

ALABAMA A&M UNIVERSITY
FINANCIAL STATEMENTS
September 30, 2013
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

Report on the Financial Statements

We have audited the accompanying 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units at September 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in fiscal year 2013, the University adopted new accounting guidances, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 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.

Other Information

Our audits were 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 basic financial statements.



To the Board of Trustees of
Alabama A&M University
Normal Alabama
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The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of Alabama A&M 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alabama A&M University's internal control over financial reporting and compliance.

March 24, 2014

Paul's Family White 'Co.

**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013**

INTRODUCTION

The following discussion presents an overview of the financial position and financial performance of the University during the fiscal year ended September 30, 2013, with comparative information for 2012. 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, 2013 and 2012, the University has total assets of \$189,934,669 and \$188,556,485, respectively; total liabilities of \$106,452,037 and \$105,302,772, respectively. University net position increased by \$228,919 during the year ended September 30, 2013.

At September 30, 2013 and 2012, the Component Units has total assets of \$60,382,538 and \$58,122,245, respectively; total liabilities of \$17,222,052 and \$18,196,307, respectively. Component Unit net position increased by \$3,234,548 during the year ended September 30, 2013.

An overview of each statement for the University 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 Position

The statement of net position is a point in time financial statement, and presents the assets, liabilities, and net position of the University at September 30, 2013. Net position is displayed in three parts: invested in capital assets, net of related debt, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable and are those assets that are restricted by law or external donor. Unrestricted net position, while they are generally designated for specific purposes, are available for use by the University to meet current expenses for any

**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013**

purpose. The statement of net position, 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.

Assets included in the statements of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and accounts receivable. Noncurrent assets at September 30, 2013, consist primarily of capital assets.

The condensed statements of net position at September 30, 2013 and 2012, follow:

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$ 69,984,184	\$ 64,701,625
Capital assets	113,739,401	117,539,592
Other noncurrent assets	<u>3,910,009</u>	<u>3,816,227</u>
Total assets	<u>187,633,594</u>	<u>186,057,444</u>
Deferred outflows of resources	<u>2,301,075</u>	<u>2,499,041</u>
Total assets and deferred outflows of resources	<u>\$ 189,934,669</u>	<u>\$ 188,556,485</u>
LIABILITIES		
Current liabilities	\$ 56,570,360	\$ 52,055,700
Noncurrent liabilities	<u>49,881,677</u>	<u>53,247,072</u>
Total liabilities	<u>106,452,037</u>	<u>105,302,772</u>
Net Position		
Invested in capital assets, net of related debt	59,811,947	59,842,960
Restricted-expendable	19,488,834	19,477,691
Unrestricted	<u>4,181,851</u>	<u>3,933,062</u>
Total net position	<u>83,482,632</u>	<u>83,253,713</u>
Total liabilities and net position	<u>\$ 189,934,669</u>	<u>\$ 188,556,485</u>

Changes in Assets, Liabilities and Net Position

University cash, cash equivalents, and investments decreased between September 30, 2013 and 2012 by \$50,830 or 0.3%, primarily due to an increase in student enrollment corresponding with an increase in tuition and fees. The University placed a greater emphasis on collections of receivables as accounts and loans receivable decreased between September 30, 2013 and 2012, by \$5,235,321 or 11.3%. University debt (lease obligations and bonds payable) decreased by \$3,220,395 or 5.7% due to the payment of required debt payments and amortization of premiums and discounts and loss on refunding. University net position increased between September 30, 2013 and 2012, by \$228,919, primarily due to increases in tuition and fees.

ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013

Statement of Revenues, Expenses and Changes in Net Position

Changes in total University net position are the results of activity presented in the statements of revenues, expenses, and changes in net position. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received.

The purpose of this statement is to present the change in net position 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 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.

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ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2013 and 2012, follow:

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Tuition and fees (net of allowances of \$(8,742,192) and \$(9,865,627), respectively)	\$ 40,999,774	\$ 37,246,530
Federal appropriations	2,238,778	2,223,795
Federal, state and private grants and contracts	38,811,896	43,320,591
Auxiliary enterprises and other	<u>14,863,130</u>	<u>14,888,114</u>
Total operating revenues	96,913,578	97,679,030
Operating expenses	<u>134,569,296</u>	<u>133,705,667</u>
Operating loss	(37,655,718)	(36,026,637)
Nonoperating revenues (expenses):		
State appropriations	39,335,736	40,405,340
Investment income, net	6,461	63,136
Interest expense on capital debt	(2,445,094)	(2,646,365)
Other nonoperating revenues (expenses)	<u>987,534</u>	<u>(359,578)</u>
Net nonoperating revenues	<u>37,884,637</u>	<u>37,462,533</u>
Increase in net position	228,919	1,435,897
Net position-beginning of the year	<u>83,253,713</u>	<u>81,817,816</u>
Net position-end of the year	<u>\$ 83,482,632</u>	<u>\$ 83,253,713</u>

Changes in Revenues and Expenses

The University's operating revenues decreased by \$765,452 or 0.8% during the year ended September 30, 2013. The decrease was driven primarily by decreases in federal and state grants.

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.

**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013**

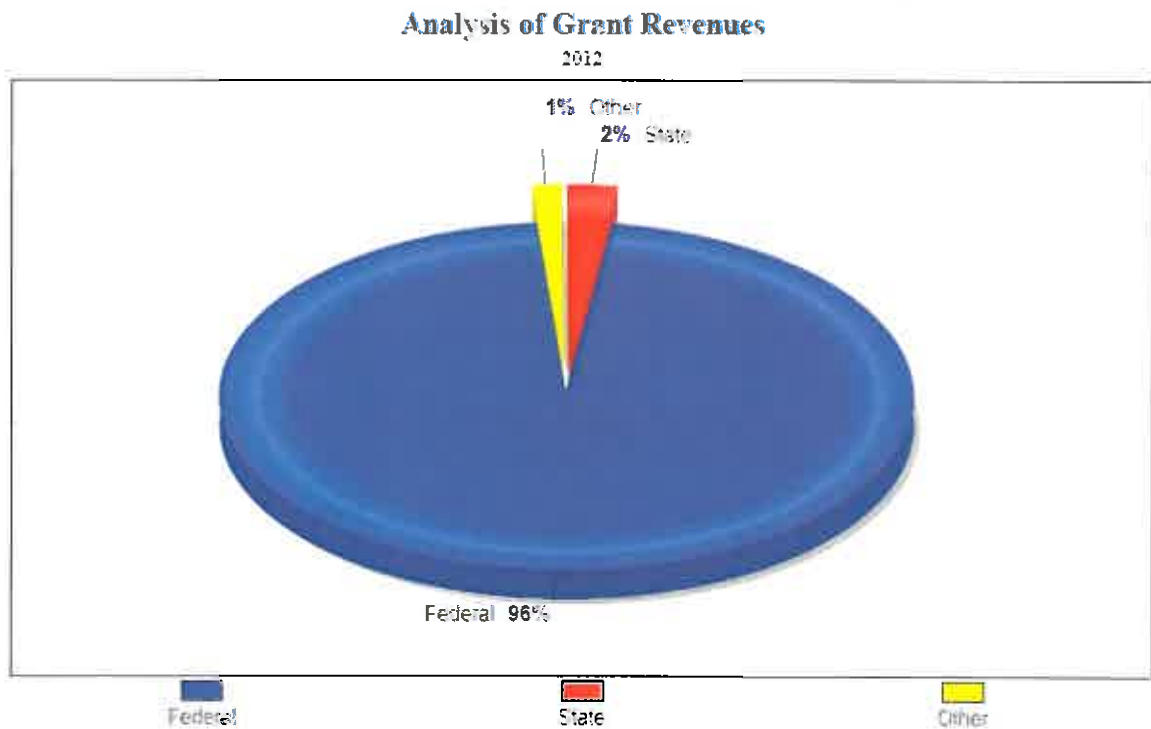
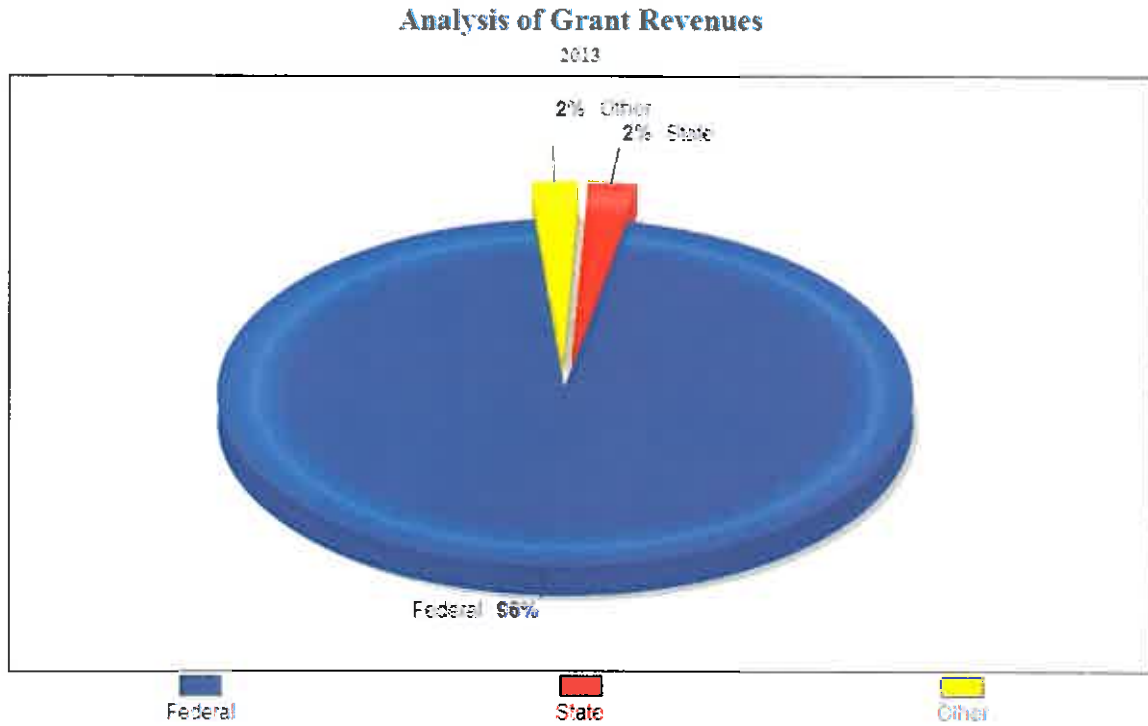
The following table details the University's grant and contract awards for the fiscal years ended September 30, 2013 and 2012, by source:

	<u>2013</u>	<u>2012</u>
Federal Sources		
Financial aid (excludes loan programs)	\$14,681,217	\$16,528,413
Department of Education	8,046,142	9,058,510
National Aeronautics and Space Administration	466,942	525,693
United States Department of Agriculture	5,313,262	5,981,779
Other federal agencies	<u>8,599,228</u>	<u>9,681,186</u>
Total federal sources	37,106,790	41,775,581
State sources		
Grants and contracts	880,197	974,834
Other sources	<u>824,909</u>	<u>570,176</u>
Total all sources	<u>\$38,811,896</u>	<u>\$43,320,591</u>

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**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013**

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



**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013**

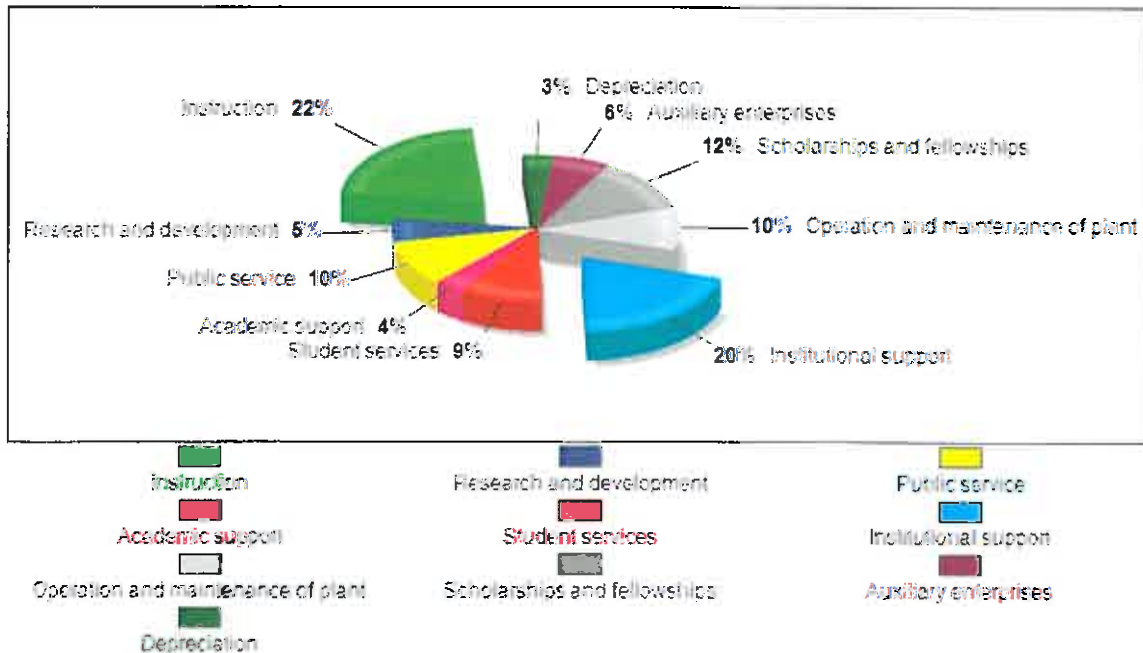
Operating expenses by functional classification for the fiscal years ended September 30, 2013 and 2012, are listed below:

Expenses by Function

	<u>2013</u>	<u>2012</u>
Educational and General:		
Instruction	\$ 29,246,532	\$ 33,048,260
Research and development	6,692,393	6,238,817
Public service	13,661,672	12,651,020
Academic support	4,746,005	4,243,765
Student services	12,008,804	11,995,890
Institutional support	26,310,550	21,964,690
Operation and maintenance of plant	13,259,426	8,542,169
Scholarships and fellowships	<u>15,714,410</u>	<u>16,856,540</u>
	121,639,792	115,541,151
Auxiliary Enterprises	8,500,754	11,770,223
Depreciation and amortization	<u>4,428,750</u>	<u>6,394,293</u>
Total Operating Expenses	<u>\$ 134,569,296</u>	<u>\$ 133,705,667</u>

Analysis of Expenditures by Function

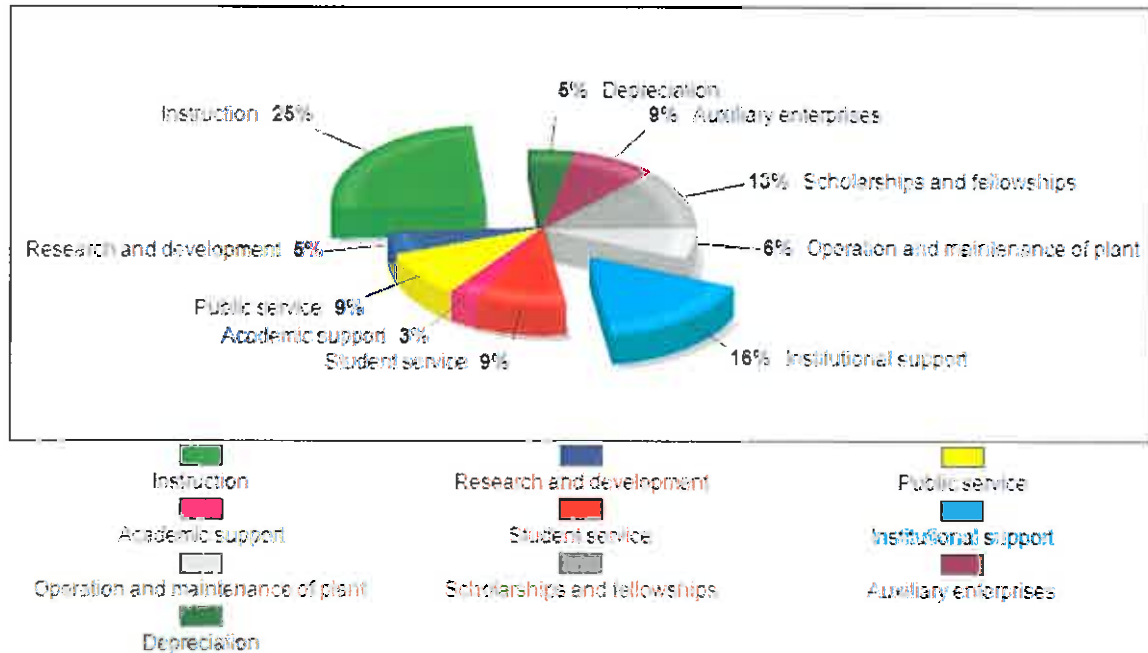
2013



**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013**

Analysis of Expenditures by Function

2012



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 2009 through 2013 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>
2013	4,055	969	5,024	4,524	132,020
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

ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013

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 2009 through 2013.

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>
2013	10,196	53.4%	5,447	19.6%	1,069
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

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>
2013	634	37.4%	237	59.9%	142
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

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>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Undergraduate, resident	\$233	\$222	\$203	\$165	\$143
Undergraduate, nonresident	466	444	406	330	286
Graduate, resident	354	337	309	251	218
Graduate, nonresident	708	674	618	502	436

Annual Full-Time Tuition

<u>Student Classification</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Undergraduate, resident	\$ 8,250	\$ 8,250	\$ 7,048	\$ 5,776	\$ 5,694
Undergraduate, nonresident	14,910	14,910	13,138	10,726	10,616
Graduate, resident	7,666	7,666	6,520	5,354	6,778
Graduate, nonresident	13,732	13,732	12,082	9,872	12,058

**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2013**

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>
2013	\$7,064	\$10,728	\$17,792
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

Residence Hall Occupancy Analysis

<u>Fall Semester</u>	<u>Number of Occupants</u>	<u>Capacity</u>	<u>Percent of Occupancy</u>
2013	1,902	2,207	86%
2012	1,839	2,025	91%
2011	2,209	2,356	94%
2010	2,153	2,358	91%
2009	2,153	2,832	76%

CAPITAL ASSET AND DEBT ADMINISTRATION

Total capital asset additions for the University were approximately \$1,446,869 and \$19,296,129 for the years ended September 30, 2013 and 2012, respectively. During 2013, noncurrent liabilities decreased by \$3,365,395.

ECONOMIC OUTLOOK

In addition to potential variations in state appropriation funding, the University is subject to declines in general economic conditions in the United States and, specifically, the State of Alabama. Further weakening of the economy could have a potential negative impact on the University's enrollment, and extramural funding. However, management believes that the University will continue its high level of excellence in service to students, sponsors, the State of Alabama, and other constituents.

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Fiscal Year Ended September 30, 2013

The American Recovery and Investment Act (ARRA), also known as the Federal Stimulus Package, was passed by congress and signed into law by the President in 2009. 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. The State Fiscal Stabilization Program is part of ARRA and provides State Fiscal Stabilization Funds (SFSF). SFSF were awarded by the U.S. 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 between 2010 and 2011. No additional ARRA SFSF were received in 2013, nor are anticipated in 2014.

Alabama A&M University was the only public higher education institution in the State of Alabama that did not increase its tuition for fall 2013. 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.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during the fiscal year 2013 beyond those unknown variables having a global effect on virtually all types of business operations.

Clayton Gibson
Interim Vice President for Business and Finance

ALABAMA A&M UNIVERSITY
STATEMENTS OF NET POSITION
September 30, 2013 and 2012

	<u>2013</u>		<u>2012</u>	
	<u>Alabama A&M University</u>	<u>Component Units</u>	<u>Alabama A&M University</u>	<u>Component Units</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,974,765	\$ 1,917,219	\$ 7,022,893	\$ 931,529
Trusted fund assets:				
Cash and cash equivalents	-	2,859,014	-	2,262,165
Investments	4,832,251	-	4,928,735	-
Student accounts receivable, net of allowances	8,867,595	-	6,916,969	-
Loans receivable, net	9,666,727	-	9,326,395	-
Accounts receivable-other, net	33,147,854	3,783,394	30,203,491	3,965,134
Prepaid expenses	<u>6,494,992</u>	<u>-</u>	<u>6,303,142</u>	<u>-</u>
Total current assets	69,984,184	8,559,627	64,701,625	7,158,828
Noncurrent assets:				
Investments	3,910,009	42,935,410	3,816,227	41,450,656
Bond issuance costs	-	834,347	-	884,407
Capital assets, net	<u>113,739,401</u>	<u>8,053,154</u>	<u>117,539,592</u>	<u>8,628,354</u>
Total noncurrent assets	<u>117,649,410</u>	<u>51,822,911</u>	<u>121,355,819</u>	<u>50,963,417</u>
Deferred outflows of resources:				
Loss on refunding on bonds	<u>2,301,075</u>	<u>-</u>	<u>2,499,041</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 189,934,669</u>	<u>\$ 60,382,538</u>	<u>\$ 188,556,485</u>	<u>\$ 58,122,245</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 14,362,740	\$ -	\$ 14,310,006	\$ 457,756
Compensated absences	3,256,014	-	3,273,143	-
Student deposits	2,825,039	-	2,675,914	-
Deposits held in custody for others	300,290	1,165,366	300,290	1,309,698
Unearned revenue	31,394,935	188,435	27,145,714	71,025
Accrued interest on bonds payable	1,176,342	308,251	1,240,633	317,828
Bonds payable, current portion	<u>3,255,000</u>	<u>510,000</u>	<u>3,110,000</u>	<u>480,000</u>
Total current liabilities	<u>56,570,360</u>	<u>2,172,052</u>	<u>52,055,700</u>	<u>2,636,307</u>
Noncurrent liabilities:				
Bonds payable, noncurrent portion, net	<u>49,881,677</u>	<u>15,050,000</u>	<u>53,247,072</u>	<u>15,560,000</u>
Total noncurrent liabilities	<u>49,881,677</u>	<u>15,050,000</u>	<u>53,247,072</u>	<u>15,560,000</u>
Total liabilities	<u>106,452,037</u>	<u>17,222,052</u>	<u>105,302,772</u>	<u>18,196,307</u>

ALABAMA A&M UNIVERSITY
STATEMENTS OF NET POSITION (CONT'D)
September 30, 2013 and 2012

	<u>2013</u>		<u>2012</u>	
	<u>Alabama A&M University</u>	<u>Component Units</u>	<u>Alabama A&M University</u>	<u>Component Units</u>
NET POSITION				
Invested in capital assets, net of related debt	59,811,947	--	59,842,960	-
Restricted expendable	19,488,834	46,096,096	19,477,691	43,314,094
Unrestricted	<u>4,181,851</u>	<u>(2,935,610)</u>	<u>3,933,062</u>	<u>(3,388,156)</u>
Total net position	<u>83,482,632</u>	<u>43,160,486</u>	<u>83,253,713</u>	<u>39,925,938</u>
Total liabilities and net position	<u>\$ 189,934,669</u>	<u>\$ 60,382,538</u>	<u>\$ 188,556,485</u>	<u>\$ 58,122,245</u>

ALABAMA A&M UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2013 and 2012

	<u>2013</u>		<u>2012</u>	
	<u>Alabama A&M University</u>	<u>Component Units</u>	<u>Alabama A&M University</u>	<u>Component Units</u>
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship and other allowances of \$(8,742,192) and \$(9,865,627))	\$ 40,999,774	\$ -	\$ 37,246,530	\$ -
Federal appropriations	2,238,778	-	2,223,795	-
Federal grants and contracts	37,106,790	-	41,775,581	-
State and local grants and contracts	880,197	-	974,834	-
Nongovernmental grants and contracts	824,909	-	570,176	-
Sales and services of educational departments	1,966,285	-	2,191,128	-
Auxiliary revenue	11,955,954	-	12,557,384	-
Other operating revenues (expenditures)	<u>940,891</u>	<u>9,577,210</u>	<u>139,602</u>	<u>6,479,567</u>
Total operating revenues	<u>96,913,578</u>	<u>9,577,210</u>	<u>97,679,030</u>	<u>6,479,567</u>
EXPENSES				
Operating expenses:				
Salaries and wages	51,640,372	-	52,704,609	-
Fringe benefits	13,819,491	-	14,100,498	-
Scholarships and fellowships	15,882,686	-	16,856,540	-
Utilities	5,100,339	-	4,621,813	-
Supplies and other services	43,697,658	-	39,027,914	-
Depreciation and amortization	4,428,750	625,261	6,394,293	625,260
Other operating expenses	-	<u>5,717,401</u>	-	<u>6,653,526</u>
Total operating expenses	<u>134,569,296</u>	<u>6,342,662</u>	<u>133,705,667</u>	<u>7,278,786</u>
Operating income (loss)	<u>(37,655,718)</u>	<u>3,234,548</u>	<u>(36,026,637)</u>	<u>(799,219)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	39,335,736	-	40,405,340	-
Investment income	6,461	-	63,137	-
Interest expense	(2,445,094)	-	(2,646,365)	-
Other nonoperating revenues (expenses)	<u>987,534</u>	<u>-</u>	<u>(359,578)</u>	<u>-</u>
Net nonoperating revenues	<u>37,884,637</u>	<u>-</u>	<u>37,462,534</u>	<u>-</u>
Increase (decrease) in net position	228,919	3,234,548	1,435,897	(799,219)
Net position at beginning of the year	<u>83,253,713</u>	<u>39,925,938</u>	<u>81,817,816</u>	<u>40,725,157</u>
Net position at end of the year	<u>\$ 83,482,632</u>	<u>\$ 43,160,486</u>	<u>\$ 83,253,713</u>	<u>\$ 39,925,938</u>

ALABAMA A&M UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tuition and fees	\$ 39,049,148	\$ 34,848,812
Cash received from federal appropriations	2,238,778	2,223,795
Cash received from grants and contracts	40,116,754	42,587,441
Cash received from sales and services of educational departments	1,966,285	2,191,128
Cash received from auxiliary enterprises	11,955,954	12,557,384
Other receipts and payments (net)	940,891	279,204
Cash payments to suppliers	(43,687,649)	(39,303,506)
Payment for utility services	(5,100,339)	(4,621,813)
Cash payments to employees and related benefits	(65,476,992)	(66,452,714)
Cash payments for scholarships and fellowships	(15,882,686)	(16,856,540)
Cash payments for loans issued to students	(340,332)	-
Net cash provided (used) by operating activities	<u>(34,220,188)</u>	<u>(32,546,809)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	39,335,736	40,405,340
Other nonoperating expenses	987,534	351,064
Net cash provided by noncapital financing activities	<u>40,323,270</u>	<u>40,756,404</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(3,704,944)	(597,441)
Loss on disposal of assets	-	(87,570)
Principal paid on capital debt and leases	(3,220,395)	(2,871,353)
Interest cost on capital debt and leases	(2,311,419)	(2,610,517)
Net cash provided (used) by capital financing activities	<u>(9,236,758)</u>	<u>(6,166,881)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	7,911,338	6,681,912
Purchase of investments	(4,832,251)	(8,744,962)
Investment income	6,461	63,138
Net cash provided by investing activities	<u>3,085,548</u>	<u>(1,999,912)</u>
Net increase (decrease) in cash	(48,128)	42,802
Cash and cash equivalents, beginning of the year	<u>7,022,893</u>	<u>6,980,091</u>
Cash and cash equivalents, end of the year	<u>\$ 6,974,765</u>	<u>\$ 7,022,893</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Decrease in change in net position	\$(37,655,718)	\$(36,026,637)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	4,428,750	6,394,293
Changes in assets and liabilities:		
Receivables, net	(5,235,321)	(4,759,764)
Prepaid expenses	(191,850)	663,883
Accounts payable and accrued expenses	52,734	(737,137)
Compensated absences	(17,129)	352,393
Student deposits	149,125	9,277
Deposits held in trust for others	-	(72,013)
Deferred revenues	4,249,221	1,628,896
Net cash provided (used) by operating activities	<u>\$(34,220,188)</u>	<u>\$(32,546,809)</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 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 1,326,617	\$ 1,889,325
Adjustments to reconcile changes in net position to net cash provided by operating activities:		
Depreciation and amortization	625,260	625,260
Realized and unrealized gains and losses	(193,068)	(38,162)
Change in accounts receivable	181,737	(1,603,250)
Change in prepaid expenses	-	-
Change in accounts payable and accrued expenses	(457,758)	436,546
Change in accrued interest	(9,572)	(8,929)
Change in funds held for other organizations	(144,333)	224,395
Change in prepaid expense	-	12,074
Change in unearned rental income	<u>(37,747)</u>	<u>33,278</u>
Net Cash Provided by Operating Activities	<u>1,291,136</u>	<u>1,570,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,295,570)	(451,276)
Proceeds from sale of investments	<u>1,842,311</u>	<u>71,114</u>
Net Cash Used by Investing Activities	<u>546,741</u>	<u>(380,162)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>(510,000)</u>	<u>(455,000)</u>
Net Cash Used by Financing Activities	<u>(510,000)</u>	<u>(455,000)</u>
Increase (decrease) in Cash and Cash Equivalents	<u>1,327,877</u>	<u>735,375</u>
Cash and Cash Equivalents - beginning of the year	<u>2,344,577</u>	<u>1,609,202</u>
Cash and Cash Equivalents - end of the year	<u>\$ 3,672,454</u>	<u>\$ 2,344,577</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,269,831</u>	<u>\$ 1,199,472</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, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 1,907,930	\$ (2,688,544)
Adjustment to reconcile change in net position to net cash provided by operating activities:		
Change in due from Alabama A&M University	<u>-</u>	<u>2,499,967</u>
Net cash provided by operating activities	<u>1,907,930</u>	<u>(188,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,424,215	35,533,196
Purchase of investments	<u>(4,077,483)</u>	<u>(63,972,773)</u>
Net cash used by investing activities	<u>(1,653,268)</u>	<u>(28,439,577)</u>
Net decrease in cash and cash equivalents	254,662	(28,628,154)
Cash and cash equivalents, beginning of the year	<u>849,113</u>	<u>29,477,267</u>
Cash and cash equivalents, end of the year	<u>\$ 1,103,775</u>	<u>\$ 849,113</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

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 Federal Land Grant Act of 1962, by which the University was established as a land grant university, donated public lands to several states and territories with the intent that the states would use these properties for the benefit of agriculture and the mechanical arts. 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

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 18.

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

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. During fiscal year 2013, the University adopted GASB Statement No. 63, Financial Reporting of *Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

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 position. 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 position, with all net realized and unrealized gains and losses reflected in the accompanying statements of revenues, expenses and changes in net position. 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

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 position.

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 position.

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 position 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

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 Position

The University's net position are classified as follows:

Invested in capital assets, net of related debt - this component of net position 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. Deferred inflows and outflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt would also be included in this component of net position. Unexpended related debt proceeds and the related debt attributable to the unspent amount, as well as deferred inflows of resources, if applicable, are not reported in net investment in capital assets, but in restricted or unrestricted net position.

Restricted-nonexpendable - this component of net position consists of Nonexpendable and Expendable elements.

Nonexpendable - Net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources subject to externally imposed stipulations that they be maintained permanently by the University. This element includes the University's permanent endowment funds.

Expendable - Net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources whose use by the University are subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations, or that expire by the passage of time. The University currently does not have any restricted-nonexpendable net position.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Unrestricted - this component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not subject to externally imposed stipulations or included in the determination of net investment in capital assets. Unrestricted net position may be designated for specific purposes by action of management or the Board. Substantially all unrestricted net position is designated for academic and research programs and initiatives, capital projects, and auxiliary units.

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

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 and is classified as deferred outflows of resources in accordance with GASB Statement No. 65. Under the provisions of GASB 65, bond issue cost for the University are expensed when incurred but capitalized by its component units which are nonprofit organizations and amortized over the life of the debt.

M. Unearned Revenue

Unearned revenues include funds received in advance of an event, such as tuition and fees and advance ticket sales for athletic events. Net student tuition and fee revenues and housing revenues for the fall semester are recognized in the fiscal year in which the related revenues are earned. Ticket sale revenues for athletic events are recognized as the related games are played. Unearned revenues also consist of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Amounts received from grant sponsors for which the only unmet term of the agreement is timing are classified as deferred inflows of resources in accordance with GASB Statement No. 65. All other unearned revenue is classified as a current liability.

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.

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 position. 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.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

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.

The maximum loss the University would incur is the value of student accounts and loans receivable, which at September 30, 2013 and 2012, totaled \$18,534,322 and \$16,243,364.

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.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2013 and 2012, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$9,788,000,000 and \$8,080,000,000, respectively. The University had cash and cash equivalents totaling \$6,974,765 and \$7,022,893 at September 30, 2013 and 2012, 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.

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, 2013 and 2012, there were no investments held that are directly impacted by fluctuations in foreign currency exchange rates.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

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, 2013 and 2012, concerning the fair value of investments and interest rate risk:

Type of Investments	2013			
	Maturity in Years at Fair Value		Total Fair Value	Cost
	Less Than 1 Year	1-5 Years		
Fixed maturity:				
U.S. Treasury Obligations	\$ 5,396,872	\$ -	\$ 5,396,872	\$ 5,412,909
Mortgage-backed securities	<u>3,345,388</u>	<u>-</u>	<u>3,345,388</u>	<u>3,345,396</u>
Total fixed maturity	<u>8,742,260</u>	<u>-</u>	<u>8,742,260</u>	<u>8,758,305</u>
Total investments			<u>\$ 8,742,260</u>	<u>\$ 8,758,305</u>

Type of Investments	2012			
	Maturity in Years at Fair Value		Total Fair Value	Cost
	Less Than 1 Year	1-5 Years		
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>

Credit Risk

The following tables provide information as of September 30, 2013 and 2012, respectively, concerning credit risk and concentration of credit risk:

Moody's Rating	2013			Fair Value as a % of Total Fixed Maturity Fair Value
	Fair Value	Cost		
U.S. Treasury Obligations	\$ 5,396,872	\$ 4,832,251		61.73%
Aaa	<u>3,345,388</u>	<u>3,926,054</u>		38.27%
	<u>\$ 8,742,260</u>	<u>\$ 8,758,305</u>		

**ALABAMA A&M UNIVERSITY
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	2012		Fair Value as a % of Total Fixed Maturity Fair Value
Moody's Rating	Fair Value	Cost	
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>	

At September 30, 2013 and 2012, 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.

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, 2013 and 2012, the Trust's \$4,033,576 and \$1,377,644 investment income (loss) includes the following:

	2013	2012
Realized and unrealized appreciation in market value	\$ 3,028,198	\$ 913,046
Dividends, interest and other income	<u>1,005,378</u>	<u>464,598</u>
	<u>\$ 4,033,576</u>	<u>\$ 1,377,644</u>

At July 31, 2013 and 2012, the Trust's major investments are classified as follows:

	2013	2012
U.S. Government Obligations	\$10,003,563	\$10,590,345
Equity mutual funds	27,407,966	25,206,452
Other	<u>1,864,345</u>	<u>1,825,806</u>
	<u>\$39,275,874</u>	<u>\$37,622,603</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 **ACCOUNTS RECEIVABLE**

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

The following is a schedule of total accounts receivable as of September 30, 2013 and 2012:

	2013	2012
Accounts receivable:		
Student accounts receivable	\$ 22,338,341	\$ 20,970,909
Grants receivable	26,085,522	22,917,754
Other receivables	<u>7,062,332</u>	<u>7,682,778</u>
	55,486,195	51,571,441
Allowance for doubtful accounts	<u>(13,470,746)</u>	<u>(14,450,981)</u>
Accounts receivable, net	<u>\$ 42,015,449</u>	<u>\$ 37,120,460</u>
Loans receivable:		
Perkins loans advances	\$ 20,185,774	\$ 19,845,442
Less:		
Loans assigned to U.S. Government	(1,054,621)	(1,054,621)
Principal collected	(8,438,020)	(8,438,020)
Principal cancellations	<u>(1,026,406)</u>	<u>(1,026,406)</u>
	<u>(10,519,047)</u>	<u>(10,519,047)</u>
Loans receivable, net	<u>\$ 9,666,727</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, 2013 and 2012, respectively, is as follows:

	Balance 10/01/12	Additions	Deletions	Balance 9/30/13
Capital assets not being depreciated				
Land	\$ 4,982,207	\$ -	\$ -	\$ 4,982,207
Construction in progress	-	-	-	-
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>8,726,874</u>	<u>-</u>	<u>-</u>	<u>8,726,874</u>
Capital assets being depreciated				
Buildings	176,758,261	(93,854)	(170,246)	176,494,161
Equipment	13,737,467	914,502	(951,906)	13,700,063
Library holdings	<u>12,495,073</u>	<u>626,221</u>	<u>(1,188,709)</u>	<u>11,932,585</u>
	202,990,801	1,446,869	(2,310,861)	202,126,809
Less: accumulated depreciation				
Buildings	(76,981,071)	(3,444,713)	72,000	(80,353,784)
Equipment	(9,527,449)	(883,485)	925,259	(9,485,675)
Library holdings	<u>(7,669,565)</u>	<u>(83,325)</u>	<u>478,067</u>	<u>(7,274,823)</u>
	<u>(94,178,085)</u>	<u>(4,411,523)</u>	<u>1,475,326</u>	<u>(97,114,282)</u>
Capital assets being depreciated, net	<u>108,812,716</u>	<u>(2,964,654)</u>	<u>(835,535)</u>	<u>105,012,527</u>
Capital assets, net	<u>\$ 117,539,590</u>	<u>\$ (2,964,654)</u>	<u>\$ (835,535)</u>	<u>\$ 113,739,401</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

	<u>Balance 10/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/12</u>
Capital assets not being depreciated				
Land	\$ 4,982,207	\$ -	\$ -	\$ 4,982,207
Construction in progress	16,932,962	-	(16,932,962)	-
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>25,659,836</u>	<u>-</u>	<u>(16,932,962)</u>	<u>8,726,874</u>
Capital assets being depreciated				
Buildings	161,324,285	16,932,962	(1,498,986)	176,758,261
Equipment	13,062,494	876,964	(201,991)	13,737,467
Library holdings	<u>11,073,620</u>	<u>1,486,203</u>	<u>(64,750)</u>	<u>12,495,073</u>
	185,460,399	19,296,129	(1,765,727)	202,990,801
Less: accumulated depreciation				
Buildings	(72,907,286)	(4,169,030)	95,247	(76,981,069)
Equipment	(8,912,155)	(816,015)	200,721	(9,527,449)
Library holdings	<u>(5,301,044)</u>	<u>(2,433,271)</u>	<u>64,750</u>	<u>(7,669,565)</u>
	<u>(87,120,485)</u>	<u>(7,418,316)</u>	<u>360,718</u>	<u>(94,178,083)</u>
Capital assets being depreciated, net	<u>98,339,914</u>	<u>11,877,813</u>	<u>(1,405,009)</u>	<u>108,812,718</u>
Capital assets, net	<u>\$ 123,999,750</u>	<u>\$ 11,877,813</u>	<u>\$(18,337,971)</u>	<u>\$ 117,539,592</u>

Depreciation expense (including amortization expense on capital lease assets) for the years ended September 30, 2013 and 2012, was \$4,428,750 and \$6,394,293, respectively.

NOTE 7 **COMPENSATED ABSENCES**

The following is a schedule of accrued expenses at September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Annual Leave	\$ 2,942,799	\$ 3,023,277
Accrued sick leave	<u>313,215</u>	<u>249,866</u>
	<u>\$ 3,256,014</u>	<u>\$ 3,273,143</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.

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

NOTE 8 BONDS PAYABLE

At September 30, 2013, the University was in violation of certain debt covenants related to the Series 1980 and 2007 bonds, requiring the University to file audited financial statements with the bond trustees within a certain time period after the University's fiscal year. The University obtained a waiver for this covenant violation. As of September 30, 2013, the bonds had not been called; accordingly, the entire amount outstanding for the bonds has not been classified as current on the accompanying 2013 statement of **net position**. The University was not in violation of any other covenants associated with these bonds.

A summary of the University's bonds payable activity for the years ended September 30, 2013 and 2012, is as follows:

	<u>Balance 10/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/13</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	\$ 680,000	\$ -	\$ 115,000	\$ 565,000	\$ 120,000
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>53,460,000</u>	<u>-</u>	<u>2,995,000</u>	<u>50,465,000</u>	<u>3,135,000</u>
	54,140,000	-	3,110,000	51,030,000	<u>\$ 3,255,000</u>
Less unamortized loss on defeasance	(2,499,041)	-	(197,964)	(2,301,077)	
Plus unamortized premium	<u>2,217,073</u>	<u>-</u>	<u>110,394</u>	<u>2,106,679</u>	
Bonds payable	<u>\$ 53,858,032</u>	<u>\$ -</u>	<u>\$ 3,022,430</u>	50,835,602	
Less current portion				<u>(3,255,000)</u>	
				<u>\$ 47,580,602</u>	

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ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

	Balance 10/01/11	Additions	Reductions	Balance 09/30/12	Due within one Year
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 Bonds, Series 1998, due in varying amounts including interest at 4.450% to 5.375% to November 1, 2025	-	-	-	-	-
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	(2,697,005)	-	(197,964)	(2,499,041)	
Plus unamortized premium	<u>2,327,467</u>	<u>-</u>	<u>110,394</u>	<u>2,217,073</u>	
Bonds payable	<u>\$ 56,740,462</u>	<u>\$ -</u>	<u>\$ 2,882,430</u>	53,858,032	
Less current portion				<u>(3,110,000)</u>	
				<u>\$ 50,748,032</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:

Fiscal Year	Principal	Interest	Total
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	3,860,000	1,669,525	5,529,525
2019-2023	15,820,000	6,125,119	21,945,119
2024-2028	12,950,000	2,208,656	15,158,656
2029-2033	<u>4,430,000</u>	<u>575,750</u>	<u>5,005,750</u>
	<u>\$ 51,030,000</u>	<u>\$ 19,006,000</u>	<u>\$ 70,036,000</u>

ALABAMA A&M UNIVERSITY
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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, 2012 (the most recent valuation date) for TRS as a whole, determined through actuarial valuations performed as of that date, were \$18,786,007,955 and \$19,430,134,593, respectively, resulting in an under-funded AAL of \$9,465,359,317.

ALABAMA A&M UNIVERSITY
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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 7.5 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 2013 and 2012 as follows:

	2013		2012
	Tier 1 Employees	Tier 2 Employees	
Total Percentage of Covered Payroll	17.58%	15.44%	17.25%
Contributions:			
Percentage contributed by the University	10.08%	9.44%	12.25%
Percentage contributed by Employees	7.50%	6.00%	5.00%
Amount contributed by the University (both Tiers)	\$4,555,069		\$ 4,609,761
Amount contribution by Employees (both Tiers)	<u>3,391,762</u>		<u>3,345,833</u>
Total Contributions	<u>\$7,946,831</u>		<u>\$ 7,955,594</u>

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.

During fiscal years ended September 30, 2013 and 2012, employees' contributions to TIAA-CREF were \$298,937 and \$264,476, respectively.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 OTHER POST-RETIREMENT EMPLOYEE BENEFITS

The University offers post-employment 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, 2013:

Retired Member Rates:

Individual Coverage/Non-Medicare Eligible	\$671
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependant(s)	\$860
Family Coverage/Non-Medicare Eligible Retired Member and Dependant Medicare Eligible	\$829
Individual Coverage/Medicare Eligible Retired Member	\$317
Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$506
Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible	\$475

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The required contribution rate of the employer was \$336 per employee per month in the year ended September 30, 2013. The University paid \$1,597,110 for 369 retirees for the year ended September 30, 2013. 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, 2013 and 2012, the University has been awarded approximately \$8,648,872 and \$6,253,521, 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, 2013 and 2012, are listed below:

Expenses by Function		
	2013	2012
Educational and General:		
Instruction	\$ 29,246,532	\$ 33,048,260
Research and development	6,692,393	6,238,817
Public service	13,661,672	12,651,020
Academic support	4,746,005	4,243,765
Student services	12,008,804	11,995,890
Institutional support	26,310,550	21,964,690
Operation and maintenance of plant	13,259,426	8,542,169
Scholarships and fellowships	15,714,410	16,856,540
Auxiliary Enterprises	8,500,754	11,770,223
Depreciation and amortization	4,428,750	6,394,293
Total operating expenses	\$ 134,569,296	\$ 133,705,667

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 GASB 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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Statement No. 68, Accounting and Financial Reporting for Pensions –an amendment of GASB Statement No. 27 was issued in June 2012. This Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts. It establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. It also identifies methods and assumptions used to project benefit payments, their net present value, and to attribute it to periods of employee service. Additionally, it addresses disclosure requirements regarding pensions. This Statement is effective for periods beginning after June 15, 2014. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement, but expects to record a liability upon adoption.

Statement No. 69, Government Combinations and Disposals of Government Operations was issued in January 2013. This Statement establishes new accounting and financial reporting standards related to government mergers, acquisitions, and transfers of operations and to disposals of government operations. This Statement is effective for periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The University does not believe the adoption of this Statement will have an effect on the University’s financial statements.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees was issued in April 2013. This Statement improves accounting and financial reporting by state and local governments that extend or receive nonexchange financial guarantees. This Statement is effective for periods beginning after June 15, 2013. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement. Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68 was issued in November 2013. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The provisions of this Statement are required to be applied simultaneously with Statement No. 68. The University is currently evaluating the financial statement impact of this Statement.

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ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 COMPONENT UNITS

Details of the Foundation's net position at September 30, 2013 and 2012 and the Trust's net position at July 31, 2013 and 2012, are as follows:

	2013			2012		
	Foundation	Trust	Totals	Foundation	Trust	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 813,444	\$ 1,103,775	\$ 1,917,219	\$ 82,416	\$ 849,113	\$ 931,529
Restricted cash and cash equivalents	2,859,014	-	2,859,014	2,262,165	-	2,262,165
Intercompany receivable	3,783,394	-	3,783,394	3,965,134	-	3,965,134
Accounts receivable, less allowance for doubtful accounts	-	-	-	-	-	-
Pledges receivable, net	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Total current assets	<u>7,455,852</u>	<u>1,103,775</u>	<u>8,559,627</u>	<u>6,309,715</u>	<u>849,113</u>	<u>7,158,828</u>
Non-current assets:						
Investments	3,546,738	39,275,872	42,822,610	3,715,253	37,622,603	41,337,856
Real estate held for investment	-	112,800	112,800	-	112,800	112,800
Capital assets, net	8,053,154	-	8,053,154	8,628,354	-	8,628,354
Bond issuance costs, net	834,347	-	834,347	884,407	-	884,407
Total non-current assets	<u>12,434,239</u>	<u>39,388,672</u>	<u>51,822,911</u>	<u>13,228,014</u>	<u>37,735,403</u>	<u>50,963,417</u>
Total assets	<u>\$ 19,890,091</u>	<u>\$ 40,492,447</u>	<u>\$ 60,382,538</u>	<u>\$ 19,537,729</u>	<u>\$ 38,584,516</u>	<u>\$ 58,122,245</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 457,756	\$ -	\$ 457,756
Accrued interest	308,251	-	308,251	317,828	-	317,828
Funds held for other organizations	1,165,366	-	1,165,366	1,309,698	-	1,309,698
Unearned rental income	188,435	-	188,435	71,025	-	71,025
Long term debt, current	510,000	-	510,000	480,000	-	480,000
Total current liabilities	<u>2,172,052</u>	<u>-</u>	<u>2,172,052</u>	<u>2,636,307</u>	<u>-</u>	<u>2,636,307</u>
Non-Current liabilities:						
Long-term debt, noncurrent	15,050,000	-	15,050,000	15,560,000	-	15,560,000
Total liabilities	<u>17,222,052</u>	<u>-</u>	<u>17,222,052</u>	<u>18,196,307</u>	<u>-</u>	<u>18,196,307</u>
NET POSITION						
Restricted:						
Temporarily	4,603,649	2,757,044	7,360,693	3,729,578	849,113	4,578,691
Permanently	1,000,000	37,735,403	38,735,403	1,000,000	37,735,403	38,735,403
Total restricted	<u>5,603,649</u>	<u>40,492,447</u>	<u>46,096,096</u>	<u>4,729,578</u>	<u>38,584,516</u>	<u>43,314,094</u>
Unrestricted	(2,935,610)	-	(2,935,610)	(3,388,156)	-	(3,388,156)
Total net position	<u>2,668,039</u>	<u>40,492,447</u>	<u>43,160,486</u>	<u>1,341,422</u>	<u>38,584,516</u>	<u>39,925,938</u>
Total liabilities and net position	<u>\$ 19,890,091</u>	<u>\$ 40,492,447</u>	<u>\$ 60,382,538</u>	<u>\$ 19,537,729</u>	<u>\$ 38,584,516</u>	<u>\$ 58,122,245</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

Details of the Foundation's revenues, expenses and changes in net position at September 30, 2013 and 2012 and the Trust's revenues, expenses, and changes in net position at July 31, 2013 and 2012 are as follows:

	2013			2012		
	Foundation	Trust	Totals	Foundation	Trust	Totals
OPERATING REVENUES						
Net rental revenue	\$ 3,305,300	\$ -	\$ 3,305,300	\$ 3,397,607	\$ -	\$ 3,397,607
Contributions	1,948,908	-	1,948,908	1,617,115	-	1,617,115
Investment income	96,359	1,005,378	1,101,737	49,040	464,598	513,638
Realized and unrealized gain (loss) on investments	<u>193,067</u>	<u>3,028,198</u>	<u>3,221,265</u>	<u>38,161</u>	<u>913,046</u>	<u>951,207</u>
Total revenues	<u>5,543,634</u>	<u>4,033,576</u>	<u>9,577,210</u>	<u>5,101,923</u>	<u>1,377,644</u>	<u>6,479,567</u>
OPERATING EXPENSES						
Educational and general:						
Scholarships	1,364,263	1,385,000	2,749,263	147,768	829,974	977,742
Rental operating expenses	230,735	-	230,735	655,564	-	655,564
Program administration	613,143	-	613,143	531,784	-	531,784
Depreciation and amortization	625,261	-	625,261	625,260	-	625,260
Transfers to University	-	655,310	655,310	-	3,138,668	3,138,668
Investment fees	113,784	85,335	199,119	52,749	97,546	150,295
Interest expense	<u>1,269,831</u>	<u>-</u>	<u>1,269,831</u>	<u>1,199,473</u>	<u>-</u>	<u>1,199,473</u>
Total expenses	<u>4,217,017</u>	<u>2,125,645</u>	<u>6,342,662</u>	<u>3,212,598</u>	<u>4,066,188</u>	<u>7,278,786</u>
CHANGE IN NET POSITION						
Increase (decrease) in net position	1,326,617	1,907,931	3,234,548	1,889,325	(2,688,544)	(799,219)
Total net position, beginning of the year	<u>1,341,422</u>	<u>38,584,516</u>	<u>39,925,938</u>	<u>(547,903)</u>	<u>41,273,060</u>	<u>40,725,157</u>
Total net position, end of the year	<u>\$ 2,668,039</u>	<u>\$ 40,492,447</u>	<u>\$ 43,160,486</u>	<u>\$ 1,341,422</u>	<u>\$ 38,584,516</u>	<u>\$ 39,925,938</u>

NOTE 19 CHANGES IN PRESENTATION OF PRIOR YEAR AMOUNTS

The prior year's financial statements have been adjusted for the effects of changes in reported amounts for student accounts receivable, depreciation expense, bond issuance costs, and unamortized loss on refunding of bonds, as a result of the implementation of changes in accounting principles applicable to *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. The adoption of these standards requires retroactive application and accordingly the financial presentations for 2012 have been modified.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

	As Previously Reported September 30, 2012	Adoption/ Adjustment/ Reclass	New Presentation September 30, 2012
ASSETS			
Current assets:			
Student accounts receivable	\$ 28,541,712	\$ (7,570,803)	\$ 20,970,909
Prepaid expenses	10,653,647	(4,350,505)	6,303,142
Noncurrent:			
Bond issuance costs	570,106	(570,106)	-
Accumulated depreciation	-	95,247	95,247
DEFERRED OUTFLOWS OF RESOURCES			
Loss on refunding of bonds	-	2,499,041	2,499,041
LIABILITIES			
Accounts payable	14,505,744	(195,738)	14,310,006
Unearned revenue	38,730,756	11,216,042	27,514,714
Bonds payable, noncurrent portion, net	50,748,032	(2,499,041)	53,247,073
NET POSITION			
Invested in capital assets, net of related debt	60,534,767	570,106	59,842,960
Restricted expendable	19,355,988	121,703	19,477,691
Unrestricted	3,978,344	(45,282)	3,933,062
EXPENSES			
Operating expenses:			
Depreciation and amortization	6,489,540	(95,247)	6,394,293

Certain other presentations of liabilities and operating expenses of the 2012 year have been changed to conform to the 2013 classifications and presentations. The changes did not affect the University's net position.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alabama A&M University ("the University"), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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



To the Board of Trustees of
Alabama A&M University
Normal, Alabama
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

March 24, 2014

Bank, Finley White & Co.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Alabama A&M University's ("the University") compliance 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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

March 24, 2014

Bank & Finley White & Co.

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF EDUCATION				
Student Financial Aid Cluster				
Federal Family Education Loan		84.032	-	\$ 44,803,651
College Work Study Program		84.033	OE-P033A070001	245,785
National Smart Grant		84.376	OE-P376S01027	375
Rehabilitation Long Term Training		84.129	H129B100005	97,049
TEACH Grants		84.379	-	44,480
Federal Pell Grant Program		84.063	OE-P063111097	13,853,782
Federal Supplemental Educational Opportunity Program		84.007	OE-P007A09001	195,418
Total Student Financial Aid Cluster				<u>59,240,539</u>
Trio Cluster:				
TRIO-Student Support Services		84.042	OE-P042A101164	317,942
TRIO-Upward Bound		84.047	OE-P047A070505	463,674
TRIO- McNair Post-Baccalaureate Achievement		84.217	OE-P7217A070339	77,154
Total TRIO Cluster				<u>858,769</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster:				
Federal Transit Formula Grant		20.507	DTFH64-12-G-00084	9,766
Federal Transit Formula Grant		20.507	DTFH64-12-G-00086	3,928
Federal Transit Formula Grant		20.507	DTFH64-12-G-00085	7,262
Federal Transit Formula Grant		20.507	DTFH64-12-G-00088	2,966
Federal Transit Formula Grant		20.507	DTFH64-12-G-00087	2,428
Federal Transit Formula Grant		20.507	DTFH64-11-G-00071	2,614
Total Federal Transit Cluster				<u>28,964</u>
U.S. DEPARTMENT OF AGRICULTURE				
Pass thru Funds:				
State administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	415100-8901	134,267
State administrative Matching Grants for the Supplemental Nutrition Assistance Program		10.561	4153	602,720
Total SNAP Cluster				<u>736,988</u>
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
1890 Institution Capacity Building Grant		10.216	2004-38814-15160	779
1890 Institution Capacity Building Grant		10.216	2008-38820-04781	246
1890 Institution Capacity Building Grant		10.216	2012-38820-20177	144,590
1890 Institution Capacity Building Grant		10.216	2010-38821-21448	20,644
1890 Institution Capacity Building Grant		10.216	2010-38821-21449	3,338
1890 Institution Capacity Building Grant		10.216	2010-38821-21585	51,283
1890 Institution Capacity Building Grant		10.216	2012-38820-20150	60,470
1890 Institution Capacity Building Grant		10.216	2012-38821-20128	77,679
1890 Institution Capacity Building Grant		10.216	2012-38821-20067	38,371
1890 Institution Capacity Building Grant		10.216	2012-38821-20091	28,541
1890 Institution Capacity Building Grant		10.216	2012-38821-20075	67,072
1890 Institution Capacity Building Grant		10.216	2010-38821-21651	140,210
1890 Institution Capacity Building Grant		10.216	2011-38821-30878	26,717
1890 Institution Capacity Building Grant		10.216	2010-38821-21613	52,521
1891 Institution Capacity Building Grant		10.216	2011-38821-30829	65,241
1890 Institution Capacity Building Grant		10.216	2011-38821-30831	99,241
1890 Institution Capacity Building Grant		10.216	2011-38821-30924	76,440

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Pass thru Funds:				
1890 Institution Capacity Building Grant		10.216	36-12091-280-76190	94,618
1890 Institution Capacity Building Grant		10.216	2010-38821-21614	12,963
1890 Institution Capacity Building Grant		10.216	2008-38814-04736	6,566
Total 1890 Institution Capacity Building				1,067,529
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Agricultural Research Basic and Applied Research		10.001	59-2501-10-002	153,340
Agricultural Research Basic and Applied Research		10.001	59-6401-1-651	318
Total Agricultural Research Basic and Applied Research				153,657
U.S. DEPARTMENT OF COMMERCE				
Direct Programs:				
Applied Meteorological Research		11.468	NA08NWS4680065	778
Total Applied Meteorological Research				778
U.S. DEPARTMENT OF DEFENSE				
Direct Programs:				
Basic Scientific Research		12.431	HQ0147-10-C-6004	192,115
Basic Scientific Research		12.431	W911NF-12-1-0063	264,532
Total Basic Scientific Research				456,647
NATIONAL SCIENCE FOUNDATION				
Direct Programs:				
Biological Science		47.074	DBI-070370	383,529
Total Biological Science				383,529
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Child Health and Human Development Extramural Research		93.865	1G11 HD046385-02	10,232
Total Child Health and Human Development Extramural Research				10,232
U.S. DEPARTMENT OF HOUSING AND URBAN AFFAIRS				
Direct Programs:				
Community Development Block Grant/Brownfields Economic Development Initiative		14.246	HBCU-06-AL-002	685
Community Development Block Grant/Brownfields Economic Development Initiative		14.246	HBCU-08-AL-001	128,933
Total CDBG Brownfields Economic Development Initiative				129,619
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Cooperative Extension		10.500	45100-08901	2,234,928
Cooperative Extension		10.500	46000-08901	647
Cooperative Extension		10.500	2010-41520-20684	139,740
Cooperative Extension		10.500	2012-47001-19522	6,550
Cooperative Extension		10.500	2011-MU-MU-026	35,242
Cooperative Extension		10.500	2012-46000-08901	7,975
Pass thru Funds:				
Cooperative Extension		10.500	2010-41534-21327	6,224

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Total Cooperative Extension				2,431,304
U.S. DEPARTMENT OF AGRICULTURE				
Pass thru Funds:				
Tribal Colleges Education Equity		10.221	2009-38424-05766	11,456
Total Tribal Colleges Education Equity				11,456
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Cooperative Forestry Research		10.202	32100-08901	230,521
Total Cooperative Forestry Research				230,521
NATIONAL SCIENCE FOUNDATION				
Direct Programs:				
Education and Human Resources		47.076	HRD-0420541	9,283
Education and Human Resources		47.076	DBI 1040963	101,568
Education and Human Resources		47.076	HRD 103660	803,851
Education and Human Resources		47.076	CCLI PO6206	10,848
Education and Human Resources		47.076	RBS-11-09	10,512
Education and Human Resources		47.076	ECCS 059	16,750
Education and Human Resources		47.076	DUE 11544	87,816
Education and Human Resources		47.076	REU 1156137	73,620
Education and Human Resources		47.076	REU 1063101	42,325
Education and Human Resources		47.076	C12-00707	9,497
Education and Human Resources		47.076	DBI 10631	54,170
Education and Human Resources		47.076	DUE-0728658	1,780
Education and Human Resources		47.076	DUE-1238192	591,586
Education and Human Resources		47.076	DUE-1225654	24,708
Education and Human Resources		47.076	DUE-1300717	89,831
Education and Human Resources		47.076	PHY-1263253	52,922
Education and Human Resources		47.076	DUE 0850121	117,000
Education and Human Resources		47.076	C10-0075	33,581
Education and Human Resources		47.076	DBI-0927544	3,683
Education and Human Resources		47.076	DUE 0965927	178,000
Education and Human Resources		47.076	HRD 0928904	341,327
Education and Human Resources		47.076	DGE-0933812	148,636
Pass thru Funds:				
Education and Human Resources		47.076	HRD 1067888	38,452
Total Education and Human Resources				2,841,745
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Health Careers Opportunity Program		93.822	HRSA D18HP10620 02 00	(800)
Total Health Careers Opportunity Program				(800)
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Forestry Research		10.652	08-CA-11300134-083	47,531
Forestry Research		10.652	10-DG-11330101-051	1,937
Forestry Research		10.652	11-DG-11330124-102	157,296
Forestry Research		10.652	12-JV-11330124-124	15,279
Forestry Research		10.652	12-DG-11330124-062	123,374
Forestry Research		10.652	10-CA-11330124-146	1,966
Forestry Research		10.652	06-CA-11330134-134	1,119

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Forestry Research		10.652	11-CA-11330124-099	21,483
Forestry Research		10.652	09-CA-11330134-070	125
Total Forestry Research				<u>370,111</u>
U.S. DEPARTMENT OF ENERGY				
Pass thru Funds:				
Fossil Energy Research and Development		81.089	DE-FC26-06NT43029-004	10,935
Fossil Energy Research and Development		81.089	DE-FC26-06NT43029-005	37,695
Total Fossil Energy Research and Development				<u>48,630</u>
NATIONAL SCIENCE FOUNDATION				
Direct Program:				
GEO Science		47.050	ECCS-1229312	148,663
Pass thru Funds:				
GEO Science		47.050	TM-0120950 BU GC177030NC	34,036
Total GEO Science				<u>182,698</u>
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Agricultural Research Special Research		10.200	2011-38624-31102	88,480
Agricultural Research Special Research		10.200	2011-38821-30969	27,654
Agricultural Research Special Research		10.200	33100-08901	2,172,867
Total Agricultural Research Special Research				<u>2,289,001</u>
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Agricultural Research Competitive Research		10.206	2007-55618-18212	33,468
Total Agricultural Research Competitive Research				<u>33,468</u>
U.S. DEPARTMENT OF AGRICULTURE				
Pass thru Funds:				
Higher Education Challenge Grant		10.217	2011-51300-30634	7,767
Total Higher Education Challenge				<u>7,767</u>
U.S. DEPARTMENT OF EDUCATION				
Higher Education Institutional Aid				
Higher Education Institutional Aid		84.031	OE-P031B09200	2,423,781
Higher Education Institutional Aid		84.031	OE-P031B070057	489,910
Higher Education Institutional Aid		84.031	OE-P031B12500	2,293,747
Higher Education Institutional Aid		84.031	OE-P031B040110	27,933
Higher Education Institutional Aid		84.031	OE-P031B10008	1,047,450
Total Higher Education Institution Aid				<u>6,282,821</u>
U.S. DEPARTMENT OF EDUCATION				
Direct Programs:				
Integrated Programs		10.303	2008-51130-04899	49,227
Total Integrated Programs				<u>49,227</u>
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
International Science and Education :		10.305	2009-51160-05462	16,698
Total International Science and Education				<u>16,698</u>
U.S. DEPARTMENT OF ENERGY				

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Direct Programs:				
National Nuclear Security Administration (NNSA) Minority Serving Institutions Program		81.123	DE-NA-0001890	161,731
National Nuclear Security Administration (NNSA) Minority Serving Institutions Program		81.123	12-NA-002519	21,600
National Nuclear Security Administration (NNSA) Minority Serving Institutions Program		81.123	DE-FG52-08NA28892	309,649
Total National Nuclear Security Administration Minority Serving Institutions Program (NNSA)				492,980
NATIONAL SCIENCE FOUNDATION				
Direct Programs:				
Office of Cyberinfrastructure		47.080	RII EPS 0814103	187,001
Pass thru Funds:				
Office of Experimental Program to Stimulate Competitive Research		47.081	34-21530-200-76190	223,588
Office of Experimental Program to Stimulate Competitive Research		47.081	Alabama EPSCOR	149,814
Trans-NSF Recovery Act Research Support		47.082	EPS-1006661	40,451
Total National Science Foundation				600,854
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	2010-38821-21602	45,406
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	2011-38821-30968	131,195
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	2010-49400-21751	87,890
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	2008-51200-04575	2,038
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	59-2501-11-001-0	47,738
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	59-2501-11-0015	163,360
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers		10.443	2009-39300-19978	122,469
Total Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers				600,096
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs:				
Scholars and Fellows and Educational Programs		97.062	2010 ST 062 000034	94,445
Total Scholars and Fellows and Educational Programs				94,445
NATIONAL AERONAUTICS AND ADMINISTRATION				
Direct Programs:				
Education		43.008	NNX12A109A	48,900
Total Education				48,900
NATIONAL AERONAUTICS AND ADMINISTRATION				
Direct Programs:				
Space Operations		43.007	NNX09AV17A	53,146
Space Operations		43.007	NNX10AJ76A	18,033

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>	<u>TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
Total Space Operations				71,179
NATIONAL AERONAUTICS AND ADMINISTRATION				
Pass thru Funds:				
Science		43.001	NNX08AG60G	12
Science		43.001	NNX10AJ80H	37,772
Total Science				37,783
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Scientific Cooperation and Research		10.961	58-3148-2-210	39,820
Scientific Cooperation and Research		10.961	58-3148-1-250	22,344
Total Scientific Cooperation and Research				62,165
U.S. DEPARTMENT OF AGRICULTURE				
Direct Programs:				
Beginning Farmer and Rancher Development Program		10.311	2012-49400-19567	81,232
Beginning Farmer and Rancher Development Program		10.311	2012-68006-30189	132,187
Pass thru Funds:				
Beginning Farmer and Rancher Development Program		10.311	2011-67005-30010	810
Total Beginning Farmer and Rancher Development Program				214,230
U.S. DEPARTMENT OF AGRICULTURE				
Pass thru Funds:				
Sustainable Agriculture Research and Education		10.215	RE675-155-4690358	3,330
Sustainable Agriculture Research and Education		10.215	2010-38640-20926	2,159
Total Sustainable Agriculture Research and Education				5,488
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs:				
Trans-NIH Recovery ACT Research Support		93.701	7R15GM085771-02	618
Total Trans-NIH Recovery ACT Research Support				618
U.S. NUCLEAR REGULATORY COMMISSION				
Direct Programs:				
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program		77.006	NRC-27-10-514	70,582
Total U.S. Nuclear Regulatory Commission Nuclear Education Grant Program				70,582
U.S. DEPARTMENT OF AGRICULTURE				
Pass thru Funds:				
Specialty Crop Block Grant Program - Farm Bill		10.170	ADA-AAMU-2013-06	6,385
Total Specialty Crop Block Grant Program - Farm Bill				6,385
U.S. DEPARTMENT OF AGRICULTURE				
Pass thru Funds:				
Agriculture and Food Research Initiative (AFRI)		10.310	2011-68005-30410	32,792
Total Agriculture and Food Research Initiative (AFRI)				32,792

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM</u>			
<u>TITLE</u>	<u>CFDA</u>	<u>CONTRACT NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF DEFENSE OFFICE OF THE SECRETARY OF DEFENSE			
Direct Programs:			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	W911NF-13-1-0136	48,034
Total Basic, Applied, and Advanced Research in Science and Engineering			<u>48,034</u>
NATIONAL SCIENCE FOUNDATION			
Direct Program:			
Mathematical and Physical Sciences	47.049	PHY-1005174	18,894
Total Mathematical and Physical Sciences			<u>18,894</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Projects of Regional and National Significance	93.243	TI023447	(600)
Total Projects of Regional and National Significance			<u>(600)</u>
TOTAL FEDERAL PROGRAMS			<u><u>\$ 80,266,724</u></u>

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

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, 2013

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

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:

Unmodified

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, 84.129
84.032, 84.376, 84.379
10.500
47.076

Student Financial Aid Cluster
Cooperative Extension
Education and Human Resources

Dollar threshold used to distinguish between Type A and type B programs:

\$2,408,002

Auditee qualified as low-risk auditee?

Yes No