<b>Total Inovative Ed Program Strategies</b>			<u>464,317</u>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2012**

<u>FEDERAL GRANTOR/PASS-THROUGH</u>			
<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Pass-Through Funds:</b>			
<b>SNAP Cluster:</b>			
State administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	2006-41510-08901	137,115
State administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	USDA AU UNEP 10/11	95,900
State administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	12-NEP-376342-AAMU	592,901
<b>Total SNAP Cluster</b>			<u>825,917</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Pass-Through Funds:</b>			
<b>Special Education Cluster (IDEA):</b>			
Special Education Grants to States	84.027	AL-Asst Grant 2005	2,905
Special Education Grants to States	84.027	AL-Asst Grant 2008	63,104
<b>Total Special Education Cluster</b>			<u>66,009</u>
<b>TOTAL CLUSTERS</b>			61,282,156
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
<b>Other Programs: (Treated Individually for major program determination)</b>			
1890 Institution Capacity Building Grant	10.216	2005-38820-16479	6,745
1890 Institution Capacity Building Grant	10.216	2008-38820-04784	51,182
1890 Institution Capacity Building Grant	10.216	2004-38814-15160	24,011
1890 Institution Capacity Building Grant	10.216	36 12091 304 76190	9,834
1890 Institution Capacity Building Grant	10.216	VSU 2010-38821-21614	1,960
1890 Institution Capacity Building Grant	10.216	2008-38820-04857	35,508
1890 Institution Capacity Building Grant	10.216	2008-38820-04781	44,914
1890 Institution Capacity Building Grant	10.216	2010-38821-21448	12,803
1890 Institution Capacity Building Grant	10.216	2010-38821-21449	94,230
1890 Institution Capacity Building Grant	10.216	USDA 2010-38821-21585	11,246
1890 Institution Capacity Building Grant	10.216	36-12091-280-76190	21,517
1890 Institution Capacity Building Grant	10.216	2010-38821-21651	20,077
1890 Institution Capacity Building Grant	10.216	USDA NIFA 2010-38821-21613	31,365
1890 Institution Capacity Building Grant	10.216	2011-38821-30831	55,680
1890 Institution Capacity Building Grant	10.216	2011-38821-30924	13,694
1890 Institution Capacity Building Grant	10.216	PO# P0019417	11,265
<b>Total 1890 Institution Capacity Building Grant</b>			<u>446,032</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
<b>1890 Land Grant Institution Rural Entrepreneurial Outreach Program:</b>			
Rural Entrepreneurship and Business Development	10.856	RBS-08-16	14,832
Rural Entrepreneurship and Business Development	10.856	RBS 10-16	71,302
Rural Entrepreneurship and Business Development	10.856	RBS 11-09	58,339
<b>Total 1890 Land Grant Institution Rural Entrepreneurial Outreach Program</b>			<u>144,473</u>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2012

<b><u>FEDERAL GRANTOR/PASS-THROUGH</u></b>			
<b><u>GRANTOR/PROGRAM TITLE</u></b>	<b><u>CFDA</u></b>	<b><u>CONTRACT NUMBER</u></b>	<b><u>EXPENDITURES</u></b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
<b>Agricultural Research Basic and Applied Research:</b>			
Agricultural Research Basic and Applied Research	10.001	59-2501-10-002	69,718
Agricultural Research Basic and Applied Research	10.001	58-6445-0530	16,500
Agricultural Research Basic and Applied Research	10.001	59-6401-1-651	13,878
<b>Total Agricultural Research Basic and Applied Research</b>			<b>100,096</b>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
Applied Meterological Research	11.468	NA08NWS4680065	40,452
<b>Total Applied Meterological Research</b>			<b>40,452</b>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<b>Direct Programs:</b>			
<b>Basic Scientific Research:</b>			
Basic Scientific Research	12.431	HQ0147-10-C-6004	208,748
Basic Scientific Research	12.431	HHM402-09-P-0079	75,987
Basic Scientific Research	12.431	W911QY-07-C-0072	697
Basic Scientific Research	12.431	W911nf-08-1-0425	4,011
Basic Scientific Research	12.431	W31PQ-10-0390	75,229
Basic Scientific Research	12.431	W911NF-12-1-0063	83,930
Basic Scientific Research	13.431	W9132T-06-C-0018	38,507
<b>Total Basic Scientific Research</b>			<b>487,109</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Programs:</b>			
<b>National Science Foudation Biological Science:</b>			
Biological Science	47.074	NSF-REU 1063101	52,451
Biological Science	47.074	DBI 070370 YR 1	16,373
Biological Science	47.074	DBI-0703740	25,308
Biological Science	47.074	NSF-REU 0649248	21,481
<b>Pass-Through Funds:</b>			
Biological Science	47.074	SUB 002865 AA&M	15,480
<b>Total National Science Foundation Biological Science</b>			<b>131,092</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Pass-Through Funds:</b>			
<b>USDA Child and Adult Care Food Program:</b>			
Child and Adult Care Food Program	10.558	GREATER AL CHILD DEV. 06/07	15,324
<b>Total USDA Child and Adult Food Program</b>			<b>15,324</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Direct Programs:</b>			
<b>Child Health and Human Development Extramural Research:</b>			
Child Health and Human Development Extramural Research	93.865	1G11 HD046385-02	10,193
<b>Total Child Health and Human Development Extramural Research</b>			<b>10,193</b>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH</u>			
<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Pass-Through Funds:</b>			
<b>Child Welfare Research Training or Demonstration:</b>			
Child Welfare Research Training or Demonstration	93.648		5,412
<b>Total Child Welfare Research Training or Demonstration</b>			<b>5,412</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN AFFAIRS</b>			
<b>Community Development Block Grant/Brownfields Economic Development Initiative:</b>			
Community Development Block Grant/Brownfields Economic Development Initiative	14.246	HBCU-06-AL-002	560
<b>Total CDBG Brownfields Economic Development Initiative</b>			<b>560</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>USDA Cooperative Extension:</b>			
Cooperative Extension	10.500	4510008901	2,223,795
Cooperative Extension	10.500	46000-08901	6,221
Cooperative Extension	10.500	2003-45200-01744	5,096
Cooperative Extension	10.500	2010-41520-20684	18,373
Cooperative Extension	10.500	10 ACES 379802-AAMU	1,382
Cooperative Extension	10.500	2010-41520-20684	132,105
Cooperative Extension	10.500	2010-41534-21327	1,372
<b>Total Cooperative Extension</b>			<b>2,388,345</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Pass-Through Funds:</b>			
<b>Tribal Colleges Education Equity Grants</b>			
Tribal Colleges Education Equity Grants	10.221	Sub 2010-792A	13,357
<b>Total Tribal Colleges Education Equity Grants</b>			<b>13,357</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Program:</b>			
<b>USDA Cooperative Forestry Research:</b>			
Cooperative Forestry Research	10.202	2009-321008901	287,445
<b>Total Cooperative Forestry Research</b>			<b>287,445</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Programs:</b>			
<b>Education and Human Resources:</b>			
Education and Human Resources	47.076	HRD-0420541 Sub 5	556
Education and Human Resources	47.076	NSF DBI 1040963	203,369
Education and Human Resources	47.076	HRD 103660- SUB Main Yr 1	131,683
Education and Human Resources	47.076	HRD 103660- SUB Project 1 Yr 1	258,272
Education and Human Resources	47.076	HRD 103660- SUB Project 2 Yr 1	235,938
Education and Human Resources	47.076	HRD 103660- SUB Project3 Yr 1	198,363
Education and Human Resources	47.076	NSF CCLI PO6206	25,727
Education and Human Resources	47.076	ECCS 059	265,705
Education and Human Resources	47.076	DUE 11544	35,000

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2012**

**FEDERAL GRANTOR/PASS-THROUGH**

<b><u>GRANTOR/PROGRAM TITLE</u></b>	<b><u>CFDA</u></b>	<b><u>CONTRACT NUMBER</u></b>	<b><u>EXPENDITURES</u></b>
Education and Human Resources	47.076	REU 1156137	68,834
Education and Human Resources	47.076	DBI 10631	53,952
Education and Human Resources	47.076	DUE-0728658	141,981
Education and Human Resources	47.076	HRD-0927644	276,672
Education and Human Resources	47.076	DUE 0850121	208,978
Education and Human Resources	47.076	C10-0075	51,830
Education and Human Resources	47.076	HRD 09288221	1,223
Education and Human Resources	47.076	DBI-0927544	10,277
Education and Human Resources	47.076	DUE 0965927	94,000
Education and Human Resources	47.076	HRD 0928904 YR 2	338,161
Education and Human Resources	47.076	DGE-0933812	183,136
<b>Pass-Through Funds:</b>			
Education and Human Resources	47.076	HRD-0930243	6,901
Education and Human Resources	47.076	HRD 1067888	33,268
<b>Total Education and Human Resources</b>			<b>2,823,826</b>

**U.S. DEPARTMENT OF ENERGY**

**Direct Program:**

**Energy Efficiency and Renewable Energy Information  
Dissemination, Outreach Training and Technical**

**Analysis Assistance:**

Energy Efficiency and Renewable Energy Information  
Dissemination, Outreach Training and Technical  
Analysis Assistance

	81.117	DF FC01 07 ED80521	816
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**Total Energy Efficiency and Renewable Energy  
Information Dissemination, Outreach Training and  
Technical Analysis Assistance**

816

**ENVIRONMENTAL PROTECTIONAL AGENCY**

**Environmental Education Grants:**

Environmental Education Grants

	66.951	FP-91677001	880
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**Total Environmental Education Grants**

880

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Health Career Opportunity Program

	93.822		59,138
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**Total Department of Health and Human Services**

59,138

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH</u>			
<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>			
<b>Pass-Through Funds:</b>			
<b>Environmental Sciences, Application, Data, and Education:</b>			
Environmental Sciences, Application, Data, and Education	11.440	SUB 2007-08	1,867
<b>,Total Environmental Sciences, Application, Data and Education</b>			<u>1,867</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
<b>Forestry Research:</b>			
Forestry Research	10.652	SRS-07-CA-11330134-102	49,850
Forestry Research	10.652	SRS-08-CA--11300134-083	707
Forestry Research	10.652	FS SRS 10 DG 11330101 051	140,366
Forestry Research	10.652	FS SRS 10 DG 11330101 051	9,132
Forestry Research	10.652	FS SRS-09-DG-11330101-073	7,388
Forestry Research	10.652	FS SRS-09-DG-11330101-073	7,000
Forestry Research	10.652	11-DG-11330124-102	43,003
Forestry Research	10.652	11-DG-11330124-102	14,001
Forestry Research	10.652	10-CA-11330124-146	8,149
Forestry Research	10.652	SRS-06-CA-11330134-134	1,040
Forestry Research	10.652	04-DG-11330134-124	8,060
Forestry Research	10.652	FS 09-CA-11330152-126	8,594
Forestry Research	10.652		20,992
<b>Total Forestry Research</b>			<u>318,281</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<b>Pass-Through Funds:</b>			
<b>Fossil Energy Research and Development:</b>			
Fossil Energy Research and Development	81.089	DE-FC26-06NT43029-004 08	36,143
Fossil Energy Research and Development	81.089	DE-FC26-06NT43029-005	47,399
<b>Total Fossil Energy Research and Development</b>			<u>83,542</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Program:</b>			
<b>GEO Science:</b>			
GEO Science	47.050	JSF MRI Acquisition of Adv E-Bear	63,713
<b>Passed-Through:</b>			
GEO Science	47.050	Sub 2009-002	4,469
GEO Science	47.050	ATM-0120950 BU GC177030NGA	75,295
GEO Science	47.050	3714-AAMU-NSF-5019	2,872
<b>Total GEO Science</b>			<u>146,348</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
<b>Grant for Agricultural Research Special Research Grants:</b>			
Evan Allen Program of Research	10.200	3310008901	2,853,540
<b>Total Grant for Agricultural Research Special Research Grants</b>			<u>2,853,540</u>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH</u>			
<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
<b>Grant for Agricultural Research Competitive</b>			
<b>Research Grants:</b>			
Grant for Agricultural Research Competitive Research Grants	10.206	200655618-10720	79
Grant for Agricultural Research Competitive Research Grants	10.206	2007-55618-18212	84,335
<b>Total Grant for Agricultural Research Competitive Research Grants</b>			<u>84,414</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Pass-Through Funds:</b>			
<b>Higher Education Challenge Grant:</b>			
Higher Education Challenge Grant	10.217	2011-51300-30634	2,024
<b>Total Higher Education Challenge Grant</b>			<u>2,024</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Higher Education Institution Aid</b>			
Higher Education Institution Aid	84.031	P031B040110	425,731
Higher Education Institution Aid	84.031	P031B085057	44,436
Higher Education Institution Aid	84.031	P031B100008	945,305
Higher Education Institution Aid	84.031	P031B070057	3,683,764
Higher Education Institution Aid	84.031	P031B090200	2,489,521
<b>Total Higher Education Aid</b>			<u>7,588,758</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Direct Programs:</b>			
Integrated Programs			
Integrated Programs	10.303	2008-51130-04899	102,074
<b>Total Integrated Programs</b>			<u>102,074</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>International Science and Education Grants:</b>			
International Science and Education Grants:	10.305	2009-51160-05462	10,904
<b>Total International Science and Education Grants</b>			<u>10,904</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>Minority Health and Health Departies Research:</b>			
Minority Health and Health Departies Research	93.307	5P60MD000502-09	2,223
<b>Total Minority Health and Health Departies Research</b>			<u>2,223</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Direct Programs:</b>			
Minority Science and Engineering Improvement			
Minority Science and Engineering Improvement	84.120	P120A0700508 07 STAT	16,403
<b>Total Minority Science and Engineering Improvements</b>			<u>16,403</u>



**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2012**

<b><u>FEDERAL GRANTOR/PASS-THROUGH</u></b>			
<b><u>GRANTOR/PROGRAM TITLE</u></b>	<b><u>CFDA</u></b>	<b><u>CONTRACT NUMBER</u></b>	<b><u>EXPENDITURES</u></b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<b>Direct Programs:</b>			
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grant	20.614	DDEHBC-09-X-00101B	7,569
<b>Total National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grant</b>			<b>7,569</b>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<b>Direct Programs:</b>			
National Nuclear Security Administration (NNSA) Minority Serving Institutions Program	81.123	DE-FG52-08NA28892	174,319
<b>Total National Nuclear Security Administration Minority Serving Institutions Program(NNSA)</b>			<b>174,319</b>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Programs:</b>			
Office of Cyberinfrastructure	47.080	RII EPS 0814103	13,502
Office of Cyberinfrastructure	47.080	DUE-0934918	8,560
Office of Cyberinfrastructure	47.080	NSF# 0612066	6,692
Office of Cyberinfrastructure	47.080	NSF PHY 1005174	105,962
ARRA Teachers for Certification and Leadership	47.082	DUE-0934918	14,093
			<b>148,808</b>
<b>Pass-Through Funds:</b>			
Office of Experimental Program to Stimulate Competitive Research	47.081	34-21530-200-76190	331,992
Office of Experimental Program to Stimulate Competitive Research	47.081	Alabama EPSCOR CRSP FY12	18,747
Office of Experimental Program to Stimulate Competitive Research	47.081	Alabama EPSCOR Round	78,776
<b>Total National Science Foundation</b>			<b>578,323</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	20007-51200-18169	68
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2010-38821-21602	71,757
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2011-38821-30968	78,994
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2010-49400-21751	315,562
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2008-51200-04575	78,989
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2009-39300-19978	43,541
<b>Total Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers</b>			<b>588,912</b>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH</u>			
<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Scholars and Fellows and Educational Programs	97.062	DHS 2010 ST 062 000034	49,976
<b>Total Scholars and Fellows and Educational Programs</b>			49,976
<b>NATIONAL AERONAUTICS AND ADMINISTRATION</b>			
Science	43.001	NNM11AC87P	2,920
Science	43.001	NNX09AV17A	18,555
Science	43.001	NNX08AG60G YR 2	773
Science	43.001	NNX09AP64G	7,089
Science	43.001	NCC5-612	2,686
Science	43.001	NNX10AL71H	29,781
Science	43.001	NNX08AJ29G	42,259
<b>Pass-Through Funds:</b>			
Science	43.001	NNX10AJ80H	7,120
Science	43.001	SUB 2010-169	6,000
Science	43.001	NASA UAH Sub 2010-169	5,163
Science	43.001	NASA NNX10AJ80H	33,987
<b>Total Science</b>			156,332
Space Operations	43.007	NNX09AV17A	47,125
	43.007	NNX10AJ76A	14,961
			62,086
<b>Total National Aeronautics and Administration</b>			218,418
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Soil and Water Conservation	10.902	68-7482-8-438	13,357
Scientific Cooperation and Research	10.961	58-3148-1-250	21,228
			34,585
<b>SMALL BUSINESS ADMINISTRATION</b>			
<b>Direct Programs:</b>			
Small Business Development Center	59.037	SBAHQ-09Y-0136	3,944
Small Business Development Center	59.037	SBAHQ-09Y-0136	22,137
Small Business Development Center	59.037	PBSI 102AAMU1010	17,773
Small Business Development Center	59.037	SBDC 10/11	2,100
<b>Total Small Business Development Center</b>			45,953
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Beginning Farmer and Rancher Development	10.311	2011-MU-MU-026	14,699
Beginning Farmer and Rancher Development	10.311	2011-67005-30010	4,916
Beginning Farmer and Rancher Development	10.311	2011-67019-30120	1,791
Beginning Farmer and Rancher Development	10.311	2011-38624-31102	17,135
Beginning Farmer and Rancher Development	10.311	2011-38821-30969	27,320
Beginning Farmer and Rancher Development	10.311	Farmers & Ranchers	63,974
Beginning Farmer and Rancher Development	10.311	2011-68005-30410	9,019
Beginning Farmer and Rancher Development	10.311	2011-38821-30878	85,744
Beginning Farmer and Rancher Development	10.311	2012-68806-30189	22,628
			247,226
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2012**

<b><u>FEDERAL GRANTOR/PASS-THROUGH</u></b>			
<b><u>GRANTOR/PROGRAM TITLE</u></b>	<b><u>CFDA</u></b>	<b><u>CONTRACT NUMBER</u></b>	<b><u>EXPENDITURES</u></b>
<b>Direct Programs:</b>			
Soils and Water Conservation	10.960	58-3148-7-226	484
			<u>484</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Sustainable Agriculture Research and Education	10.215	RE675-155-4690358-UG	8,793
<b>Pass-Through Funds:</b>			
Sustainable Agriculture Research and Education	10.215	RD309-109/4786396	4,619
Sustainable Agriculture Research and Education	10.215	2010-38640-20926	22,810
Sustainable Agriculture Research and Education	10.215	58-3148-7-226	8,800
Sustainable Agriculture Research and Education	10.215	68-3A75-11-285	97,800
			<u>142,822</u>
<b>U.S. DEPARTMENT OF INTERIOR</b>			
<b>Direct Programs:</b>			
Recreation Resource Management	15.225	S09AC15438 OSM	28,702
			<u>28,702</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>Direct Programs:</b>			
Juvenile Mentoring Program	16.726	2010-JU-FX-0016	64,493
			<u>64,493</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Trans-NIH Recovery ACT Research Support	93.701	7R15GM085771-02	68,578
<b>Total Trans-NIH Recovery ACT Research Support</b>			<u>68,578</u>
<b>U.S. NUCLEAR REGULATORY COMMISSION</b>			
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	AAMU VSCISBA 001	111,864
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	chk #28489	3,158
	77.006	NRC-27-10-514	87,987
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	NRC 38-09-909	4,172
<b>Total U.S. Nuclear Regulatory Commission Nuclear Education Grant Program</b>			<u>207,182</u>
<b>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			
<b>Direct Programs:</b>			
USAID Foreign Assistance for Programs Overseas	98.001	RLA-A-00-09-00035-00	986,421
<b>Pass-Through Funds:</b>			
USAID Foreign Assistance for Programs Overseas	98.001	10-ICAAE-367958-AAMU	
<b>Total USAID Foreign Assistance for Programs Overseas</b>			<u>986,421</u>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2012**

<b><u>FEDERAL GRANTOR/PASS-THROUGH</u></b>			
<b><u>GRANTOR/PROGRAM TITLE</u></b>	<b><u>CFDA</u></b>	<b><u>CONTRACT NUMBER</u></b>	<b><u>EXPENDITURES</u></b>
<b>U.S.DEPARTMENT OF LABOR</b>			
<b>Direct Programs:</b>			
Health Coverage Tax Credit	17.276		2,500
Health Coverage Tax Credit	17.276		3,261
<b>Total U.S. Department of Labor</b>			<hr/> 5,761
<b>TOTAL OTHER PROGRAMS (Treated Individually for major program determination)</b>			<hr/> <b>21,614,652</b>
<b>TOTAL FEDERAL PROGRAMS</b>			<hr/> <b>\$ 82,896,808</b> <hr/>

**ALABAMA A&M UNIVERSITY**  
**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alabama A&M University ("the University") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2012**

**Section I--Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Significant deficiencies identified?  Yes  No
- Significant deficiencies identified that are considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Significant deficiencies identified?  Yes  No
- Significant deficiencies identified that are considered to be material weaknesses?  Yes  None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

**CFDA Numbers**

**Name of Federal Program or Cluster**

84.007, 84.033, 84.063, 84.032, 84.376  
84.379

Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and type B programs: \$2,486,904

Auditee qualified as low-risk auditee?  Yes  No