

**ALABAMA A&M UNIVERSITY**

**FINANCIAL STATEMENTS**

**September 30, 2014**

**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, 2014 and 2013, 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, 2014 and 2013, 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.

### **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.



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 2, 2015, 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 2, 2015

*Banker, Funder, White & Co.*

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2014**

**INTRODUCTION**

The following discussion presents an overview of the financial position and financial performance of the University during the fiscal year ended September 30, 2014, with comparative information for 2013. 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, 2014 and 2013, the University has total assets of \$183,351,204 and \$180,759,076, respectively; total liabilities of \$102,187,939 and \$106,452,037, respectively. The University's net position increased by \$6,856,226 during the year ended September 30, 2014.

At September 30, 2014 and 2013, the Component Units has total assets of \$64,233,866 and \$60,382,538, respectively; total liabilities of \$18,264,505 and \$17,222,052, respectively. Component Unit net position increased by \$2,808,875 during the year ended September 30, 2014.

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, 2014. 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, 2014**

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, 2014, consist primarily of capital assets.

The condensed statements of net position at September 30, 2014 and 2013, follow:

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Current assets	\$ 73,912,515	\$ 69,984,184
Capital assets	103,355,825	104,563,808
Other noncurrent assets	<u>3,979,751</u>	<u>3,910,009</u>
Total assets	<u>181,248,091</u>	<u>178,458,001</u>
Deferred outflows of resources	<u>2,103,113</u>	<u>2,301,075</u>
Total assets and deferred outflows of resources	<u>\$ 183,351,204</u>	<u>\$ 180,759,076</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 55,836,654	\$ 56,570,360
Noncurrent liabilities	<u>46,351,285</u>	<u>49,881,677</u>
Total liabilities	<u>102,187,939</u>	<u>106,452,037</u>
<b>Net Position</b>		
Invested in capital assets, net of related debt	52,646,385	50,636,354
Restricted-expendable	17,608,547	19,488,834
Unrestricted	<u>10,908,333</u>	<u>4,181,851</u>
Total net position	<u>81,163,265</u>	<u>74,307,039</u>
Total liabilities and net position	<u>\$ 183,351,204</u>	<u>\$ 180,759,076</u>

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

University cash, cash equivalents, and investments increased between September 30, 2014 and 2013 by \$4,642,111 or 29.5%, 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, 2014 and 2013, by \$2,642,933 or 5.1%. University debt (lease obligations and bonds payable) decreased by \$3,365,392 or 6.3% 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, 2014 and 2013, by \$6,856,226, primarily due to increases in tuition and fees.

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2014**

*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, 2014**

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2014 and 2013, follow:

	<u>2014</u>	<u>2013</u>
<b>Operating revenues:</b>		
Tuition and fees (net of allowances of \$9,479,877 and \$8,742,192, respectively)	\$ 41,658,358	\$ 40,999,774
Federal appropriations	2,335,492	2,238,778
Federal, state and private grants and contracts	41,427,714	38,811,896
Auxiliary enterprises and other	<u>14,829,969</u>	<u>14,863,130</u>
Total operating revenues	100,251,533	96,913,578
Operating expenses	<u>135,119,578</u>	<u>134,481,726</u>
Operating loss	(34,868,045)	(37,568,148)
<b>Nonoperating revenues (expenses):</b>		
State appropriations	39,882,136	39,335,736
Investment income, net	12,275	6,461
Interest expense on capital debt	(2,440,255)	(2,532,664)
Other nonoperating revenues (expenses)	<u>4,270,115</u>	<u>987,534</u>
Net nonoperating revenues	<u>41,724,271</u>	<u>37,797,067</u>
Increase in net position	6,856,226	228,919
Net position-beginning of the year	<u>74,307,039</u>	<u>74,078,120</u>
Net position-end of the year	<u>\$ 81,163,265</u>	<u>\$ 74,307,039</u>

***Changes in Revenues and Expenses***

The University's operating revenues increased by \$3,337,955 or 3.4% during the year ended September 30, 2014. The increase was driven primarily by increase in tuition and fees, and federal grants and contracts.

***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, 2014**

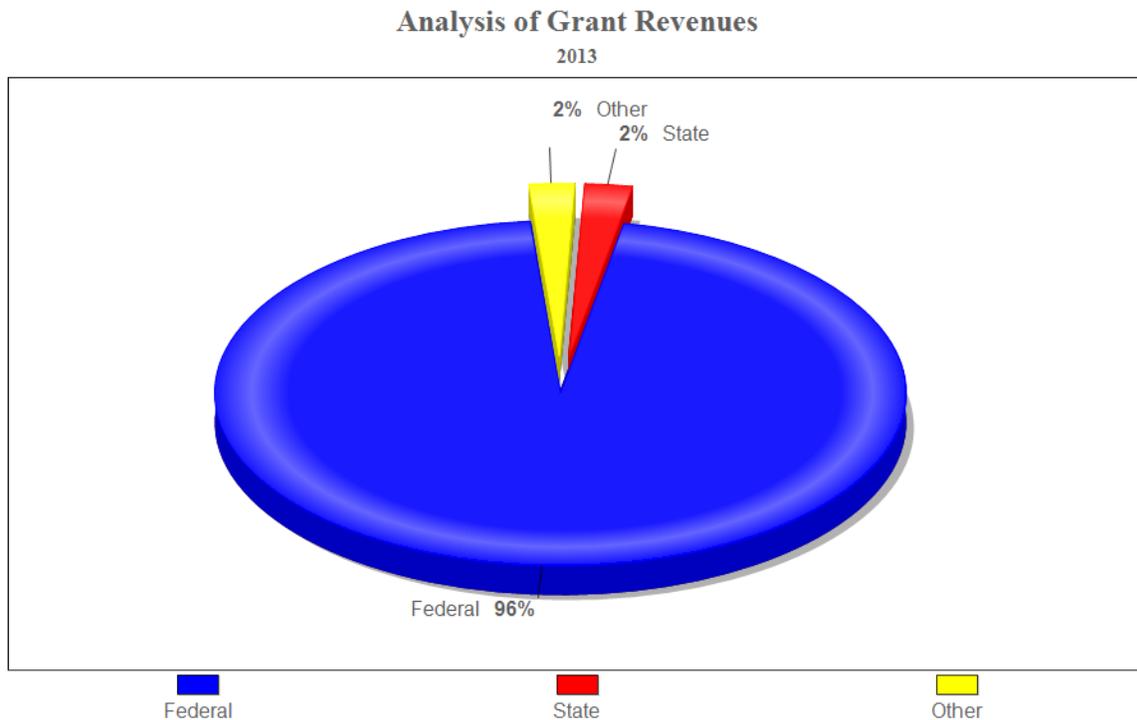
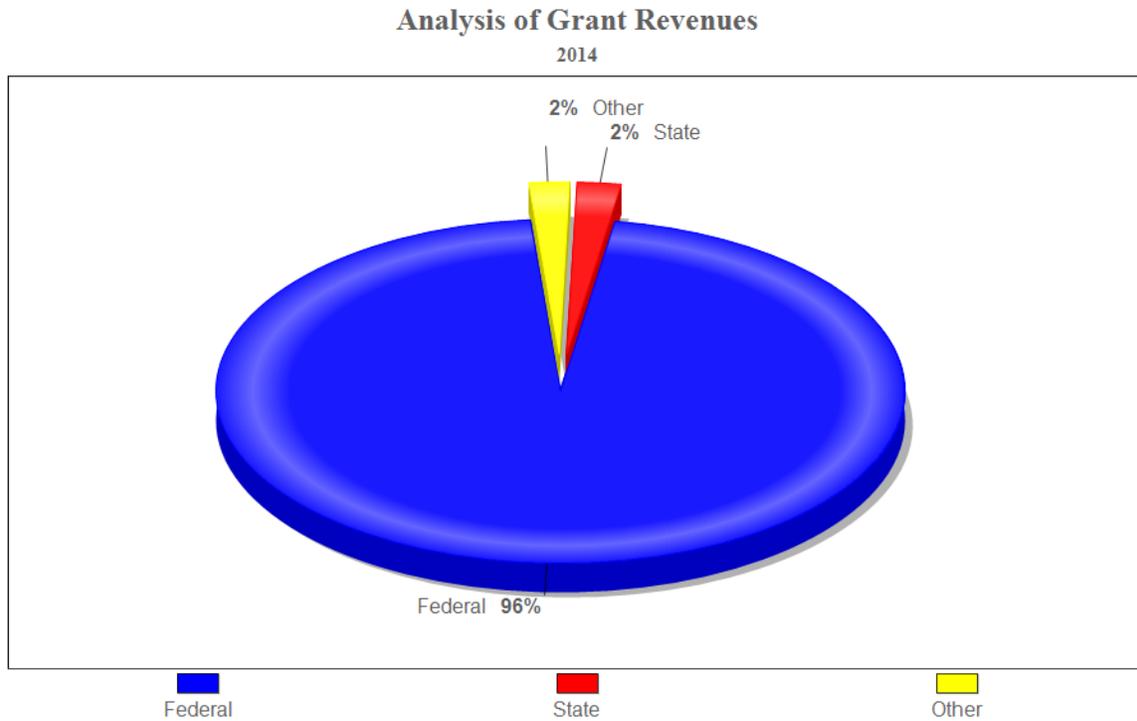
The following table details the University's grant and contract awards for the fiscal years ended September 30, 2014 and 2013, by source:

	<u>2014</u>	<u>2013</u>
<b>Federal Sources</b>		
Financial aid (excludes loan programs)	\$15,743,541	\$14,681,217
Department of Education	8,628,357	8,046,142
National Aeronautics and Space Administration	500,730	466,942
United States Department of Agriculture	5,697,727	5,313,262
Other federal agencies	<u>9,221,463</u>	<u>8,599,228</u>
Total federal sources	39,791,817	37,106,791
<b>State sources</b>		
Grants and contracts	841,991	880,197
Other sources	<u>793,906</u>	<u>824,909</u>
Total all sources	<u>\$41,427,714</u>	<u>\$38,811,897</u>

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**ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2014**

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, 2014**

In addition to their natural classification, operating expenses are also reported by their functional classification as defined by the National Association of College and University Business Officers. The functional classification of an operating expense (Instruction, Research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects, by function of the University, amounts expended in areas such as Instruction, Research and Student Services and is used most commonly for comparative reporting purposes among colleges and universities. Operating expenses by functional classification for the fiscal years ended September 30, 2014 and 2013, are listed below:

**Expenses by Function**

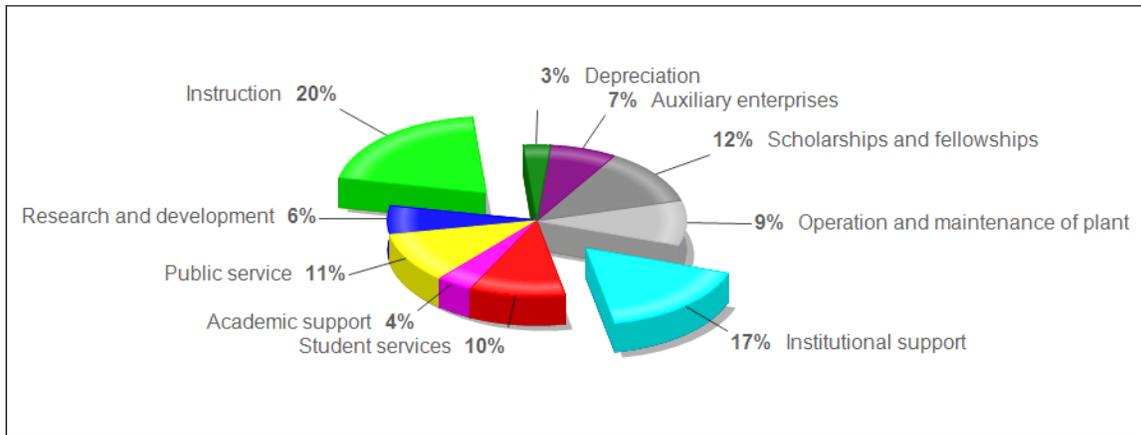
	<u>2014</u>	<u>2013</u>
<b>Educational and General:</b>		
Instruction	\$ 27,664,135	\$ 29,246,532
Research and development	8,469,823	6,692,393
Public service	14,461,346	13,661,672
Academic support	5,313,562	4,746,005
Student services	13,977,880	12,008,804
Institutional support	22,387,921	26,310,550
Operation and maintenance of plant	12,728,846	13,259,426
Scholarships and fellowships	<u>16,310,603</u>	<u>15,714,410</u>
	121,314,116	121,639,792
<b>Auxiliary Enterprises</b>	9,783,818	8,500,754
<b>Depreciation and amortization</b>	<u>4,021,644</u>	<u>4,341,180</u>
<b>Total Operating Expenses</b>	<u>\$ 135,119,578</u>	<u>\$ 134,481,726</u>

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**ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2014**

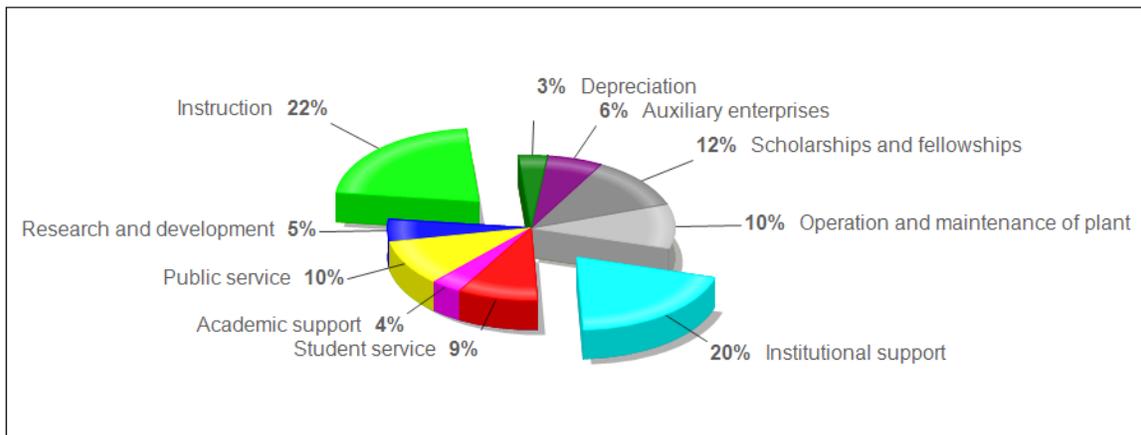
**Analysis of Expenditures by Function**

2014



**Analysis of Expenditures by Function**

2013



**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2014**

*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 2010 through 2014 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>
2014	4,210	1,123	5,333	4,788	127,959
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

**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 2010 through 2014.

**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>
2014	6,142	87.7%	5,204	23.3%	1,214
2013	5,986	91.0%	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

**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>
2014	700	36.4%	255	69.0%	176
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

**ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2014**

**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**

<b>Student Classification</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Undergraduate, resident	\$233	\$233	\$222	\$203	\$165
Undergraduate, nonresident	466	466	444	406	330
Graduate, resident	354	354	337	309	251
Graduate, nonresident	708	708	674	618	502

**Annual Full-Time Tuition**

<b>Student Classification</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>
Undergraduate, resident	\$ 8,580	\$ 8,250	\$ 8,250	\$ 7,048	\$ 5,776
Undergraduate, nonresident	15,570	14,910	14,910	13,138	10,726
Graduate, resident	7,972	7,666	7,666	6,520	5,354
Graduate, nonresident	14,344	13,732	13,732	12,082	9,872

**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**

<b>Year ended September 30</b>	<b>Room and Board</b>	<b>Estimated Tuition, Fees, Books and Miscellaneous</b>	<b>Estimated Total Costs</b>
2014	\$7,208	\$11,662	\$18,870
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

**ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2014**

**Residence Hall Occupancy Analysis**

<u>Fall Semester</u>	<u>Number of Occupants</u>	<u>Capacity</u>	<u>Percent of Occupancy</u>
2014	2,086	2,216	94%
2013	1,902	2,207	86%
2012	1,839	2,025	91%
2011	2,209	2,356	94%
2010	2,153	2,358	91%

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Total capital asset additions (retirements) for the University were approximately \$2,380,110 and \$(4,839,364) for the years ended September 30, 2014 and 2013, respectively. During 2014, noncurrent liabilities decreased by \$3,530,392.

**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.

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 2014 beyond those unknown variables having a global effect on virtually all types of business operations.

Clayton Gibson  
Vice President for Business and Finance

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**September 30, 2014 and 2013**

	2014		2013	
	Alabama A&M University	Component Units	Alabama A&M University	Component Units
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 12,628,145	\$ 2,844,381	\$ 6,974,765	\$ 1,917,219
Trusted fund assets:				
Cash and cash equivalents	-	3,426,085	-	2,859,014
Investments	3,751,240	-	4,832,251	-
Student accounts receivable, net of allowances	8,205,413	-	8,867,595	-
Loans receivable, net	9,339,763	-	9,666,727	-
Accounts receivable-other, net	31,494,067	3,753,409	33,147,854	3,783,394
Prepaid expenses	<u>8,493,887</u>	<u>-</u>	<u>6,494,992</u>	<u>-</u>
Total current assets	73,912,515	10,023,875	69,984,184	8,559,627
<b>Noncurrent assets:</b>				
Investments	3,979,751	45,915,855	3,910,009	42,935,410
Bond issuance costs	-	784,286	-	834,347
Capital assets, net	<u>103,355,825</u>	<u>7,509,850</u>	<u>104,563,808</u>	<u>8,053,154</u>
Total noncurrent assets	<u>107,335,576</u>	<u>54,209,991</u>	<u>108,473,817</u>	<u>51,822,911</u>
<b>Deferred outflows of resources:</b>				
Loss on refunding on bonds	<u>2,103,113</u>	<u>-</u>	<u>2,301,075</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 183,351,204</u>	<u>\$ 64,233,866</u>	<u>\$ 180,759,076</u>	<u>\$ 60,382,538</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 10,865,958	\$ 1,242,327	\$ 14,362,740	\$ -
Compensated absences	3,155,528	-	3,256,014	-
Student deposits	2,956,084	169,800	2,825,039	188,435
Deposits held in custody for others	300,290	1,500,849	300,290	1,165,366
Unearned revenue	34,192,664	-	31,394,935	-
Accrued interest on bonds payable	946,130	301,529	1,176,342	308,251
Bonds payable, current portion	<u>3,420,000</u>	<u>535,000</u>	<u>3,255,000</u>	<u>510,000</u>
Total current liabilities	<u>55,836,654</u>	<u>3,749,505</u>	<u>56,570,360</u>	<u>2,172,052</u>
<b>Noncurrent liabilities:</b>				
Bonds payable, noncurrent portion, net	<u>46,351,285</u>	<u>14,515,000</u>	<u>49,881,677</u>	<u>15,050,000</u>
Total noncurrent liabilities	<u>46,351,285</u>	<u>14,515,000</u>	<u>49,881,677</u>	<u>15,050,000</u>
Total liabilities	<u>102,187,939</u>	<u>18,264,505</u>	<u>106,452,037</u>	<u>17,222,052</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF NET POSITION (CONT'D)**  
**September 30, 2014 and 2013**

	<u>2014</u>		<u>2013</u>	
	<u>Alabama A&amp;M University</u>	<u>Component Units</u>	<u>Alabama A&amp;M University</u>	<u>Component Units</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	52,646,385	-	50,636,354	-
Restricted expendable	17,608,547	12,148,258	19,488,834	13,376,083
Restricted nonexpendable	-	32,916,968	-	32,720,013
Unrestricted	<u>10,908,333</u>	<u>904,135</u>	<u>4,181,851</u>	<u>(2,935,610)</u>
Total net position	<u>81,163,265</u>	<u>45,969,361</u>	<u>74,307,039</u>	<u>43,160,486</u>
Total liabilities and net position	<u>\$ 183,351,204</u>	<u>\$ 64,233,866</u>	<u>\$ 180,759,076</u>	<u>\$ 60,382,538</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the years ended September 30, 2014 and 2013**

	<u>2014</u>		<u>2013</u>	
	<u>Alabama A&amp;M University</u>	<u>Component Units</u>	<u>Alabama A&amp;M University</u>	<u>Component Units</u>
<b>REVENUES</b>				
<b>Operating revenues:</b>				
Student tuition and fees (net of scholarship and other allowances of \$9,479,877 and \$8,742,192)	\$ 41,658,358	\$ -	\$ 40,999,774	\$ -
Federal appropriations	2,335,492	-	2,238,778	-
Federal grants and contracts	39,791,817	-	37,106,790	-
State and local grants and contracts	841,991	-	880,197	-
Nongovernmental grants and contracts	793,906	-	824,909	-
Sales and services of educational departments	2,005,241	-	1,966,285	-
Auxiliary revenue	12,229,596	-	11,955,954	-
Other operating revenues (expenditures)	<u>595,132</u>	<u>8,025,356</u>	<u>940,891</u>	<u>9,259,759</u>
Total operating revenues	<u>100,251,533</u>	<u>8,025,356</u>	<u>96,913,578</u>	<u>9,259,759</u>
<b>EXPENSES</b>				
<b>Operating expenses:</b>				
Salaries and wages	52,233,003	-	51,640,372	-
Fringe benefits	15,305,793	-	13,819,491	-
Scholarships and fellowships	16,310,603	-	15,882,686	-
Utilities	4,120,540	-	5,100,339	-
Supplies and other services	43,127,995	-	43,697,658	-
Depreciation and amortization	4,021,644	625,260	4,341,180	625,261
Other operating expenses	<u>-</u>	<u>4,591,221</u>	<u>-</u>	<u>5,399,950</u>
Total operating expenses	<u>135,119,578</u>	<u>5,216,481</u>	<u>134,481,726</u>	<u>6,025,211</u>
Operating income (loss)	<u>(34,868,045)</u>	<u>2,808,875</u>	<u>(37,568,148)</u>	<u>3,234,548</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	39,882,136	-	39,335,736	-
Investment income	12,275	-	6,461	-
Interest expense	(2,440,255)	-	(2,532,664)	-
Other nonoperating revenues (expenses)	<u>4,270,115</u>	<u>-</u>	<u>987,534</u>	<u>-</u>
Net nonoperating revenues	<u>41,724,271</u>	<u>-</u>	<u>37,797,067</u>	<u>-</u>
Increase (decrease) in net position	6,856,226	2,808,875	228,919	3,234,548
Net position at beginning of the year	<u>74,307,039</u>	<u>43,160,486</u>	<u>74,078,120</u>	<u>39,925,938</u>
Net position at end of the year	<u>\$ 81,163,265</u>	<u>\$ 45,969,361</u>	<u>\$ 74,307,039</u>	<u>\$ 43,160,486</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended September 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tuition and fees	\$ 42,320,540	\$ 39,049,148
Cash received from federal appropriations	2,335,492	2,238,778
Cash received from grants and contracts	45,879,230	40,116,754
Cash received from sales and services of educational departments	2,005,241	1,966,285
Cash received from auxiliary enterprises	12,229,596	11,955,954
Other receipts and payments (net)	595,132	940,891
Cash payments to suppliers	(48,492,627)	(43,775,219)
Payment for utility services	(4,120,540)	(5,100,339)
Cash payments to employees and related benefits	(67,639,282)	(65,476,992)
Cash payments for scholarships and fellowships	(16,310,603)	(15,882,686)
Cash receipts (payments) for loans to students	<u>326,964</u>	<u>(340,332)</u>
Net cash provided (used) by operating activities	<u>(30,870,857)</u>	<u>(34,307,758)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	39,882,136	39,335,736
Other nonoperating expenses	<u>4,270,115</u>	<u>987,534</u>
Net cash provided by noncapital financing activities	<u>44,152,251</u>	<u>40,323,270</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(2,813,661)	(3,704,944)
Principal paid on capital debt and leases	(3,365,392)	(3,220,395)
Interest cost on capital debt and leases	<u>(2,472,505)</u>	<u>(2,223,849)</u>
Net cash provided (used) by capital financing activities	<u>(8,651,558)</u>	<u>(9,149,188)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	8,742,260	7,911,338
Purchase of investments	(7,730,991)	(4,832,251)
Investment income	<u>12,275</u>	<u>6,461</u>
Net cash provided by investing activities	<u>1,023,544</u>	<u>3,085,548</u>
 Net increase (decrease) in cash	5,653,380	(48,128)
Cash and cash equivalents, beginning of the year	<u>6,974,765</u>	<u>7,022,893</u>
 Cash and cash equivalents, end of the year	<u>\$ 12,628,145</u>	<u>\$ 6,974,765</u>
 <b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Decrease in change in net position	\$(34,868,045)	\$(37,655,718)
<b>Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:</b>		
Depreciation and amortization expense	4,021,644	4,341,180
<b>Changes in assets and liabilities:</b>		
Receivables, net	2,642,933	(5,235,321)
Prepaid expenses	(1,998,895)	(191,850)
Accounts payable and accrued expenses	(3,496,782)	52,734
Compensated absences	(100,486)	(17,129)
Student deposits	131,045	149,125
Deferred revenues	<u>2,797,729</u>	<u>4,249,221</u>
 Net cash provided (used) by operating activities	<u>\$(30,870,857)</u>	<u>\$(34,307,758)</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 30, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net position	\$ 1,161,693	\$ 1,326,617
<b>Adjustments to reconcile changes in net position to net cash provided by operating activities:</b>		
Depreciation and amortization	625,260	625,260
Realized and unrealized gains and losses	(324,085)	(193,068)
Change in accounts receivable	29,985	181,737
Change in accounts payable and accrued expenses	1,242,327	(457,758)
Change in accrued interest	(6,722)	(9,572)
Change in funds held for other organizations	335,483	(144,333)
Change in security deposits	<u>(18,635)</u>	<u>(37,747)</u>
Net Cash Provided by Operating Activities	<u>3,045,306</u>	<u>1,291,136</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(3,693,473)	(1,295,570)
Proceeds from sale of investments	<u>3,546,738</u>	<u>1,842,311</u>
Net Cash Used by Investing Activities	<u>(146,735)</u>	<u>546,741</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(31,895)	-
Repayment of long-term debt	<u>(510,000)</u>	<u>(510,000)</u>
Net Cash Used by Financing Activities	<u>(541,895)</u>	<u>(510,000)</u>
Increase in Cash and Cash Equivalents	<u>2,356,676</u>	<u>1,327,877</u>
Cash and Cash Equivalents - beginning of the year	<u>3,672,458</u>	<u>2,344,581</u>
Cash and Cash Equivalents - end of the year	<u>\$ 6,029,134</u>	<u>\$ 3,672,458</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 933,980</u>	<u>\$ 961,580</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net position	<u>\$ 1,647,182</u>	<u>\$ 1,907,930</u>
Net cash provided by operating activities	<u>1,647,182</u>	<u>1,907,930</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	39,275,872	2,424,215
Purchase of investments	<u>(41,785,497)</u>	<u>(4,077,483)</u>
Net cash used by investing activities	<u>(2,509,625)</u>	<u>(1,653,268)</u>
Net decrease in cash and cash equivalents	(862,443)	254,662
Cash and cash equivalents, beginning of the year	<u>1,103,775</u>	<u>849,113</u>
Cash and cash equivalents, end of the year	<u>\$ 241,332</u>	<u>\$ 1,103,775</u>

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

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**NOTE 1      ORGANIZATION**

Alabama A&M University ("the University") is a land-grant educational institution, supported by the State of Alabama and federal funds from the Morrill Acts of 1862 and 1890. The 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 areas of study. The six undergraduate schools include Agriculture and Environmental Sciences, Arts and Sciences, Business, Education, Engineering and Technology and University College. The School of Graduate Studies and Extended Education coordinates graduate programs. The programs offered at the University are primarily accredited by the Southern Association of Colleges and Schools and other various accreditation associations.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A.      Reporting Entity**

The University is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34, states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization, and 2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the University's Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University is considered for financial reporting purposes to be a component unit of the State of Alabama.

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

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Furthermore, in accordance with GASB Statement No. 61, two discretely presented component units are reported in a separate column on the University's financial statements to emphasize that they are legally separate from the University. The Alabama A&M University Foundation, Inc. ("the Foundation") and the Trust for Educational Excellence at Alabama A&M University ("the Trust") are not-for-profit organizations supporting the University. The Foundation primarily receives and holds gifts, grants, bequests, money, property and other things for the benefit of the University, its faculty and its students, and gives the University such resources for educational and research purposes. The Trust primarily receives public funds, gifts, 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. 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**

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

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

For financial reporting purposes, the University is considered a special-purpose governmental agency engaged only in business-type activities as defined by GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and local Governments, and GASB Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities. It accounts for operations in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The term measurement focus is used to denote what is being measured and reported in the University's operating statement. The University is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the University is better or worse off economically as a result of events and transactions of the period.

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

The University prepares its basic financial statements in accordance with U.S. generally accepted accounting principles, as prescribed by GASB, including all applicable effective statements of the GASB and all statements of FASB issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The University has elected not to apply the provisions of any pronouncements of the FASB issued after November 30, 1989. During fiscal year 2013, the University adopted GASB Statement No. 67, *Financial Reporting for Pension Plans-amendment of GASB Statement No. 25*.

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

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**D. Revenue and Expense Recognition**

The University classifies its revenues and expenses as operating or nonoperating in the accompanying statements of revenues, expenses and changes in net 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 amounts due from students of the University for tuition and fees and are recorded at their estimated net realizable value. The University establishes reserves for balances determined to be impaired or otherwise uncollectible.

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

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

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

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

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

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

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

**J. Net Position**

The University's net position is 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**

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**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. 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 costs 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.

**L. 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**

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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.

**M. 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.

**N. 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.

**O. 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.

**P. 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.

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

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To the extent that revenues from such programs are used to satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

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

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

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

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

The maximum loss the University would incur is the value of student accounts and loans receivable, which at September 30, 2014 and 2013, totaled \$17,545,176 and \$18,534,322.

**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. Custodial risk for deposits is defined 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**

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Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2014 and 2013, the net public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$10,234,000,000 and \$978,800,000, respectively. The University had cash and cash equivalents totaling \$12,628,145 and \$6,974,765 at September 30, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013, concerning the fair value of investments and interest rate risk:

<b>Type of Investments</b>	<b>2014</b>			
	<b>Maturity in Years at Fair Value</b>			
	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>Total Fair Value</b>	<b>Cost</b>
	Fixed maturity:			
U.S. Treasury Obligations	\$ 3,751,240	\$ -	\$ 3,751,240	\$ 3,756,982
Mortgage-backed securities	-	<u>3,979,751</u>	<u>3,979,751</u>	<u>3,980,418</u>
Total fixed maturity	<u>3,751,240</u>	<u>3,979,751</u>	<u>7,730,991</u>	<u>7,737,400</u>
Total investments			<u>\$ 7,730,991</u>	<u>\$ 7,737,400</u>

<b>Type of Investments</b>	<b>2013</b>			
	<b>Maturity in Years at Fair Value</b>			
	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>Total Fair Value</b>	<b>Cost</b>
	Fixed maturity:			
U.S. Treasury Obligations	\$ 4,832,251	\$ -	\$ 4,832,251	\$ 5,412,909
Mortgage-backed securities	-	<u>3,910,009</u>	<u>3,910,009</u>	<u>3,345,396</u>
Total fixed maturity	<u>4,832,251</u>	<u>3,910,009</u>	<u>8,742,260</u>	<u>8,758,305</u>
Total investments			<u>\$ 8,742,260</u>	<u>\$ 8,758,305</u>

**Credit Risk**

The following tables provide information as of September 30, 2014 and 2013, respectively, concerning credit risk and concentration of credit risk:

<b>Moody's Rating</b>	<b>2014</b>		
	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value as a % of Total Fixed Maturity Fair Value</b>
U.S. Treasury Obligations	\$ 3,751,240	\$ 3,756,982	48.52%
Aaa	<u>3,979,751</u>	<u>3,980,418</u>	51.48%
	<u>\$ 7,730,991</u>	<u>\$ 7,737,400</u>	

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

	2013		
Moody's Rating	Fair Value	Cost	Fair Value as a % of Total Fixed Maturity Fair Value
U.S. Treasury Obligations	\$ 4,832,251	\$ 5,412,909	55.27%
Aaa	<u>3,910,009</u>	<u>3,345,396</u>	44.73%
	<u>\$ 8,742,260</u>	<u>\$ 8,758,305</u>	

At September 30, 2014 and 2013, 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, 2014 and 2013, the Trust's \$4,808,860 and \$4,033,576, respectively, investment income includes the following:

	2014	2013
Realized and unrealized appreciation in market value	\$ 3,770,457	\$ 3,028,198
Dividends, interest and other income	<u>1,038,403</u>	<u>1,005,378</u>
	<u>\$ 4,808,860</u>	<u>\$ 4,033,576</u>

At July 31, 2014 and 2013, the Trust's major investments are classified as follows:

	2014	2013
U.S. Government Obligations	\$11,675,021	\$10,003,561
Equity mutual funds	27,747,606	27,407,966
Other	<u>2,362,870</u>	<u>1,864,345</u>
	<u>\$41,785,497</u>	<u>\$39,275,872</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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Accounts receivable:		
Student accounts receivable	\$ 21,064,624	\$ 22,338,341
Grants receivable	24,290,133	26,085,522
Other receivables	<u>7,203,934</u>	<u>7,062,332</u>
	52,558,691	55,486,195
Allowance for doubtful accounts	<u>(12,859,211)</u>	<u>(13,470,746)</u>
Accounts receivable, net	<u>\$ 39,699,480</u>	<u>\$ 42,015,449</u>
Loans receivable:		
Perkins loans advances	\$ 20,388,078	\$ 20,185,774
Less:		
Loans assigned to U.S. Government	(1,054,621)	(1,054,621)
Principal collected	(8,967,288)	(8,438,020)
Principal cancellations	<u>(1,026,406)</u>	<u>(1,026,406)</u>
	<u>(11,048,315)</u>	<u>(10,519,047)</u>
Loans receivable, net	<u>\$ 9,339,763</u>	<u>\$ 9,666,727</u>

**NOTE 6**      **CHANGE IN CAPITAL ASSETS**

A summary of the changes in physical plant for the years ended September 30, 2014 and 2013, respectively, is as follows:

	<u>Balance</u> <u>10/01/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/14</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 4,982,207	\$ -	\$ -	\$ 4,982,207
Construction in progress	93,345	430,587	-	523,932
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>8,820,219</u>	<u>430,587</u>	<u>-</u>	<u>9,250,806</u>
<b>Capital assets being depreciated</b>				
Land improvements	-	451,194	-	451,194
Buildings	167,967,118	-	-	167,967,118
Equipment	13,700,063	3,744,091	(2,295,036)	15,149,118
Library holdings	11,932,585	429,122	(2,964)	12,358,743
Information technology	<u>4,551,671</u>	<u>53,703</u>	<u>-</u>	<u>4,605,374</u>
	198,151,437	4,678,110	(2,298,000)	200,531,547
<b>Less: accumulated depreciation</b>				
Land improvements	-	(3,760)	-	(3,760)
Buildings	(81,095,679)	(3,370,389)	-	(84,466,068)
Equipment	(9,485,675)	(138,539)	-	(9,624,214)
Library holdings	(7,274,823)	(503,588)	2,964	(7,775,447)
Information technology	<u>(4,551,671)</u>	<u>(5,368)</u>	<u>-</u>	<u>(4,557,039)</u>
	<u>(102,407,848)</u>	<u>(4,021,644)</u>	<u>2,964</u>	<u>(106,426,528)</u>
Capital assets being depreciated, net	<u>95,743,589</u>	<u>656,466</u>	<u>(2,295,036)</u>	<u>94,105,019</u>
Capital assets, net	<u>\$ 104,563,808</u>	<u>\$ 1,087,053</u>	<u>\$ (2,295,036)</u>	<u>\$ 103,355,825</u>

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

	<u>Balance 10/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/13</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 4,982,207	\$ -	\$ -	\$ 4,982,207
Construction in progress	-	93,345	-	93,345
Historical treasures	3,744,667	-	-	3,744,667
	<u>8,726,874</u>	<u>93,345</u>	<u>-</u>	<u>8,820,219</u>
<b>Capital assets being depreciated</b>				
Buildings	176,758,261	-	(8,791,143)	167,967,118
Equipment	13,737,467	914,502	(951,906)	13,700,063
Library holdings	12,495,073	626,221	(1,188,709)	11,932,585
Information technology	-	4,551,671	-	4,551,671
	<u>202,990,801</u>	<u>6,092,394</u>	<u>(10,931,758)</u>	<u>198,151,437</u>
<b>Less: accumulated depreciation</b>				
Buildings	(76,981,071)	(4,186,608)	72,000	(81,095,679)
Equipment	(9,527,449)	(883,485)	925,259	(9,485,675)
Library holdings	(7,669,565)	(83,325)	478,067	(7,274,823)
Information technology	-	(4,551,671)	-	(4,551,671)
	<u>(94,178,085)</u>	<u>(9,705,089)</u>	<u>1,475,326</u>	<u>(102,407,848)</u>
Capital assets being depreciated, net	<u>108,812,716</u>	<u>(3,612,695)</u>	<u>(9,456,432)</u>	<u>95,743,589</u>
Capital assets, net	<u>\$ 117,539,590</u>	<u>\$ (3,519,350)</u>	<u>\$ (9,456,432)</u>	<u>\$ 104,563,808</u>

Depreciation expense (including amortization expense on capital lease assets) for the years ended September 30, 2014 and 2013, was \$4,021,644 and \$4,341,180, respectively.

**NOTE 7**      **COMPENSATED ABSENCES**

The following is a schedule of accrued expenses at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Annual Leave	\$ 2,842,313	\$ 2,942,799
Accrued sick leave	<u>313,215</u>	<u>313,215</u>
	<u>\$ 3,155,528</u>	<u>\$ 3,256,014</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**

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**NOTE 8      BONDS PAYABLE**

A summary of the University's bonds payable activity for the years ended September 30, 2014 and 2013, is as follows:

	<b>Balance 10/01/13</b>	<b>Reductions</b>	<b>Balance 09/30/14</b>	<b>Due within one Year</b>
Dormitory Revenue Bonds, Series 1980, due in varying amounts including interest at 3.00% to May 1, 2018	\$ 565,000	\$ 120,000	\$ 445,000	\$ 125,000
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>50,465,000</u>	<u>3,135,000</u>	<u>47,330,000</u>	<u>3,295,000</u>
	51,030,000	3,255,000	47,775,000	<u>\$ 3,420,000</u>
Less unamortized loss on defeasance	(2,301,077)	(197,964)	(2,103,113)	
Plus unamortized premium	<u>2,106,679</u>	<u>110,394</u>	<u>1,996,285</u>	
Bonds payable	<u>\$ 50,835,602</u>	<u>\$ 3,167,430</u>	47,668,172	
Less current portion			<u>(3,420,000)</u>	
			<u>\$ 44,248,172</u>	

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**ALABAMA A&M UNIVERSITY**  
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	<b>Balance 10/01/12</b>	<b>Reductions</b>	<b>Balance 09/30/13</b>	<b>Due within one Year</b>
Dormitory Revenue Bonds, Series 1980, due in varying amounts including interest at 3.00% to May 1, 2018	\$ 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>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>110,394</u>	<u>2,106,679</u>	
Bonds payable	<u>\$ 53,858,032</u>	<u>\$ 3,022,430</u>	50,835,602	
Less current portion			<u>(3,255,000)</u>	
			<u>\$ 47,580,602</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:

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	2,890,000	1,500,450	4,390,450
2020-2024	16,565,000	5,372,756	21,937,756
2025-2029	10,115,000	1,662,069	11,777,069
2030-2033	<u>3,630,000</u>	<u>374,250</u>	<u>4,004,250</u>
	<u>\$ 47,775,000</u>	<u>\$ 16,653,315</u>	<u>\$ 64,428,315</u>

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

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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.

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control.

Substantially all employees of the University are members of the TRS. Membership is mandatory for covered or eligible employees of the University and they are classified as either Tier 1 or Tier 2 plan members, contingent upon if their eligible service began prior to January 1, 2013. Tier 1 participants in TRS who retire at age 60 with at least 10 years of credited service, or after completing 25 years of credited service, regardless of age, are entitled to an annual benefit, payable monthly, unless there is a return to full-time employment with a TRS or Employees' Retirement System ("ERS") agency, or to temporary employment in excess of specified limits. Tier 2 participants with at least 10 years of credited service who have attained the age of 62 are also entitled to an annual benefit, payable monthly. Service retirement benefits are calculated based on a retirement formula. The factors used to calculate the monthly benefit options include the employee's average final salary, years and months of creditable service, and a retirement benefit factor established by the Alabama Legislature. The benefit factor is 2.0125% for Tier 1 participants and 1.65% for Tier 2 participants. A participant terminating before reaching retirement age, but after completing 10 years of credited service, is eligible for a vested allowance at age 60 provided accumulated employee contributions are not withdrawn. TRS also provides death and disability benefits.

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).

**ALABAMA A&M UNIVERSITY**  
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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, 2013 (the most recent valuation date) for TRS as a whole, determined through actuarial valuations performed as of that date, were \$29,665,842,393 and \$19,629,815,869, respectively, resulting in an under-funded AAL of \$10,036,026,524.

Complete financial presentation and disclosure of the financial position and activities of the TRS is presented in the September 30, 2013 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 2014 and 2013 as follows:

	<b>2014</b>		<b>2013</b>	
	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 1</b>	<b>Tier 2</b>
Total Percentage of Covered Payroll	19.21%	17.05%	17.58%	15.44%
<b>Contributions:</b>				
Percentage contributed by the University	11.71%	11.05%	10.08%	9.44%
Percentage contributed by Employees	7.50%	6.00%	7.50%	6.00%
Amount contributed by the University (both Tiers)	\$5,344,094		\$4,555,069	
Amount contributed by Employees (both Tiers)	<u>3,381,910</u>		<u>3,391,762</u>	
Total Contributions	<u>\$8,726,004</u>		<u>\$7,946,831</u>	

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

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**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. The University does not match employee contributions.

During fiscal years ended September 30, 2014 and 2013, employees' contributions to TIAA-CREF were \$206,247 and \$298,937, respectively.

**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-8 provides the authority to set the contribution requirements for retirees and employers. The required rates of retirees are as follows as of September 30, 2014:

**ALABAMA A&M UNIVERSITY  
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**Retired Member Rates:**

Individual Coverage/Non-Medicare Eligible	\$151
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependand(s)	\$391
Family Coverage/Non-Medicare Eligible Retired Member and Only Dependand Medicare Eligible	\$250
Individual Coverage/Medicare Eligible Retired Member	\$10
Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependand(s)	\$250
Family Coverage/Medicare Eligible Retired Member and Only Dependand Medicare Eligible	\$109

The required healthcare contribution rate of the employer was \$780 per full-time active employee per month in the year ended September 30, 2014. Retirees health care is covered as a part of this payment. 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.

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NOTES TO THE FINANCIAL STATEMENTS**

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**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, 2014 and 2013, the University has been awarded approximately \$9,152,118 and \$8,648,872, 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.

**NOTE 15      OPERATING EXPENSES**

Operating expenses by functional classification for the fiscal years ended September 30, 2014 and 2013, are listed below:

	<b>Expenses by Function</b>	
	<b>2014</b>	<b>2013</b>
<b>Educational and General:</b>		
Instruction	\$ 27,664,135	\$ 29,246,532
Research and development	8,469,823	6,692,393
Public service	14,461,346	13,661,672
Academic support	5,313,562	4,746,005
Student services	13,977,880	12,008,804
Institutional support	22,387,921	26,310,550
Operation and maintenance of plant	12,728,846	13,259,426
Scholarships and fellowships	16,310,603	15,714,410
Auxiliary Enterprises	9,783,818	8,500,754
Depreciation and amortization	4,021,644	4,341,180
Total operating expenses	<b>\$ 135,119,578</b>	<b>\$ 134,481,726</b>

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

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**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 did not have a material effect on the University's basic financial statements.

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 (“GASB 67”)*, in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The University has determined there was no impact from the adoption of GASB 67.

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.

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

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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.

The GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The University is currently evaluating the impact, if any, that GASB 71 will have on its financial statements.

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

**NOTE 18**      **COMPONENT UNITS**

Details of the Foundation's net position at September 30, 2014 and 2013 and the Trust's net position at July 31, 2014 and 2013, are as follows:

	<b>2014</b>			<b>2013</b>		
	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 2,603,049	\$ 241,332	\$ 2,844,381	\$ 813,444	\$ 1,103,775	\$ 1,917,219
Restricted cash and cash equivalents	3,426,085	-	3,426,085	2,859,014	-	2,859,014
Intercompany receivable	3,753,409	-	3,753,409	3,783,394	-	3,783,394
Total current assets	<u>9,782,543</u>	<u>241,332</u>	<u>10,023,875</u>	<u>7,455,852</u>	<u>1,103,775</u>	<u>8,559,627</u>
<b>Non-current assets:</b>						
Investments	4,017,558	41,785,497	45,803,055	3,546,738	39,275,872	42,822,610
Real estate held for investment	-	112,800	112,800	-	112,800	112,800
Capital assets, net	7,509,850	-	7,509,850	8,053,154	-	8,053,154
Bond issuance costs, net	784,286	-	784,286	834,347	-	834,347
Total non-current assets	<u>12,311,694</u>	<u>41,898,297</u>	<u>54,209,991</u>	<u>12,434,239</u>	<u>39,388,672</u>	<u>51,822,911</u>
<b>Total assets</b>	<u>\$ 22,094,237</u>	<u>\$ 42,139,629</u>	<u>\$ 64,233,866</u>	<u>\$ 19,890,091</u>	<u>\$ 40,492,447</u>	<u>\$ 60,382,538</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable and other liabilities	\$ 1,242,327	\$ -	\$ 1,242,327	\$ -	\$ -	\$ -
Accrued interest	301,529	-	301,529	308,251	-	308,251
Funds held for other organizations	1,500,849	-	1,500,849	1,165,366	-	1,165,366
Unearned rental income	169,800	-	169,800	188,435	-	188,435
Long term debt, current	535,000	-	535,000	510,000	-	510,000
Total current liabilities	<u>3,749,505</u>	<u>-</u>	<u>3,749,505</u>	<u>2,172,052</u>	<u>-</u>	<u>2,172,052</u>
<b>Non-Current liabilities:</b>						
Long-term debt, noncurrent	<u>14,515,000</u>	<u>-</u>	<u>14,515,000</u>	<u>15,050,000</u>	<u>-</u>	<u>15,050,000</u>
Total liabilities	<u>18,264,505</u>	<u>-</u>	<u>18,264,505</u>	<u>17,222,052</u>	<u>-</u>	<u>17,222,052</u>
<b>NET POSITION</b>						
<b>Restricted:</b>						
Temporarily	2,925,597	9,222,661	12,148,258	4,603,649	8,772,434	13,376,083
Permanently	-	32,916,968	32,916,968	1,000,000	31,720,013	32,720,013
Total restricted	<u>2,925,597</u>	<u>42,139,629</u>	<u>45,065,226</u>	<u>5,603,649</u>	<u>40,492,447</u>	<u>46,096,096</u>
Unrestricted	<u>904,135</u>	<u>-</u>	<u>904,135</u>	<u>(2,935,610)</u>	<u>-</u>	<u>(2,935,610)</u>
Total net position	<u>3,829,732</u>	<u>42,139,629</u>	<u>45,969,361</u>	<u>2,668,039</u>	<u>40,492,447</u>	<u>43,160,486</u>
<b>Total liabilities and net position</b>	<u>\$ 22,094,237</u>	<u>\$ 42,139,629</u>	<u>\$ 64,233,866</u>	<u>\$ 19,890,091</u>	<u>\$ 40,492,447</u>	<u>\$ 60,382,538</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, 2014 and 2013 and the Trust's revenues, expenses, and changes in net position at July 31, 2014 and 2013 are as follows:

	<b>2014</b>			<b>2013</b>		
	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>						
Net rental revenue	\$ 2,892,411	\$ -	\$ 2,892,411	\$ 2,987,849	\$ -	\$ 2,987,849
Contributions	-	-	-	1,948,908	-	1,948,908
Investment income	-	1,038,403	1,038,403	96,359	1,005,378	1,101,737
Realized and unrealized gain (loss) on investments	<u>324,085</u>	<u>3,770,457</u>	<u>4,094,542</u>	<u>193,067</u>	<u>3,028,198</u>	<u>3,221,265</u>
Total revenues	<u>3,216,496</u>	<u>4,808,860</u>	<u>8,025,356</u>	<u>5,226,183</u>	<u>4,033,576</u>	<u>9,259,759</u>
<b>OPERATING EXPENSES</b>						
<b>Educational and general:</b>						
Scholarships	22,000	1,900,000	1,922,000	1,364,263	1,385,000	2,749,263
Rental operating expenses	220,296	-	220,296	230,735	-	230,735
Program administration	263,065	-	263,065	613,143	-	613,143
Depreciation and amortization	625,260	-	625,260	625,261	-	625,261
Transfers to University	-	1,240,638	1,240,638	-	655,310	655,310
Investment fees	-	21,040	21,040	113,784	85,335	199,119
Interest expense	<u>924,182</u>	<u>-</u>	<u>924,182</u>	<u>952,380</u>	<u>-</u>	<u>952,380</u>
Total expenses	<u>2,054,803</u>	<u>3,161,678</u>	<u>5,216,481</u>	<u>3,899,566</u>	<u>2,125,645</u>	<u>6,025,211</u>
<b>CHANGE IN NET POSITION</b>						
Increase (decrease) in net position	1,161,693	1,647,182	2,808,875	1,326,617	1,907,931	3,234,548
Total net position, beginning 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>
Total net position, end of the year	<u>\$ 3,829,732</u>	<u>\$ 42,139,629</u>	<u>\$ 45,969,361</u>	<u>\$ 2,668,039</u>	<u>\$ 40,492,447</u>	<u>\$ 43,160,486</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 capital assets and accumulated depreciation as a result of the improper capitalization of certain capital cost that should have been expensed. The effect of the adjustment is to reduce capital assets, accumulated depreciation and net position. The adjustment relates to capital expenses for the period ended September 30, 2009 and depreciation expense through the year ended 2012.

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

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	As Previously Reported September 30, 2013	Adjustment	New Presentation September 30, 2013
<b>ASSETS</b>			
<b>Noncurrent:</b>			
Capital assets	\$ 210,853,683	\$ (3,882,027)	\$ 206,971,656
Accumulated depreciation	(97,114,282)	(5,293,566)	(102,407,848)
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	59,811,947	(9,175,593)	50,636,354

Certain other presentations of liabilities and operating expenses of the 2013 year have been changed to conform to the 2014 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, 2014, 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 2, 2015.

**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.



### **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 2, 2015

*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, 2014. 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.



### ***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, 2014.

### **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 2, 2015

*Banks, Finley White & Co.*

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2014**

	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Alabama Department of Agriculture Pass-through Funds:</b>			
Specialty Crop Block Grant Program - Farm Bill	10.170	12-25-B-1443	\$ 34,411
<b>Total Specialty Crop Block Grant Program - Farm Bill Grants</b>			<u>34,411</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Agricultural Research Special Research	10.200	2013/4-33100-08901	2,020,198
Agricultural Research Special Research	10.200	2013-32100-08901	285,648
Agricultural Research Special Research	10.200	2011-38821-30969	33,155
Agricultural Research Special Research	10.200	2013/4-45100-08901	563,811
Agricultural Research Special Research	10.200	2011-38624-31102	745
<b>Total Agricultural Research Special Research Grants</b>			<u>2,903,557</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Louisiana State University Pass-through Funds:</b>			
Sustainable Agriculture Research and Education	10.215	2010-38640-20926	1,191
<b>Total Sustainable Agriculture Research and Education Grants</b>			<u>1,191</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
1890 Institution Capacity Building Grant	10.216	2013-38821-21123	39,810
1890 Institution Capacity Building Grant	10.216	2013-38821-21130	58,198
1890 Institution Capacity Building Grant	10.216	2012-38820-20177	36,222
1890 Institution Capacity Building Grant	10.216	2010-38821-21448	71,598
1890 Institution Capacity Building Grant	10.216	2010-38821-21449	27,470
1890 Institution Capacity Building Grant	10.216	2010-38821-21585	2,700
1890 Institution Capacity Building Grant	10.216	2012-38820-20150	23,388
1890 Institution Capacity Building Grant	10.216	2012-38821-20128	173,730
1890 Institution Capacity Building Grant	10.216	2012-38821-20067	74,578
1890 Institution Capacity Building Grant	10.216	2012-38821-20091	67,490
1890 Institution Capacity Building Grant	10.216	2012-38821-20075	164,231
1890 Institution Capacity Building Grant	10.216	2010-38821-21651	227,948
1890 Institution Capacity Building Grant	10.216	2011-38821-30878	(6,627)
1890 Institution Capacity Building Grant	10.216	2010-38821-21613	42,754
1891 Institution Capacity Building Grant	10.216	2011-38821-30829	(47,366)
1890 Institution Capacity Building Grant	10.216	2011-38821-30831	185,204
1890 Institution Capacity Building Grant	10.216	2011-38821-30924	44,114
1890 Institution Capacity Building Grant	10.216	2013-38821-21134	22,040
1890 Institution Capacity Building Grant	10.216	CR-1001-0001	22,419
1890 Institution Capacity Building Grant	10.216	2013-38821-12110	89,346
1890 Institution Capacity Building Grant	10.216	2010-38821-21602	53,257
1890 Institution Capacity Building Grant	10.216	2013-38821-21452	169,995
<b>Tuskegee University Pass-through Funds:</b>			
1890 Institution Capacity Building Grant	10.216	2010-38821-21497	51,835
<b>Virginia State University Pass-through Funds:</b>			
1890 Institution Capacity Building Grant	10.216	2010-38821-21614	14,760
<b>Total 1890 Institution Capacity Building Grants</b>			<u>1,609,094</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Auburn University Pass-through Funds:</b>			
Higher Education Challenge Grant	10.217	2011-51300-30634	3,229
<b>Total Higher Education Challenge Grants</b>			<u>3,229</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
International Science and Education Grants:	10.305	2009-51160-05462	27,425
<b>Total International Science and Education Grants</b>			<u>27,425</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Auburn University Pass-through Funds:</b>			
Agriculture and Food Research Initiative (AFRI)	10.310	2011-68005-30410	320
<b>University of Nebraska Pass-through Funds:</b>			
Agriculture and Food Research Initiative (AFRI)	10.310	2012-68003-30155	1,697
<b>Total Agriculture and Food Research Initiative (AFRI) Grants</b>			<u>2,017</u>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2014**

	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Beginning Farmer and Rancher Development Program	10.311	2012-49400-19567	188,673
Beginning Farmer and Rancher Development Program	10.311	2012-68006-30189	117,314
<b>Total Beginning Farmer and Rancher Development Program Grants</b>			<u>305,987</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Rural Rancher Assistance Payments	10.427	01-045-636001097	119,650
<b>Total Rural Rancher Assistance Payments Grants</b>			<u>119,650</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2011-38821-30968	115,692
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2010-49400-21751	(171)
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	59-2501-11-0015	137,902
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	2009-39300-19978	2,254
<b>Total Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers Grants</b>			<u>255,677</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Cooperative Extension	10.500	2010-41520-20684	126,600
Cooperative Extension	10.500	2008-45200-04423	38,415
Cooperative Extension	10.500	2012-46000-08901	5,569
Cooperative Extension	10.500	2010-45200-04423	13,264
Cooperative Extension	10.500	2010-41534-21327	1,195
Cooperative Extension	10.500	2014-45100-14500	1,244,257
<b>Total Cooperative Extension Grants</b>			<u>1,429,300</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>State of Alabama Pass-through Funds:</b>			
Child and Adult Care Food Programs	10.558		8,288
<b>Total Child and Adult Care Food Program Grants</b>			<u>8,288</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>State of Alabama Pass-through Funds:</b>			
Summer Food Service Program For Children	10.559		25,420
<b>Total Summer Food Service Program For Children Grants</b>			<u>25,420</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Auburn University Pass-through Funds:</b>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	2014-41510-08901	112,377
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	4153	694,965
<b>Total SNAP Grants</b>			<u>807,342</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Forestry Research	10.652	10-CA-11330134-071	132
Forestry Research	10.652	13-JV-11330124-038	30,079
Forestry Research	10.652	11-DG-11330124-102	34,411
Forestry Research	10.652	12-JV-11330124-124	25,630
Forestry Research	10.652	12-DG-11330124-062	87,332
Forestry Research	10.652	13-DG-11330124-039	188,189
Forestry Research	10.652	14-PA-11132214-297	9,000
Forestry Research	10.652	14-DG-11330124-080	40,845
Forestry Research	10.652	09-CA-11330134-070	46,614
<b>Total Forestry Research Grants</b>			<u>462,232</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Scientific Cooperation and Research	10.961	58-3148-2-210	25,806
Scientific Cooperation and Research	10.961	58-3148-3-144	12,466
<b>Total Scientific Cooperation and Research Grants</b>			<u>38,272</u>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2014**

	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Cochran Fellowship Program-International Training-Foreign Participant	10.962	CO-CR-13-024	10,656
<b>Total Scientific Cooperation and Research Grants</b>			<u>10,656</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<b>Direct Programs:</b>			
Basic Scientific Research	12.431	HQ0147-10-C-6004	162,073
Basic Scientific Research	12.431	W911NF-12-1-0063	105,435
<b>Total Basic Scientific Research Grants</b>			<u>267,508</u>
<b>U.S. DEPARTMENT OF DEFENSE OFFICE OF THE SECRETARY OF DEFENSE</b>			
<b>Direct Programs:</b>			
Basic, Applied, and Advanced Research in Science and Engineering	12.630	W911NF-13-1-0136	365,747
<b>Total Basic, Applied, and Advanced Research in Science and Engineering Grants</b>			<u>365,747</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN AFFAIRS</b>			
<b>Direct Programs:</b>			
Community Development Block Grant(CDBG)/Brownfields Economic Development Initiative	14.246	HBCU-08-AL-001	389,437
<b>Total CDBG Brownfields Economic Development Initiative Grants</b>			<u>389,437</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<b>4H Pass-through Funds:</b>			
Juvenile Mentoring Program	16.726	2012-JU-FX-0016	108,775
<b>Total Juvenile Mentoring Program Grants</b>			<u>108,775</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Direct Programs:</b>			
Federal Transit Formula Grant	20.507	DTFH64-11-G-00071	831
Federal Transit Formula Grant	20.507	DTFH64-13-G-00213	6,000
Federal Transit Formula Grant	20.507	DTFH64-13-G-00212	9,999
<b>Total Federal Transit Cluster Grants</b>			<u>16,830</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<b>Direct Programs:</b>			
State of Goods Repair Grant Program	20.525	AL-03-0053-02	38,750
<b>Total State of Goods Repair Grant Programs</b>			<u>38,750</u>
<b>NATIONAL AERONAUTICAL AND SPACE ADMINISTRATION</b>			
<b>University of Alabama at Huntsville Pass-through Funds:</b>			
Science	43.001	NNX10AJ80H	9,069
<b>Thurgood Marshall College Fund Pass-through Funds:</b>			
Science	43.001	FA9550-14-1-0046	5,918
<b>Total Science Grants</b>			<u>14,987</u>
<b>NATIONAL AERONAUTICAL AND SPACE ADMINISTRATION</b>			
<b>Direct Programs:</b>			
Space Operations	43.007	NNX09AV17A	55,178
<b>Total Space Operations Grants</b>			<u>55,178</u>
<b>NATIONAL AERONAUTICAL AND SPACE ADMINISTRATION</b>			
<b>Direct Programs:</b>			
Education	43.008	NNX12A109A	60,507
<b>Pass-through Funds:</b>			
Education	43.008	NNM11AA01A	7,287
<b>Total Education Grants</b>			<u>67,794</u>

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2014**

	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Programs:</b>			
Engineering	47.041	CBET-1337227	156,678
Engineering	47.041	ECCS-1337616	189,300
<b>Total Engineering Grants</b>			<u>345,978</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Programs:</b>			
Biological Science	47.074	DBI-070370	106,286
<b>Total Biological Science Grants</b>			<u>106,286</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>University of South Florida Pass-through Funds:</b>			
Social, Behavioral, and Economic Sciences	47.075	DUE-1322586	8,234
<b>Total Social, Behavioral, and Economic Sciences Grants</b>			<u>8,234</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Programs:</b>			
Education and Human Resources	47.076	HRD-1332544	140,581
Education and Human Resources	47.076	DBI-1040963	192,630
Education and Human Resources	47.076	HRD-103660	554,045
Education and Human Resources	47.076	CCLI-PO6206	7,887
Education and Human Resources	47.076	RBS-11-09	125
Education and Human Resources	47.076	DUE-1347749	30,904
Education and Human Resources	47.076	REU-1156137	64,806
Education and Human Resources	47.076	REU-1063101	13,411
Education and Human Resources	47.076	C12-00707	2,814
Education and Human Resources	47.076	DBI-10631	75,013
Education and Human Resources	47.076	DUE-1238192	1,031,513
Education and Human Resources	47.076	DUE-1225654	13,358
Education and Human Resources	47.076	DUE-1300717	53,016
Education and Human Resources	47.076	PHY-1263253	62,636
Education and Human Resources	47.076	DUE-0850121	39,000
Education and Human Resources	47.076	HU001-3000038745	51,493
Education and Human Resources	47.076	DUE-0965927	128,500
Education and Human Resources	47.076	HRD-0928904	388,678
Education and Human Resources	47.076	DGE-0933812	14,154
Education and Human Resources	47.076	DUE-1202690	3,200
Education and Human Resources	47.076	DUE-11544	90,500
<b>University of Alabama at Birmingham Pass-through Funds:</b>			
Education and Human Resources	47.076	HRD-1067888	45,156
<b>University of Alabama at Huntsville Pass-through Funds:</b>			
Education and Human Resources	47.076	DUE-1043945	4,268
<b>Total Education and Human Resources</b>			<u>3,007,688</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Direct Programs:</b>			
Office of Cyberinfrastructure	47.080	EPS-0814103	31,250
<b>Total Office of Cyberinfrastructure</b>			<u>31,250</u>
<b>NATIONAL SCIENCE FOUNDATION</b>			
<b>Tuskegee University Pass-through Funds:</b>			
Office of Experimental Program to Stimulate Competitive Research	47.081	2011-38821-30921	82,721
Office of Experimental Program to Stimulate Competitive Research	47.081	EPS-1158862	234,438
<b>Total Office of Experimental Program to Stimulate Competitive Research</b>			<u>317,159</u>
<b>SMALL BUSINESS ADMINISTRATION</b>			
<b>Direct Programs:</b>			
Prime Technical Assistance	59.050	HQ-12-C-0016	66,963
<b>Total Prime Technical Assistance Research</b>			<u>66,963</u>
<b>U.S NUCLEAR REGULATORY COMMISSION</b>			
<b>Direct Programs:</b>			
U.S. Nuclear Regulatory Commission Nuclear Education Grant Program	77.006	NRC-27-10-514	89,355
<b>Total U.S. Nuclear Regulatory Commission Nuclear Education Grant Program</b>			<u>89,355</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended September 30, 2014**

	CFDA NUMBER	CONTRACT NUMBER	EXPENDITURES
<b>Direct Programs:</b>			
National Nuclear Security Administration (NNSA)Minority Serving Institutions Program	81.123	DE-NA-0001890	817,801
National Nuclear Security Administration (NNSA)Minority Serving Institutions Program	81.123	12-NA-002519	47,217
National Nuclear Security Administration (NNSA)Minority Serving Institutions Program	81.123	NNS13AB37A	33,126
National Nuclear Security Administration (NNSA)Minority Serving Institutions Program	81.123	DE-ED0000382	24,000
National Nuclear Security Administration (NNSA)Minority Serving Institutions Program	81.123	DE-FG52-08NA28892	79,204
			-
<b>Los Alamos National Laboratories Pass-through Funds:</b>			
National Nuclear Security Administration (NNSA)Minority Serving Institutions Program	81.123	DE-NAAA1890	245,567
<b>Total National Nuclear Security Administration (NNSA)Minority Serving Institutions Program</b>			<u>1,246,915</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Aid Cluster</b>			
Federal Family Education Loan	84.032	P268K141027	50,656,579
Higher Education Institutional Aid	84.031	OE-P031B09200	2,202,197
Higher Education Institutional Aid	84.031	OE-P031B070057	2,892,528
Higher Education Institutional Aid	84.031	OE-P031B10008	1,706,455
College Work Study Program	84.033	OE-P033A070001	265,547
Rehabilitation Long Term Training	84.129	H129B100005	82,017
TEACH Grants	84.379	P379T141027	27,260
Federal Pell Grant Program	84.063	OE-P063111097	14,316,104
Federal Supplemental Educational Opportunity Program	84.007	OE-P007A09001	260,818
<b>Total Student Financial Aid Cluster</b>			<u>72,409,505</u>
<b>Trio Cluster:</b>			
TRIO-Student Support Services	84.042	OE-P042A101164	400,572
TRIO-Upward Bound	84.047	OE-P047A070505	478,350
<b>Total TRIO Cluster</b>			<u>878,922</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Direct Programs:</b>			
Scholars and Fellows and Educational Programs	97.062	2010-ST-062-000034	88,495
<b>Total Scholars and Fellows and Educational Programs Grants</b>			<u>88,495</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Direct Programs:</b>			
Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection	97.077	2012-DN-077-ARI065-03	299,286
<b>Total Homeland Security Research, Development, Testing, Evaluation, and Demonstration of Technologies Related to Nuclear Threat Detection Grants</b>			<u>299,286</u>
<b>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			
<b>Direct Programs:</b>			
USAID Foreign Assistance for Programs Overseas	98.001	OSU-RD-011-G-G	15,900
<b>Total USAID Foreign Assistance for Programs Overseas Grants</b>			<u>15,900</u>
<b>TOTAL FEDERAL AWARD EXPENDITURES</b>			<u>\$ 88,280,690</u>

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

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**BASIS OF PRESENTATION**

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

**ALABAMA A&M UNIVERSITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended September 30, 2014**

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.031, 84.032	Student Financial Aid Cluster
10.200	Agriculture Research
10.216	1890 Institution Capacity Building
10.500	Cooperative Extension
81.123	NNSA Minority Serving Institutions

Dollar threshold used to distinguish between Type A and type B programs: \$2,648,421

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No