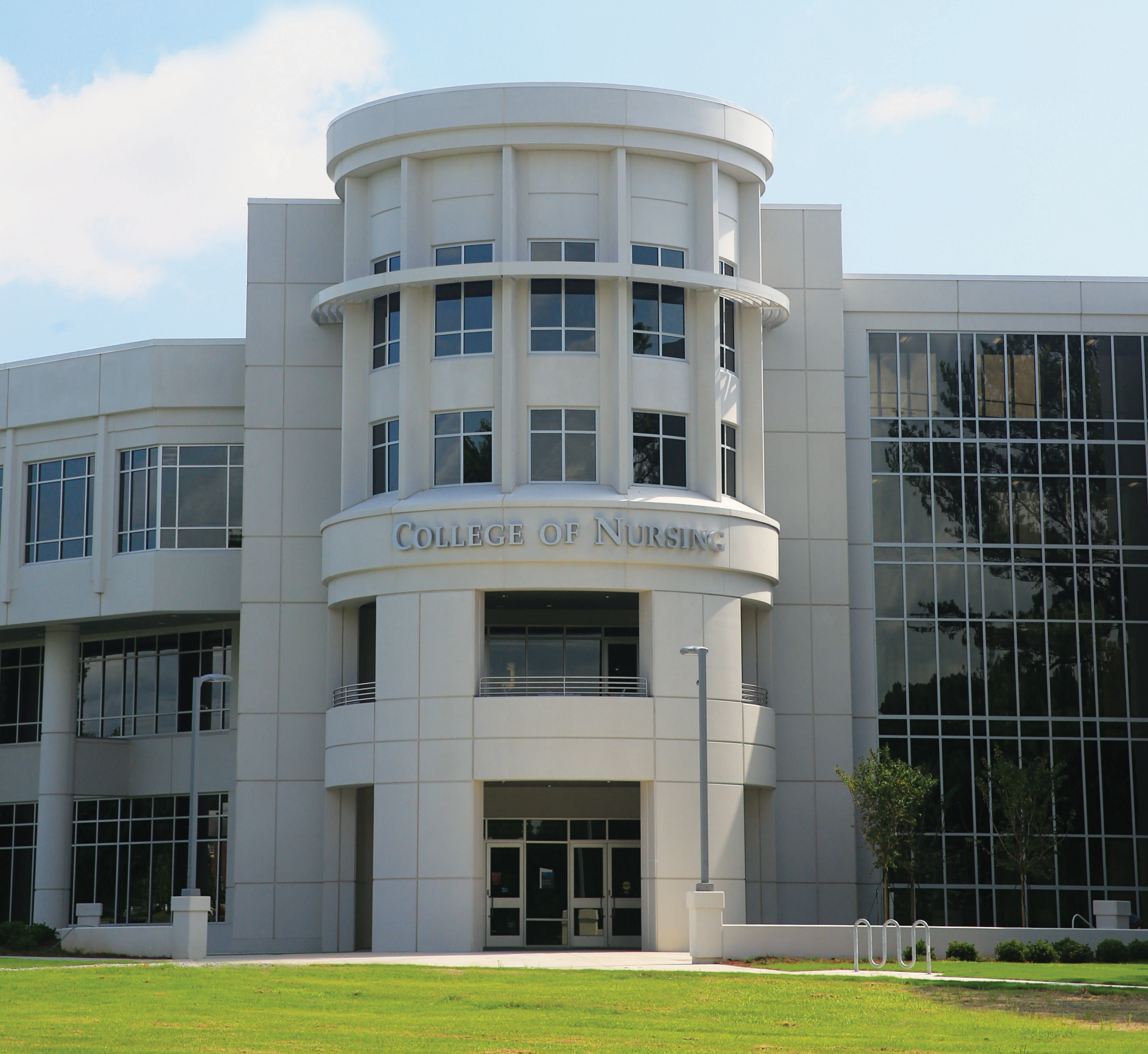
THE UNIVERSITY OF
ALABAMA IN HUNTSVILLE

FINANCIAL REPORT
2014 – 2015



The University of Alabama in Huntsville

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The Nursing Building expansion was completed for fall term 2014 occupancy, adding much needed space for the growing enrollment. Included in the newly expanded area are classrooms, offices, student gathering spaces, an auditorium and the Learning Resource Center.

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A Space Grant College
An Affirmative Action/Equal Opportunity Institution

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Independent Auditor's Report

To the Board of Trustees of The University of Alabama:

We have audited the accompanying financial statements of The University of Alabama in Huntsville ("UAH"), a campus of The University of Alabama System, which is a component unit of the State of Alabama, as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which consist of the statements of net position and the related statements of revenues, expenses, and changes in net position and of cash flows of UAH and the statements of financial position and the related statements of activities of the University of Alabama in Huntsville Foundation ("UAHF"), UAH's discretely presented component unit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the financial statements based on our audits. We did not audit the financial statements of UAHF, UAH's discretely presented component unit, as of September 30, 2015 and 2014, and for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UAHF, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 our 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, we consider internal control relevant to UAH'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 UAH'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, based upon our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of UAH and its discretely presented component unit at September 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of UAH are intended to present the financial position, the changes in financial position and, where applicable, the cash flows of only that portion of the business-type activities of the financial reporting entity of The University of Alabama System that is attributable to the transactions of UAH. They do not purport to, and do not, present fairly the financial position of The University of Alabama System as of September 30, 2015 and 2014, its changes in financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the basic financial statements, in the year ended September 30, 2015, UAH adopted new accounting guidance related to the manner in which it accounts for pensions. As described within the notes to the financial statements, UAH adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*, effective October 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

The accompanying management's discussion and analysis on pages 4 through 15 and the required supplementary information on page 55 are required by accounting principles generally accepted in the United States of America 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 audits 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.

PricewaterhouseCoopers LLP

January 25, 2016

The University of Alabama in Huntsville
Management's Discussion and Analysis (Unaudited)

The following discussion and analysis provides an overview of the financial performance and activities of The University of Alabama in Huntsville (the "University" or "UAH") during FY 2015 and 2014. This discussion and analysis has been prepared by University management and includes the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows. These statements should be read in conjunction with the Notes to Financial Statements.

As discussed in Note 8 of the accompanying financial statements, the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (collectively, "GASB 68") effective October 1, 2014. The standard was not applied retroactively to the 2014 financial statements because the state pension plan did not provide the necessary information.

Introduction

The University is a public co-educational, state-supported research university and is classified by the Carnegie Foundation for the Advancement of Teaching as a "Very High Activity" research university, placing it among a select group of public universities in America. UAH has six research programs ranked in the top 25 in the nation, according to the National Science Foundation, including 4th in the United States in aeronautical and astronautical engineering.

The University offers 83 degree-granting programs that meet the highest standards of excellence, including 38 bachelor's degree programs, 29 master's degree programs, and 16 doctoral programs through its six colleges: Arts, Humanities and Social Sciences; Business Administration, Education, Engineering, Nursing, and Science. UAH is an autonomous campus within The University of Alabama System (the "System") and is the anchor tenant for Cummings Research Park, the second largest university research park in the United States and home to numerous high technology and research companies.

The campus receives national recognition on a regular basis. UAH was listed as very competitive by *Barron's Profiles in American Colleges* and was one of only two public universities in Alabama to earn this designation. *U.S. News & World Report* consistently ranks UAH among the magazine's top tier national universities. Additionally, *USA Today* and *Princeton Review* reported UAH was one of the top 50 educational values in America.

The University received $75.2 million for externally funded projects during FY 2015. Sponsors of research include federal and state agencies, academic institutions, industry and private foundations. Research is conducted within the six individual colleges and through the University's 10 independent research centers, laboratories and institutes. Major interdisciplinary research thrusts include: modeling and simulation; cybersecurity;

systems engineering; rotorcraft and aerospace engineering; propulsion; optics; space physics and astrophysics; earth and atmospheric system science; information technology; materials science; biotechnology; nanotechnology; humanities; and lean supply chain, acquisition, and logistics.

Statements of Net Position

The statements of net position present the assets, liabilities, and net position of the University as of the end of the fiscal year. The purpose of the statements of net position is to present a fiscal snapshot of the University to the readers of the financial statements. The statements of net position present end-of-year data for assets (current and noncurrent), liabilities (current and noncurrent), deferred inflows and outflows of resources, and net position.

The statements of net position provide a summary of assets available to continue the operations of the University. The statements also show how much the University owes vendors, investors and lending institutions. Finally, the statements of net position provide a picture of the net position and the availability for expenditure by the University.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant and equipment. The second asset category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. Donors have restricted income derived from these investments to primarily fund scholarships and fellowships. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed a time or purpose restriction on the use of the assets. The final category is unrestricted net position, which is available to the University as needed.

A summarized comparison of the University's assets, liabilities, deferred inflows of resources, deferred outflows of resources and net position as of September 30 is as follows:

Summary of Statements of Net Position

	2015	2014	2013
Current assets	$124,846,241	$145,140,584	$155,908,246
Noncurrent assets:			
Endowment, life income and other investments	66,926,318	73,643,577	78,822,789
Capital assets, net	247,472,797	239,892,467	220,844,717
Legal settlement receivable	-	951,113	1,855,729
Other	3,004,808	171,882	219,742
Total assets	**442,250,164**	**459,799,623**	**457,651,223**
Deferred outflow from pension liability	**17,639,710**	**-**	**-**
Current liabilities	62,851,669	60,187,022	54,979,041
Noncurrent liabilities	245,193,520	103,084,078	107,792,600
Total liabilities	**308,045,189**	**163,271,100**	**162,771,641**
Deferred inflow from pension liability	**10,965,000**	**-**	**-**
Net position			
Net investment in capital assets	139,816,373	128,446,531	124,034,324
Restricted	23,224,738	19,319,644	18,107,737
Unrestricted	(22,161,426)	148,762,348	152,737,521
Total net position	**$140,879,685**	**$296,528,523**	**$294,879,582**

For FY 2015, the University's current assets decreased $20.3 million primarily due to a decrease in investments held by the University. Endowment, life income and other investments decreased $6.7 million due to unfavorable market activity. Capital assets, net of depreciation, increased $7.6 million primarily due to the construction of the Student Services Building. Other assets increased $2.8 million due to pledges received from third parties. Current liabilities increased $2.6 million. The majority of this increase is due to higher construction and payroll liabilities and unearned revenues that have increased with higher enrollment. Noncurrent liabilities increased by approximately $142.1 million primarily the result of recording a $146.2 million pension liability in connection with the adoption of GASB 68, offset by a decrease in long-term debt of $4.1 million which was attributable to regularly scheduled principal payments. Also in connection with adopting GASB 68, the University recorded deferred outflows of resources of $17.6 million and deferred inflows of resources of $11.0 million. These amounts represent employer contributions to the pension plan subsequent to the measurement date, changes in proportionate share of contributions, and differences between projected and actual earnings of the pension plan and did not exist in the 2014 statement of net position as the University adopted GASB 68 prospectively. See Note 8 for additional information.

For FY 2014, the University's current assets decreased $10.8 million primarily driven by the use of funds for capital projects. Endowment, life income and other investments decreased $5.2 million due to the net reclassification of $8.3 million of cash and investments for capital activities to cash and cash equivalents and operating investments, offset by additional endowment investments of $2.5 million. Capital assets, net of depreciation, increased $19.0 million primarily due to the expansion and renovation of the Nursing Building and the construction of the Student Life Center and Severe Weather Institute and Radar & Lightning Laboratories. Current liabilities increased $5.2 million. The majority of this increase is due to higher construction and payroll liabilities and unearned revenues that increased consistent with 2014 tuition increases. Noncurrent liabilities decreased $4.7 million, the result of bond principal payments.

For FY 2015, the University's total net position decreased $156 million. The University's net investment in capital assets increased approximately $11.4 million primarily due to capital expenditures. Restricted net position increased $3.9 million. Unrestricted net position decreased approximately $170.9 million primarily due to the implementation of GASB 68.

For FY 2014, the University's total net position increased $1.6 million. The University's net investment in capital assets increased approximately $4.4 million primarily due to capital expenditures. Restricted net position increased $1.2 million. Unrestricted net position decreased approximately $4.0 million.

Capital Assets

For FY 2015, 2014, and 2013, the University had approximately $469.4 million, $450.3 million, and $426.9 million invested in capital assets and accumulated depreciation of $221.9 million, $210.4 million, and $206.1 million, respectively. Depreciation charges for FY 2015, 2014, and 2013 were $14.4 million, $13.1 million, and $12.4 million, respectively.

The following table summarizes the University's capital assets, net of accumulated depreciation, as of September 30:

Capital Assets, Net	2015	2014	2013
Land	$ 8,046,641	$ 7,591,148	$ 7,552,605
Land improvements and infrastructure, net	7,532,370	7,636,800	6,835,293
Buildings and building improvements, net	216,570,427	210,321,979	191,163,946
Equipment, net	12,502,996	11,021,764	11,441,690
Library books, net	1,486,339	1,752,622	1,989,054
Computer software, net	209,622	443,752	737,727
Collections	1,124,402	1,124,402	1,124,402
Total capital assets, net	**$ 247,472,797**	**$ 239,892,467**	**$ 220,844,717**

Major capital additions during FY 2015 included construction of the Student Services Building, completion of the Severe Weather Institute and Radar & Lightning Laboratory, and completion of the expansion and renovation of the Nursing Building.

Major capital additions during FY 2014 included construction of the Severe Weather Institute and Radar & Lightning Laboratory, completion of the Student Life Center, completion of phase II of the Campus Greenway, expansion and renovation of the Nursing Building, and renovations in Wilson Hall, Frank Franz Hall, Salmon Library and Roberts Hall.

Major capital additions during FY 2013 included the construction of the Student Life Center, the Campus Greenway, and the Nursing Building renovations.

Additional information about the University's capital assets is presented in Note 5 to the financial statements.

Debt

The following table summarizes outstanding debt by type, as of September 30:

Debt	2015	2014	2013
Bonds - Current	$4,502,000	$4,330,000	$4,235,000
Bonds - Long Term	97,194,000	101,706,000	106,036,000
Notes - Current	368,600	368,600	368,600
Notes - Long Term	737,200	1,105,800	1,474,400
Premium, net	895,436	272,278	282,200
Total debt outstanding	**$103,697,236**	**$107,782,678**	**$ 112,396,200**

Principal and interest on these revenue bonds are collateralized by a pledge of revenues produced by student housing and student tuition and fees.

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position, which reflect the University's results of operations. This presents the revenues, both operating and nonoperating, along with the increase/decrease in net position. State appropriations are nonoperating because they are provided by the State Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the nonoperating revenues, in particular the state appropriations, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its programs.

A summarized comparison of the University's revenues, expenses and changes in net position for the years ended September 30 is as follows:

Summary of Statements of Revenues, Expenses, and Changes in Net Position

	2015	2014	2013
Operating revenues:			
Tuition and fees	$ 76,258,430	$ 72,713,243	$ 69,207,640
Less: scholarship allowances	(22,515,168)	(19,244,242)	(18,612,696)
Tuition and fees, net	53,743,262	53,469,001	50,594,944
Federal, state and private grants and contracts	75,204,472	91,029,643	97,951,418
Sales and services of educational departments	4,159,834	3,678,370	3,530,514
Auxiliary, net of $1,292,389 in 2015 and $1,030,275 in 2014 of scholarship allowances	7,466,287	6,686,732	6,135,066
Total operating revenues	140,573,855	154,863,746	158,211,942
Operating expenses	206,082,157	208,922,729	207,551,745
Operating loss	(65,508,302)	(54,058,983)	(49,339,803)
Nonoperating revenues (expenses):			
State educational appropriations	43,997,235	43,102,390	42,710,964
Private gifts	6,175,489	3,172,745	4,043,840
Net investment income (loss)	(5,556,417)	6,926,302	6,334,687
Pell grant revenue	7,670,824	7,395,098	7,615,679
Loss on disposal of capital assets	(171,128)	(1,461,846)	(276,840)
Interest expense	(3,944,121)	(3,454,765)	(2,435,540)
Capital gifts and grants	13,582	28,000	637,197
Net nonoperating revenues	48,185,464	55,707,924	58,629,987
(Decrease)/Increase in net position	(17,322,838)	1,648,941	9,290,184
Net position, beginning of year (as previously reported)	296,528,523	294,879,582	285,589,398
Cumulative effect of adopting new accounting guidance	(138,326,000)	-	-
Net position, beginning of year (as restated)	158,202,523	294,879,582	285,589,398
Net position, end of year	**$140,879,685**	**$296,528,523**	**$ 294,879,582**

Approximately $44 million in state appropriations were received in FY 2015, an increase of 2% or $895 thousand from the prior year.

Gross tuition and fees increased approximately $3.5 million in FY 2015. The tuition rate decreased by 0.33% for the 2014-2015 academic year. The University set records this fall for total enrollment, undergraduate and graduate students combined, as well as for the size of its freshman class. Fall 2014 and Fall 2013 tuition remained constant. Enrollment declined by 3.4% in Fall 2013, followed by slight declines in Spring, Summer and Fall 2014. With the implementation of phased-in, block tuition starting in Fall 2014, full-time undergraduate students paid slightly less tuition than in 2013. The $1.0 increase in FY 2013 was the result of tuition increases. The following is a summary of revenues by source (both operating and nonoperating) for the years ended September 30. Significant recurring sources of the University's revenues, such as state appropriations, are considered nonoperating, as defined by GASB Statement No. 35, *Basic Financial Statements-Management's Discussion and Analysis – for Public Colleges and Universities.*

Revenue Sources

	2015		2014		2013	
State educational appropriations	$43,997,235	22.8%	$43,102,390	20.0%	$42,710,964	19.5%
Net investment (loss) income	(5,556,417)	-2.9%	6,926,302	3.2%	6,334,687	2.9%
Grants and contracts	75,204,472	39.0%	91,029,643	42.2%	97,951,418	44.6%
Gifts	6,175,489	3.2%	3,172,745	1.5%	4,043,840	1.8%
Auxiliary	7,466,287	3.9%	6,686,732	3.1%	6,135,066	2.8%
Net tuition and fees	53,743,262	27.9%	53,469,001	24.9%	50,594,944	23.0%
Sales and services	4,159,834	2.1%	3,678,370	1.7%	3,530,514	1.6%
Capital gifts and grants	13,583	0.0%	28,000	0.0%	637,197	0.3%
Pell grants	7,670,824	4.0%	7,395,098	3.4%	7,615,679	3.5%
Total revenues	**$192,874,569**		**$215,488,281**		**$219,554,309**	

Investments produced losses for FY 2015 in the amount of $5.6 million, a $12.5 million decrease over 2014. Fluctuation is due primarily to unfavorable market conditions.

Grants and contracts revenues decreased $15.8 million in FY 2015. The decline can be traced largely to a $ 9.8 million pass-through federal contract for 2014 that was not renewed in 2015. Grants and contracts revenues decreased $6.9 million in 2014 due primarily to a $5.0 million pass-through federal contract that was not renewed in 2014. These revenues increased $8.3 million in FY 2013, primarily due to an increase in federal grants and contracts awarded.

FY 2015 was an exceptional year for gifts with the University receiving approximately $6.2 million due primarily to a single donor gift of $3.0 million from Bryant Bank for the Nursing program. The University received gifts totaling $3.2 million in FY 2014, compared to $4.0 million in FY 2013.

The University's auxiliary activities are comprised primarily of the Bevill Conference Center and Hotel, food service, housing, and bookstore. Auxiliary activities increased

$780 thousand and $552 thousand in FY 2015 and FY 2014, respectively. Auxiliary activities decreased slightly by $584 thousand in FY 2013 due to the Bevill Center, housing, bookstore and food service all experiencing a decline in revenue and changes in mandatory food and housing policies.

Sales and services revenue increased by $481 thousand in FY 2015 due to an increase in enrollment. As fees were held flat, sales and services revenue was stable for FY 2014 and FY 2013.

Capital gifts and grants decreased $14.0 thousand during FY 2015. Capital gifts and grants decreased $609 thousand during 2014 mainly due to a decrease in one time capital asset gifts received in FY 2014 and 2013. Capital gifts and grants decreased $538 thousand during 2013 mainly due to a decrease in one time capital asset gifts received in FY 2013 and 2012.

The University receives grant and contract revenue from federal, state and local governments and private agencies. These funds are used to further the mission of the University: research, education, and public service. These funds are recorded as operating revenues. The following chart reflects the funding sources for federal operating grant and contract revenue for the years ended September 30:

Detail of Federal Grants & Contracts Revenue

	2015	2014	2013
National Aeronautics and Space Administration	$ 20,148,797	$ 21,140,998	$ 20,598,336
Department of Defense	40,260,133	50,183,241	58,534,186
National Science Foundation	3,602,857	3,227,998	5,617,878
Department of Education	370,054	585,406	425,351
Other	3,879,043	4,764,922	5,477,619
Total	**$ 68,260,884**	**$ 79,902,565**	**$ 90,653,370**

National Aeronautics and Space Administration revenues decreased $992 thousand in FY 2015. National Aeronautics and Space revenues increased $543 thousand and $485 thousand in FY 2014 and 2013 respectively, primarily due to an increase in NASA research contracts.

Department of Defense revenues decreased $9.9 million in FY 2015 and $8.4 million in FY 2014 primarily due to pass-through contracts for 2014 and 2013 that were not renewed for 2015 and 2014. Department of Defense revenues increased $5.0 million in and 2013, primarily due to an increase in Army contracts.

National Science Foundation revenues increased $375 thousand in FY 2015. National Science Foundation revenues decreased $2.4 million in FY 2014 primarily due to the completion of the $1.0 million ESPCOR Research and the $776 thousand Education contract received in FY 2013.

The following is a comparison of the University's operating expenses for the years ended September 30:

Operating expenses (by functional classification)

	2015	2014	2013
Instruction	$ 53,931,815	$ 52,052,721	$ 48,871,266
Research	64,651,852	74,757,309	81,743,099
Public service	5,765,716	5,638,106	4,822,320
Academic support	11,261,569	10,830,804	9,815,843
Student services	15,994,309	14,590,093	13,796,950
Institutional support	20,915,985	19,218,556	18,048,016
Operations and maintenance of plant	13,301,579	13,267,827	12,481,938
Scholarships and fellowships	1,128,515	1,101,624	1,090,063
Auxiliary enterprises	4,690,415	4,407,374	4,465,484
Depreciation	14,440,402	13,058,315	12,416,766
Total operating expenses	**$ 206,082,157**	**$ 208,922,729**	**$ 207,551,745**

Operating expenses (by natural classification)

Compensation and benefits	$ 150,457,933	$ 151,092,560	$ 143,546,057
Supplies and services	40,055,307	43,670,230	50,498,859
Depreciation	14,440,402	13,058,315	12,416,766
Scholarships and fellowships	1,128,515	1,101,624	1,090,063
Total operating expenses	**$ 206,082,157**	**$ 208,922,729**	**$ 207,551,745**

In FY 2015, instruction expenses increased $1.9 million primarily due to compensation and benefits. FY 2014, instruction expenses increased $3.2 million also due to an increase in compensation and benefits. In FY 2013, instruction expenses decreased $1.4 million primarily due to a decrease in supplies and services expenses.

Research expenses decreased $10.1 million and $7.0 million in FY2015 and FY 2014, respectively primarily due to decreases in contracts and grants. Research expenses increased $5.4 million in FY 2013, primarily due to increases in contracts and grants.

Public service expenses increased $128 thousand, $816 thousand, and $2.1 million FY 2015, 2014 and 2013, respectively, due to increases in federal public service contracts and grants.

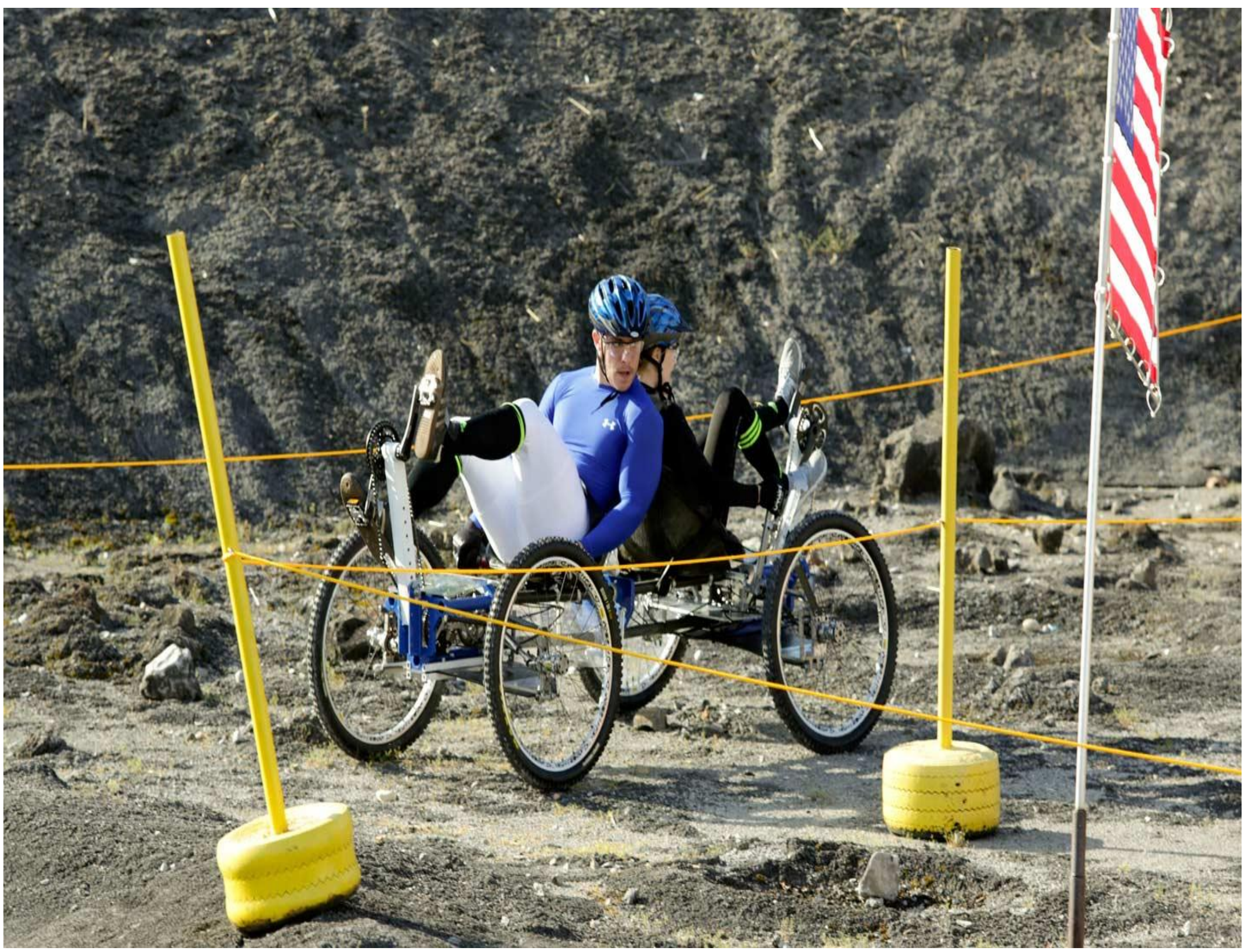
Academic support increased $431 thousand during FY 2015. Academic support saw an increase of $1.0 million during FY 2014. Academic support increased slightly during FY 2013 by $612 thousand.

Operations and maintenance of plant increased $34 thousand during FY 2015 primarily due to increases in utilities costs and other services. Operations and maintenance of plant increased $786 thousand from FY 2013 to FY 2014.

FY 2015 saw a $635 thousand decrease in compensation and benefits. The increase in compensation and benefits of $7.5 million and $6.8 million in FY 2014 and 2013, respectively, was primarily due to annual merit based salary increases and increases in retirement, health insurance and other benefit costs.

Scholarships and fellowships expense increased $27 thousand for FY 2015. Scholarships and fellowships expense decreased $12 thousand for FY 2014. Scholarships and fellowships expense decreased $484 thousand for FY 2013. Scholarships and fellowships expenses represent the residual expense after applying the scholarship allowance to gross tuition and fees revenue. The scholarship allowance represents the discount applied to student accounts for internal scholarships and financial aid, including pell grant assistance that is reported as nonoperating revenue.

In FY 2015, supplies and services expenses decreased $3.6 million due to the decline in federal contracts and grants. Supplies and services expenses decreased $6.8 million in FY 2014 due to a decline in research grants and related expenses.



Statements of Cash Flows

The statements of cash flows present the significant sources and uses of cash. The University's cash, primarily held in demand deposit accounts, is minimized by sweeping available cash balances into investment accounts. The following are condensed statements of cash flows for the years ended September 30:

Condensed Statements of Cash Flows

	2015	2014
Cash received from operations	$ 151,018,015	$ 154,250,713
Cash payments for operations	(192,840,609)	(194,153,566)
Net cash used in operating activities	(41,822,594)	(39,902,853)
Net cash used in capital and related financing activites	(30,544,464)	(39,725,132)
Net cash provided by (used in) investing activities	25,556,007	(1,166,778)
Net cash provided by noncapital financing activities	56,151,095	55,552,796
Net increase in cash and cash equivalents from other than operating activities	51,162,638	14,660,886
Net increase in cash	9,340,044	(25,241,967)
Cash and cash equivalents, beginning of year	31,784,119	57,026,086
Cash and cash equivalents, end of year	$ 41,124,163	$ 31,784,119

The University used $41.8 million of cash for operating activities in FY 2015, offset by $56.2 million of cash provided by noncapital financing activities. Similarly, in FY 2014, $39.9 million of cash used for operating activities was offset by $55.6 million in cash provided by noncapital financing activities. Noncapital financing activities, as defined by GASB, include state educational appropriations and gifts received for other than capital purposes that are used to support operating expenses. The increase in cash provided by noncapital financing activities was due mainly to an increase in private gifts.

Cash of $30.5 million and $39.7 million in FY 2015 and 2014, respectively, was used for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments.

Cash provided by investing activities totaled $25.6 million in FY 2015. Cash used in investing activities totaled $1.2 million in FY 2014. The change is primarily the result of withdrawals from the System STLP during FY 2015.

Economic Factors That Will Affect the Future

The University's state educational appropriations have not kept pace with the amounts recommended by the Alabama Commission on Higher Education (ACHE). For FY 2015, the University was funded at approximately 48.5% of the ACHE funding recommendation.

State appropriations at the University have been reduced from $58.1 million in FY 2008 to $44.0 million in FY 2015. Not surprisingly, the state appropriations received by UAH as a percent of the ACHE funding recommendation has been reduced from 78% in FY 2008 to 48.5% in FY 2015. The University utilizes savings from previous years to fund non-recurring expenditures, primarily in the areas of information technology infrastructure and various facilities renewal projects.

The University continues to attract federal grant and contract revenue with the majority of the University's federal operating revenue coming from the National Aeronautical and Space Administration and the Department of Defense. The outcome of the federal budget process has important ramifications for the University's research budget.

The University's achievement in sustaining private and federal support is a testament to the high regard in which the University is held. The level of support underscores the continued confidence among donors and grantors in the quality of the University's programs and the importance of its mission. The University must have a balanced array of many categories of facilities to meet its educational, research and public service goals and continues to assess long-term capital requirements. Support for the University's recent capital expenditures has been provided primarily from federal funds, bond issues repaid through student tuition and fees, rental and facility fees, gifts, and University funds.

Requests for Information

These financial statements are designed to provide a general overview of the University and its component unit's financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of Accounting and Financial Reporting, The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, Alabama 35899.

FINANCIAL STATEMENTS

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENTS OF NET POSITION
September 30, 2015 and 2014

	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	$ 40,459,232	$ 31,104,680
Operating investments	51,473,261	75,903,732
Accounts receivable, net	22,005,137	29,035,339
Other current assets	10,908,611	9,096,833
Total current assets	124,846,241	145,140,584
Noncurrent Assets:		
Restricted cash and cash equivalents	664,931	679,439
Endowment investments	29,241,567	30,699,638
Investments for capital activities	37,019,820	42,264,500
Capital assets, net	247,472,797	239,892,467
Legal settlement receivable	-	951,113
Other noncurrent assets	3,004,808	171,882
Total noncurrent assets	317,403,923	314,659,039
Total Assets	**442,250,164**	**459,799,623**
Deferred Outflows of Resources		
Deferred outflows from pension	17,639,710	-
Total Deferred Outflows of Resources	**17,639,710**	**-**
Total Assets and Deferred Outflows of Resources	**$ 459,889,874**	**$ 459,799,623**
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 22,027,061	$ 23,214,476
Unearned revenues	32,461,781	28,689,929
Current portion of long-term debt	4,870,600	4,698,600
Deposits held for others	3,492,227	3,584,017
Total current liabilities	62,851,669	60,187,022
Noncurrent Liabilities:		
Long-term debt	98,826,636	103,084,078
Federal advances-loan funds	118,884	-
Pension liability	146,248,000	-
Total noncurrent liabilities	245,193,520	103,084,078
Total Liabilities	**308,045,189**	**163,271,100**
Deferred Inflows of Resources		
Deferred inflows from pension	10,965,000	-
Total Deferred Inflows of Resources	**10,965,000**	**-**
Net Position		
Net investment in capital assets	139,816,373	128,446,531
Restricted:		
Nonexpendable	9,207,315	9,368,566
Expendable	14,017,423	9,951,078
Unrestricted	(22,161,426)	148,762,348
Total Net Position	140,879,685	296,528,523
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 459,889,874**	**$ 459,799,623**

See accompanying notes to financial statements

UNIVERSITY OF ALABAMA HUNTSVILLE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

	2015	2014
Cash and cash equivalents	$ 3,747,678	$ 3,266,094
Investments	37,609,812	40,609,815
Investment real estate	2,757,376	2,757,376
Investment in trust	5,237,815	5,189,629
Accrued interest	399,305	387,955
Pledges receivable, net	62,050	139,736
Trust receivable	484,959	484,959
Related party receivable	1,105,800	1,474,400
Total Assets	**$ 51,404,795**	**$ 54,309,964**
Accounts payable	$ 25,471	$ 15,277
Annuity payable	123,914	146,984
Payroll tax payable	-	4,162
Total Liabilities	**149,385**	**166,423**
Unrestricted net assets	22,330,817	23,415,891
Temporarily restricted net assets	8,328,743	10,410,763
Permanently restricted net assets	20,595,850	20,316,887
Total Net Assets	**51,255,410**	**54,143,541**
Total Liabilities and Net Assets	**$ 51,404,795**	**$ 54,309,964**

See Note 15

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended September 30, 2015 and 2014

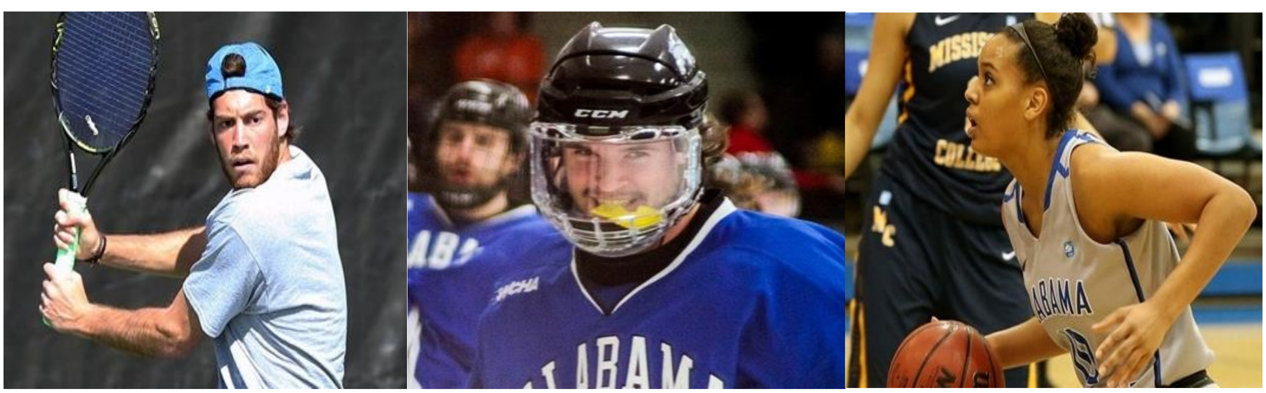
	2015	2014
Operating Revenues		
Tuition and fees	$ 76,258,430	$ 72,713,243
Less: scholarship allowances	(22,515,168)	(19,244,242)
Tuition and fees, net	53,743,262	53,469,001
Grants and contracts		
Federal	68,260,884	79,902,565
State	4,689,746	9,150,735
Private	2,253,842	1,976,343
Sales and services of educational departments	4,159,834	3,678,370
Auxiliary, net of $1,292,389 in 2015 and $1,030,275 in 2014 of scholarship allowances	7,466,287	6,686,732
Total Operating Revenues	**140,573,855**	**154,863,746**
Operating Expenses		
Compensation and benefits	150,457,933	151,092,560
Supplies and services	40,055,307	43,670,230
Depreciation	14,440,402	13,058,315
Scholarships and fellowships	1,128,515	1,101,624
Total Operating Expenses	**206,082,157**	**208,922,729**
Operating loss	(65,508,302)	(54,058,983)
Nonoperating Revenues (Expenses)		
State appropriations	43,997,235	43,102,390
Private gifts	6,175,489	3,172,745
Net investment income (loss)	(5,556,417)	6,926,302
Pell grant revenue	7,670,824	7,395,098
Loss on disposal of capital assets	(171,128)	(1,461,846)
Interest expense	(3,944,121)	(3,454,765)
Net Nonoperating Revenues	48,171,882	55,679,924
Capital gifts	13,582	28,000
	48,185,464	**55,707,924**
(Decrease)/Increase in net position	(17,322,838)	1,648,941
Net Position, Beginning of Year (as previously reported)	296,528,523	294,879,582
Cumulative effect of adopting new accounting guidance (see Note 8)	(138,326,000)	-
Net Position, Beginning of Year (as restated, as of October 1, 2014)	158,202,523	294,879,582
Net Position, End of Year	**$ 140,879,685**	**$ 296,528,523**

See accompanying notes to financial statements

UNIVERSITY OF ALABAMA HUNTSVILLE FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
Years Ended September 30, 2015 and 2014

	2015	2014
Changes in net assets		
Revenue, gains, and other support:		
Contributions	$ 1,265,423	$ 1,305,839
Rent income	33,861	39,117
Investment income	1,840,066	1,779,775
Realized gain/(loss) on sale of investments	355,797	1,497,134
Equity in earnings of trust	596,253	348,360
Other income	90,772	320,539
Change in allowance for uncollectibles	17,789	6,739
Change in value of split-interest agreement	22,242	71,009
Total Revenues	**4,222,203**	**5,368,512**
Expenses:		
Unrealized (gain) loss on investments	$ 3,541,447	$ 147,051
Contributions to UAH	1,742,343	1,851,421
Scholarships to UAH	1,442,292	1,236,547
Professional services	88,710	65,339
Income tax expense	212,201	211,131
Labor/Payroll expense	28,610	114,109
Other expenses	54,731	34,190
Total Expenses	**7,110,334**	**3,659,788**
Change in net assets	(2,888,131)	1,708,724
Net Assets, Beginning of Year	54,143,541	52,434,817
Net Assets, End of Year	**$ 51,255,410**	**$ 54,143,541**

See Note 15



THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENT OF CASH FLOWS
Years Ended September 30, 2015 and 2014

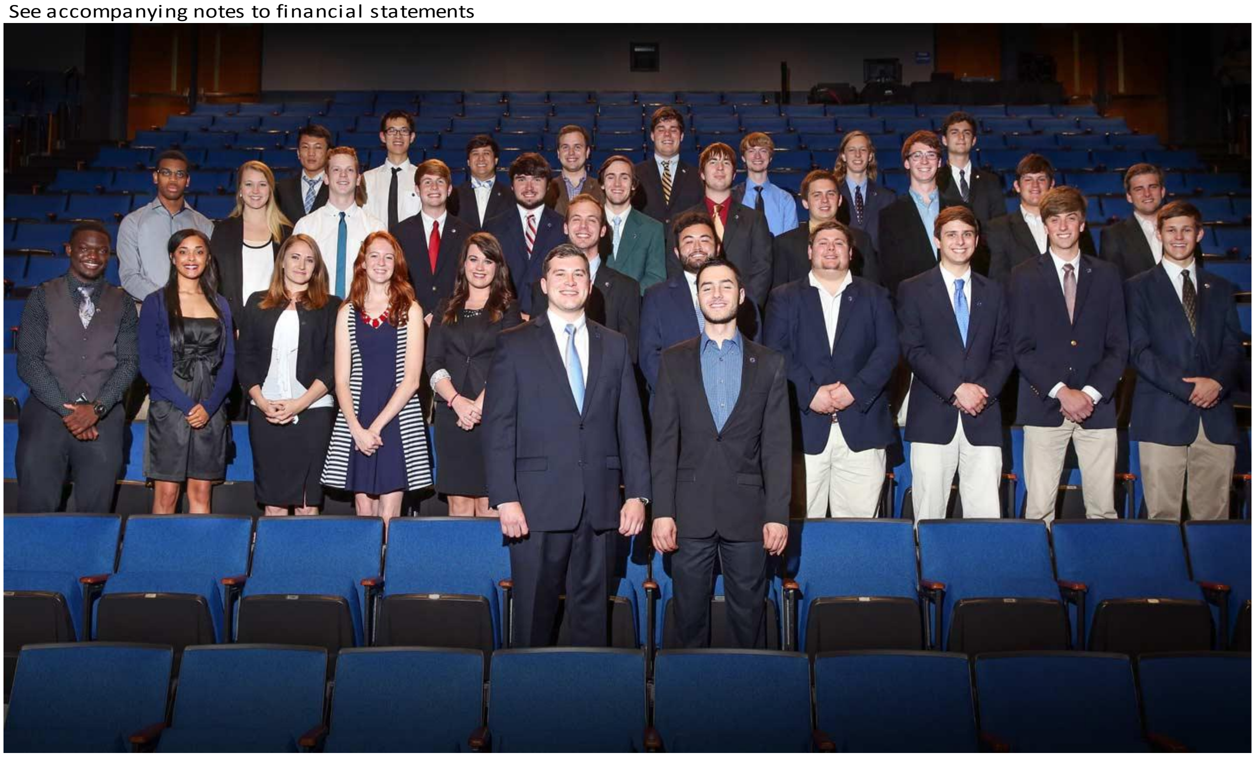
	2015	2014
Cash Flows from Operating Activities		
Student tuition and fees	$ 55,321,999	$ 52,919,538
Federal grants and contracts	75,753,515	78,477,050
State and local grants and contracts	5,165,489	8,902,979
Private grants and contracts	2,482,479	1,922,834
Sales and services of educational and other departmental activities	4,180,326	4,952,753
Auxiliary enterprises	8,114,207	7,075,559
Payments to suppliers	(41,373,954)	(43,611,364)
Payments to employees and related fringes	(148,844,877)	(148,519,009)
Payments for scholarships and fellowships	(2,621,778)	(2,023,193)
Net Cash Used in Operating Activities	**(41,822,594)**	**(39,902,853)**
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of bonds	17,035,000	-
Proceeds from issuance of note payable	-	-
Purchase of capital assets	(21,840,244)	(31,074,731)
Proceeds from sale of capital assets	7,700	(77,478)
Principal payments on capital debt	(21,743,600)	(4,603,600)
Interest payments on capital debt	(4,003,320)	(3,969,323)
Net Cash Used in Capital and Related Financing Activities	**(30,544,464)**	**(39,725,132)**
Cash Flows from Investing Activities		
Income distributions from System investment pool	1,797,771	1,370,660
Proceeds from sales and maturities of other investments	25,003,175	3,153
Contributions to System investment pool	(1,244,939)	(2,540,591)
Net Cash Provided by (Used in) Investing Activities	**25,556,007**	**(1,166,778)**
Cash Flows from Noncapital Financing Activities		
State educational appropriations	43,997,235	43,102,390
Private gifts	3,375,489	4,536,825
Student direct lending receipts	28,217,556	27,906,543
Student direct lending disbursements	(28,041,718)	(28,466,907)
Amounts received from affiliates	118,883	244,939
Amounts paid to affiliates	(91,790)	(26,483)
Legal settlement	904,616	860,391
Pell grant revenue	7,670,824	7,395,098
Net Cash Provided by Noncapital Financing Activities	**56,151,095**	**55,552,796**
Net increase (decrease) in cash and cash equivalents	9,340,044	(25,241,967)
Cash and Cash Equivalents, Beginning of Year	31,784,119	57,026,086
Cash and Cash Equivalents, End of Year	**$ 41,124,163**	**$ 31,784,119**
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and cash equivalents in current assets	40,459,232	31,104,680
Cash and cash equivalents for capital activities	-	-
Restricted cash and cash equivalents	664,931	679,439
Total Cash and Cash Equivalents	**$ 41,124,163**	**$ 31,784,119**

See accompanying notes to financial statements

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE
STATEMENT OF CASH FLOWS -- Continued
Years Ended September 30, 2015 and 2014

	2015	2014
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (65,508,302)	$ (54,058,983)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	15,030,634	13,096,253
Pension expense	12,540,610	
Changes in allowance for doubtful accounts	406,272	(42)
Write-off of capital assets	-	-
Changes in assets and liabilities:		
Accounts receivable, net	6,515,387	(858,807)
Other current assets	(1,811,778)	(1,102,655)
Pension obligations	(11,293,320)	
Accounts payable and accrued liabilities	(1,473,949)	2,775,566
Deferred revenues	3,771,852	245,815
Net Cash Used in Operating Activities	**$ (41,822,594)**	**$ (39,902,853)**
Supplemental Noncash Activities Information		
Loss on disposal of capital assets	$ 171,128	$ 1,461,846
Gift of capital assets	13,583	28,000
Capital assets acquired with a liability at year end	4,008,991	3,663,258
Pledged receivables	2,800,000	-

See accompanying notes to financial statements



UAH Student Government Association, 2015-16

Notes to Financial Statements
Years Ended September 30, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies

Financial Reporting Entity - The University of Alabama in Huntsville (the "University") is one of three campuses of The University of Alabama System (the "System"), a discretely presented component unit of the State of Alabama. The financial statements of the University are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the business type activities of the financial reporting entity of the System that is attributable to the transactions of the University. The financial statements include individual schools, colleges and departments, and certain affiliated operations determined to be a part of the University's financial reporting entity. The System is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Scope of Statements - The University follows Governmental Accounting Standards Board (GASB) Statement Number 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* ("GASB 61"). This Statement provides additional guidance in determining whether certain organizations affiliated with the University should be considered component units of the University for financial reporting purposes. The Statement also provides guidance on determining whether component units should be presented in the University's financial statements as "blended" or "discrete" components based on their relationship and organizational structure.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the University, as well as its discretely presented component unit, the University of Alabama Huntsville Foundation ("UAHF").

UAHF is a legally separate, tax-exempt component unit of the University. UAHF is organized exclusively for charitable, scientific, and educational purposes in order to benefit the University. UAHF is governed by a 34-member board of trustees. Although the University does not control the timing or amount of receipts from UAHF, the majority of resources or income that UAHF holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by UAHF can only be used by, or for the benefit of, the University, UAHF is considered a component unit of the University. UAHF is reported in separate financial statements because it does not meet the criteria to be blended with the University as described in GASB 61.

UAHF is a not-for-profit organization that reports its financial results under the Financial Accounting Standards Board ("FASB") Statements. Most significant to UAHF's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

No modifications have been made to UAHF's financial information in the University's financial reporting entity for these differences; however, significant note disclosures (see Note 17) to UAHF's financial statements have been incorporated into the University's notes to the financial statements. During FY 2015 and 2014, UAHF distributed $3,184,635 and $3,087,967, respectively, to or for the University for both restricted and unrestricted purposes. Phone 256-824-6350 for complete financial statements for UAHF.

The University is also affiliated with the Eminent Scholars Foundation, Alabama Engineering Foundation and UAH Alumni Association. These entities' resources are not significant to the University; therefore, they are not included as component units under GASB guidance.

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, an amendment of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, the financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, as issued by the GASB, using the economic measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Net Position: Net position is classified into the following four categories according to external donor restrictions or availability of assets for satisfaction of University obligations:

- **Net investment in capital assets**: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted**:

  Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the corpus of the University's permanent endowment funds.

  Expendable – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management.

Implementation of New Standards: During the year ended September, 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective October 1, 2014*.* These statements revise existing standards for employer financial statements relating to measuring and reporting pension liabilities for multi-employer cost-sharing pension plans provided by the University to its employees. The University is required to recognize a liability equal to its proportionate share of the Teachers' Retirement System of Alabama Plan's net pension liability. The implementation of GASB 68 resulted in an adjustment to net position of approximately $138.3 million as of October 1, 2014.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowment, life income, and other long-term investments are included in the noncurrent investments category.

Investments: The University's investments are primarily reported at fair value. The University's investment portfolio is primarily invested in three separate investment pools maintained by The University of Alabama. Fair value for the investment pools is provided by the System, based on the fair value of the underlying investment securities held by each investment pool. Fair value of the underlying securities held in each investment pool is based on quoted market prices or dealer quotes, where available, or determined using net asset values provided by underlying investment partnerships or companies, which primarily invest in readily marketable securities. Certain real estate and non-readily marketable securities held in the System-sponsored Endowment Fund and Long Term Reserve Pool (Note 3) are carried at cost, unless impaired. Fair value for investments held directly by the University is determined from quoted market prices or market prices of similar instruments. Net investment income or loss, including realized and unrealized gains and losses, is reported as nonoperating revenues (expenses) in the statements of revenues, expenses and changes in net position.

Investments are reported in three categories in the statement of net position. Investments recorded as endowment investments are those invested funds that cannot be used to fund current operations and thus are included in noncurrent assets. Investments for capital activities are included in noncurrent assets, except for amounts included in current assets to offset current construction-related payables. All other investments are included as operating investments.

Accounts Receivable: Accounts receivable consist primarily of tuition and fees charged to students, amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's contracts and grants, and current amounts due to the

University related to a legal settlement. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at date of donation in the case of gifts, less accumulated depreciation. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. The University capitalizes certain software and development costs associated with obtaining and developing internal-use computer software. Implementation costs, which are capitalized, include consulting expenses and allocation of internal salaries and fringes for the core implementation team. Training costs are expensed as incurred.
Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are capitalized and depreciated. Interest costs, net of any related investment earnings, for certain assets acquired with the proceeds of tax-exempt borrowings are capitalized as a component of the cost of acquiring those assets.

Depreciation of buildings and building improvements (5-40 years), land improvements and infrastructure (10 years), library collection (10 years), computer software (10 years) and inventoried equipment (5-8 years) is computed on a straight-line basis. The University computes depreciation for certain buildings and building improvements using a componentized method.

Collections are recognized as an asset on the accompanying statements of net position in accordance with GASB guidance. The University defines collections as works of art or similar assets that are held for public exhibition, education, or research in furtherance of public service rather than financial gain which are protected, kept unencumbered, cared for, and preserved. Collection items are recorded at cost as of the date of acquisition or at their appraised or fair value on the date of donation in the case of gifts. Gains or losses from the sale of collection items are reflected on the statement of revenues, expenses, and changes in net position as changes in the appropriate net position classes, depending on the existence and type of donor-imposed restrictions.

Unearned Revenues: Unearned revenues consist primarily of amounts received for fall semester student tuition and fees and housing fees that are not earned until the next fiscal year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Revenues: The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the University's operating revenues are from exchange transactions. Certain significant revenue streams relied upon to support operations are recorded as nonoperating revenues, as defined by GASB guidance, including state educational appropriations, private gifts for other than capital purposes, investment income, and Federal Pell Grants.

Auxiliary enterprise revenues are generated primarily by University Housing. Revenues received for capital activities are considered neither operating nor nonoperating activities, and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net position.

Contract and Grant Revenue: The University receives contract and grant revenues from governmental and private sources. The University recognizes revenues associated with the sponsored programs in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* based on the terms of the individual contract or grant.

Scholarship Allowances and Student Aid: Scholarship allowances applied to student accounts are recorded as an offset to student tuition and fees and auxiliary revenue. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Internal Sales Activities: All internal sales activities to the University departments from sales and service units (motor pool, postal services, telecommunications, etc.) have been eliminated in the accompanying financial statements.

Compensated Absences: The University accrues annual leave for employees at rates based upon length of service and job classification and compensatory time based upon job classification and years worked.

Endowment Spending: For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Alabama, permits The Board of Trustees of the University of Alabama (the Board) to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. UPMIFA also prescribes the guidelines for the expenditure of donor-restricted endowment funds in the absence of overriding, explicit donor stipulations. UPMIFA focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA includes a robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. The University's policy is to retain the endowment realized and unrealized appreciation with the endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board approved a spending rate for FY 2015 and 2014 of 5.0% of a trailing three-year average of the market (unit) value.

Federal Refundable Loans: Certain loans to students are administered by UAH with funding primarily supported by the federal government. UAH's statements of net position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Pledges: The University receives pledges and bequests of financial support. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Pledges are recorded at their gross, undiscounted amount, net of a reasonable provision for doubtful accounts. Endowment pledges do not meet eligibility requirements and are not recorded as assets until the related gift is received. Due to uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met. The University's trust policies do not differ in nature from endowment policies.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note 2 – Cash

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for University funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit 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.

Prior to October 1, 2014, the System maintained a short-term investment pool for the System entities to invest operating cash reserves. The Short-Term Fund was invested in a treasury obligation money market fund managed by Federated investors. At September 30, 2014, the University had approximately $3.2 million in the Short-Term Fund, all of which was invested in the money market fund. The assets held in the money market fund are presented in cash and cash equivalents in the 2014 statement of net position.

For FY 2015 and 2014, the University had cash and cash equivalents totaling $41,124,163 and $31,784,119 respectively. Included in the amounts are deposits with trustees held for reserves, which totaled $664,931 in FY 2015 and $679,439 in FY 2014.

Note 3 – Investments

The University invests its endowment funds in accordance with applicable limitations set forth in gift instruments, Board guidelines, or applicable laws. Also certain bond indentures require the University to invest the amounts held in specific construction funds, redemption funds, and bond funds in federal securities, eligible certificates, or eligible investments.

At September 30, 2015 and 2014, the University's investments included custodial credit investments (investments that are insured or registered, or securities held by the University or its agent in the University's name) and other investments as follows:

	2015	2014
Cash, Receivables and Equivalents		
Time deposits	$135,562	$135,522
Mutual funds	39,990	44,985
Total Cash, Receivables and Equivalents	175,552	180,507
System Pooled Investments		
System Short-term Fund	-	3,192,102
System Short Term Liquidity Pool	20,541,568	45,101,373
System Long Term Reserve Pool	65,438,487	70,334,695
Pooled Endowment Fund	29,241,567	30,699,638
Agency Funds	2,337,474	2,551,657
Total System Pooled Investments	$117,559,096	$151,879,465
Less Short-Term Fund Cash Equivalents	-	($3,192,102)
Total University Investments	$117,734,648	$148,867,870

The Board has the responsibility for the establishment of the investment policy and the oversight of the investments for the System and related entities. In order to facilitate System-wide investment objectives and achieve economies of scale, the Board has established three distinct investment pools based primarily on the projected investment time horizons for System funds. These investment pools are the Endowment Fund, the Long Term Reserve Pool and the Short Term Liquidity Pool (collectively, the "System Pools"). Pursuant to Board investment policies, each System or related entity may include all or a portion of their investments within the System-sponsored investment pools. These investment funds are considered 'internal' investment pools under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, with the assets pooled on a market value basis. Separately managed funds that reside with each entity are to be invested consistent with the asset mix of the corresponding System investment pool. The following disclosures relate to both the System Pools, which include the investments of other System entities and other affiliated entities, and the University-specific investment portfolio.

Endowment Fund: The purpose of the Endowment Fund is to pool endowment and similar funds to support the System campuses, hospital and related entities in carrying out their respective missions over a perpetual time frame. Accordingly, the primary investment objectives of the Endowment Fund are to preserve the purchasing power of the principal and provide a stable source of perpetual financial support to the endowment beneficiaries. To satisfy the long-term rate of return objective, the Endowment Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation and natural income. Asset allocation targets are established to meet the return objectives, while providing adequate diversification in order to minimize investment volatility. As discussed in Note 1, the Endowment Fund invests in securities with non-readily determinable market values which are valued at cost, unless impaired. At September 30, 2015 and 2014, the portion of the University's investment in the Endowment Fund, reported at cost, totaled approximately $3.8 million and $3.4 million, respectively. The remainder of the investment is reported at fair value.

Long Term Reserve Pool (LTRP): The LTRP is a longer-term fund used as an investment vehicle to manage operating reserves with a time horizon of seven to ten years. This fund has an investment objective of growth and income and is invested in a diversified asset mix of liquid and semi-liquid securities. This fund is not currently invested in long-term lockup funds with illiquid assets. As discussed in Note 1, certain investments within the LTRP are valued at cost, unless impaired. At September 30, 2015 and 2014, the University's portion of investments in the LTRP, which are measured at cost, totaled approximately $130,000 and $784,000, respectively.

Short Term Liquidity Pool (STLP): The STLP serves as an investment vehicle to manage operating reserves with a time horizon of two to six years. This fund is also used to balance the other funds when looking at the System's entire asset allocation of operating reserves relative to its investment objectives. The STLP has an investment objective of income with preservation of capital and is invested in intermediate-term fixed income securities. System policy states that at least one of the STLP investment managers must be a large mutual fund providing daily liquidity.

At the September 2014 Investment Committee meeting of the Board of Trustees of The University of Alabama, the committee approved the consolidation of three working capital pools to two and a name change for these investment pools. The Intermediate Fund was renamed the Short Term Liquidity Pool (STLP) and the Prime Investment Fund was renamed the Long Term Reserve Pool (LTRP). The Short Term Fund (Federated Account) became part of the Short Term Liquidity Pool. The name changes became effective for October 1, 2014.

Although the investment philosophy of the Board is to minimize the direct ownership of investment vehicles, with ownership preference in appropriate investment fund groups, certain direct investments are held in the name of the Board. All other investments in the System Pools are classified as commingled funds.

The composition of the System's investments, by investment type for the System Pools, at September 30, 2015 and 2014 is as follows:

	ENDOWMENT FUND		LTRP FUND		STLP FUND		SHORT TERM FUND	
	2015	2014	2015	2014	2015	2014	2015	2014
RECEIVABLES:								
ACCRUED INCOME RECEIVABLES	$ 732,281	$ 1,003,301	$ 928,183	$ 881,205	$ 2,875,267	$ 3,704,124	$ -	$ -
TOTAL RECEIVABLES	**732,281**	**1,003,301**	**928,183**	**881,205**	**2,875,267**	**3,704,124**	-	-
CASH EQUIVALENTS:								
MONEY MARKET FUNDS	45,827,694	57,886,211	53,715,774	40,085,104	107,786,001	89,200,493	-	176,466,706
TOTAL CASH EQUIVALENTS	**45,827,694**	**57,886,211**	**53,715,774**	**40,085,104**	**107,786,001**	**89,200,493**	-	176,466,706
EQUITIES:								
U.S. COMMON STOCK	91,674,908	91,626,275	78,549,689	64,167,500	-	-	-	-
U.S. PREFERRED STOCK	-	1,081,641	-	970,703	-	-	-	-
NON-U.S. STOCK	6,733,725	9,122,500	7,331,290	7,016,834	-	-	-	-
TOTAL EQUITIES	**98,408,633**	**101,830,416**	**85,880,979**	**72,155,037**	-	-	-	-
FIXED INCOME SECURITIES:								
U.S. GOVERNMENT OBLIGATIONS	11,925,085	16,426,862	17,681,310	14,060,742	233,056,868	356,983,685	-	-
MORTGAGE BACKED SECURITIES	-	-	-	-	155,032,472	107,336,734	-	-
COLLATERALIZED MORTGAGE OBLIGATIONS	-	-	-	-	22,197,142	36,037,561	-	-
CORPORATE BONDS	22,370,872	32,525,649	32,050,655	25,320,584	185,111,586	243,885,772	-	-
NON-U.S. BONDS	2,573,773	4,717,740	3,857,095	3,586,194	67,420,921	86,740,041	-	-
TOTAL FIXED INCOME SECURITIES	**36,869,730**	**53,670,251**	**53,589,060**	**42,967,520**	**662,818,989**	**830,983,793**	-	-
COMMINGLED FUNDS:								
U.S. EQUITY FUNDS	-	70,497,226	52,678,292	90,049,678	-	-	-	-
NON-U.S. EQUITY FUNDS	196,196,151	299,154,328	299,302,691	277,766,811	-	-	-	-
U.S. BOND FUNDS	59,672,727	59,672,727	55,754,545	44,754,545	208,669,176	88,967,993	-	-
NON-U.S. BOND FUNDS	27,041,898	62,211,203	33,568,513	61,965,572	-	-	-	-
HEDGE FUNDS	448,537,456	237,682,807	528,911,449	196,514,795	-	-	-	-
PRIVATE EQUITY FUNDS	77,314,663	67,605,100	-	-	-	-	-	-
REAL ESTATE FUNDS	121,833,226	136,647,983	67,950,890	90,219,359	-	-	-	-
TOTAL COMMINGLED FUNDS	**930,596,121**	**933,471,374**	**1,038,166,380**	**761,270,760**	**208,669,176**	**88,967,993**	-	-
TOTAL FUND INVESTMENTS	**1,111,702,178**	**1,146,858,252**	**1,231,352,193**	**916,478,421**	**979,274,166**	**1,009,152,280**	-	**176,466,706**
TOTAL FUND ASSETS	**1,112,434,459**	**1,147,861,553**	**1,232,280,376**	**917,359,626**	**982,149,433**	**1,012,856,403**	-	**176,466,706**
TOTAL FUND LIABILITIES	(138,496)	(254,559)	(100,561)	(175,311)	(320,823)	(566,898)	-	-
AFFILIATED ENTITY INVESTMENTS IN FUNDS	(145,926,518)	(147,147,272)	(72,859,331)	(56,162,298)	(76,155,181)	(106,232,340)	-	-
TOTAL NET ASSET VALUE	**$ 966,369,445**	**$ 1,000,459,721**	**$ 1,159,320,484**	**$ 861,022,017**	**$ 905,673,429**	**$ 906,057,165**	-	**$ 176,466,706**

Investment Risk Factors: There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk: Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk. A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance - in the rating agency's opinion - that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Board policy recognizes that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark. Credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. Fixed income holdings in a single entity (excluding obligations of the U.S. government and its agencies) may not exceed 5% of a manager's portfolio measured at market value. At least 95% of these fixed income investments must be in investment grade securities (securities with ratings of BBB- or Baa3) or higher. However, multi-strategy fixed income managers may have up to 20% of their investments in non-investment grade securities. Securities of foreign entities denominated in U.S. dollars are limited to 10% of a manager's portfolio. Securities denominated in currencies other than U.S. dollars are not permissible unless part of a multi-strategy fixed income account where the limitation is 20% of the manager's portfolio.

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the Endowment and LTRP, which are tracked against the Barclays Government Credit Index for U.S. investments and the Citigroup WGBI Index for international investment benchmarks for the fixed income portion of these pools. Fixed income investments within the Endowment and LTRP include corporate and U.S. treasury and/or agency bonds with a minimum BBB- rating and an average duration of four years. In addition, approximately $1,400,000 and $1,500,000 in the Endowment and LTRP at September 30, 2015 and 2014, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds were approximately $275,600,000 and $326,600,000 in the Endowment and LTRP, for FY 2015 and 2014, respectively.

The STLP is benchmarked against the 1-3 year Barclays Government Credit Index with funds invested with four separate fund managers. Fixed income investments include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds with a minimum rating of BB or higher. At September 30, 2015 and 2014, respectively, approximately $86,700,000 and $64,900,000 was invested by the

STLP in unrated fixed income securities, excluding commingled bond funds, and money market funds. Fixed income commingled funds and commercial paper totaled approximately $316,500,000 and $178,200,000 at September 30, 2015 and 2014, respectively.

Prior to becoming part of the STLP on October 1, 2014, the Short-Term Fund was committed to immediate liquidity to meet the operating needs of the System campuses and hospital. The Short-Term Fund was invested in a money market fund, which in turn invested mostly in U.S. Treasury securities and repurchase agreements that were collateralized by U.S. Treasury securities. These funds were all commingled with funds of other investors. Refer to Note 2 for additional information related to the Short-Term Fund.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2015 and 2014 are as follows:

	ENDOWMENT FUND		LTRP FUND		STLP FUND		SHORT TERM FUND	
	2015	2014	2015	2014	2015	2014	2015	2014
Fixed or Variable Income Securities								
U.S. Government Obligations	$ 11,925,084	$ 16,426,862	$ 17,681,310	$ 14,060,742	$ 233,056,868	$ 356,983,685	$ -	$ -
Other U.S. and Non-U.S. Denominated:								
AAA	-	-	-	-	76,994,388	48,981,389	-	-
AA	5,308,729	6,632,713	7,818,545	5,082,925	56,012,019	83,143,881	-	-
A	10,171,266	16,894,747	14,500,606	13,410,517	99,306,842	151,341,278	-	-
BBB	8,504,328	12,850,553	12,154,468	9,766,791	77,043,546	84,810,054	-	-
BB	410,273	-	634,058	-	21,027,641	29,352,911	-	-
B	-	-	-	-	8,654,442	8,810,464	-	-
C and < C	-	-	-	-	4,052,387	2,648,442	-	-
Unrated	550,050	865,375	800,073	646,545	86,670,856	64,911,689	-	-
Commingled Funds:								
U.S. Bond Funds: Unrated	59,672,727	59,672,727	55,754,545	44,754,545	208,669,176	88,967,993	-	-
Non-U.S. Bond Funds: Unrated	27,041,898	62,211,203	33,568,513	61,965,572	-	-	-	-
Money Market Funds: Unrated	45,827,694	57,886,211	53,715,774	40,085,105	107,786,001	89,200,493	-	176,466,706
TOTAL	**$ 169,412,049**	**$ 233,440,391**	**$ 196,627,892**	**$ 189,772,742**	**$ 979,274,166**	**$ 1,009,152,279**	**$ -**	**$ 176,466,706**

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a corporate failure of a custodian, the System's investment securities may not be returned. Investment securities in the System Pools are registered in the Board's name by the custodial bank as an agent for the System. Other types of investments (i.e. open-ended mutual funds, money market funds) represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. As previously mentioned, credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. As of September 30, 2015 and 2014, there was no investment in a single issuer that represents 5% or more of total investments held by any single investment manager of the System Pools, except for investments issued by the U.S. government and money market fund investments.

Interest Rate Risk: Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time. The Board does not have a specific policy relative to interest rate risk. As such, there are no restrictions on weighted average maturity for each investment pool as they are managed relative to the investment objectives and liquidity demands of the investors.

The effective durations for fixed or variable income securities, for the System Pools at September 30, 2015 and 2014 are as follows:

	ENDOWMENT FUND		LTRP FUND		STLP FUND	
	2015	2014	2015	2014	2015	2014
U.S. GOVERNMENT OBLIGATIONS	7.3	7.1	7.2	6.5	1.7	3.2
CORPORATE BONDS	4.4	3.8	4.4	3.8	2.0	1.9
NON-U.S. BONDS	-	-	-	-	2.0	1.9
COMMINGLED BOND FUNDS	2.4	2.3	2.1	2.2	2.7	2.8

The information presented does not take into account the relative weighting of the portfolio components to the total portfolio.

Investments may also include mortgage pass through securities and collateralized mortgage obligations that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. As of September 30, 2015 and 2014, the fair market value of these investments for the System Pools, are as follows:

	ENDOWMENT FUND		LTRP FUND		STLP FUND	
	2015	2014	2015	2014	2015	2014
MORTGAGE BACKED SECURITIES	$ -	$ -	$ -	$ -	$ 155,032,472	$ 107,336,734
COLLATERALIZED MORTGAGE OBLIGATIONS	-	-	-	-	22,197,142	36,037,561
TOTAL FIXED	$ -	$ -	$ -	$ -	**$ 177,229,614**	**$ 143,374,295**

Mortgage Backed Securities: These securities are issued by the Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association

(Ginnie Mae) and Federal Home Loan Mortgage Association (Freddie Mac) and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations: Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

As of September 30, 2015 and 2014, the effective durations for these securities are as follows:

	ENDOWMENT FUND		LTRP FUND		STLP FUND	
	2015	2014	2015	2014	2015	2014
MORTGAGE BACKED SECURITIES	-	-	-	-	1.1	1.3
COLLATERALIZED MORTGAGE OBLIGATIONS	-	-	-	-	0.9	1.0

Foreign Currency Risk: The strategic asset allocation policy for the Endowment Fund and the LTRP includes an allocation to non-United States equity securities and fixed income securities. Each international equity manager must hold a minimum of 30 individual stocks with equity holdings in a single company remaining below 8% of the investment manager’s portfolio, measured at market value. Currency hedging of foreign bonds and stocks is allowed under System Policy. As of September 30, 2015 and 2014, all foreign investments in the System Pools are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for approximately $67.4 million and $86.7 million of foreign bonds denominated in U.S. dollars and held by the STLP at September 30, 2015 and 2014, respectively.

Securities Lending: Board policies permit security lending as a mechanism to augment income. Loans of the securities are required to be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral.

At September 30, 2015 and 2014, there were no securities on loan from the investment pools.

Note 4 – Accounts Receivable

The composition of accounts receivable for FY 2015 and 2014 is summarized as follows:

	2015	2014
Tuition and fees (net of allowance for doubtful accounts of $1,239,053 in 2015 and $804,045 in 2014)	$ 5,823,390	$ 5,058,673
Auxiliary enterprises and other operating activities	266,088	53,640
Federal, state, and private grants and contracts (net of allowance for doubtful accounts of $342,841 in 2015 and $371,577 in 2014)	14,492,914	22,526,286
Legal settlement receivable, net present value	951,113	904,616
Other	471,632	492,124
Net accounts receivable	$ 22,005,137	$ 29,035,339

Note 5 – Capital Assets

Capital assets activity for FY 2015 and 2014 is summarized as follows:

	October 1, 2014	Additions	Retirements	Adjustments	September 30, 2015
Land	$ 7,591,148	$ 455,493	-	$ -	$ 8,046,641
Land improvements and infrastructure	16,766,186	1,254,064	-	100,000	18,120,250
Buildings and building improvements	311,183,723	6,194,455	(1,521,144)	22,617,118	338,474,152
Construction in progress	22,717,118	10,207,442	-	(22,717,118)	10,207,442
Equipment	61,942,391	3,966,155	(1,565,664)	-	64,342,882
Library books	26,023,838	55,455	(2,022)	-	26,077,271
Computer software	2,939,750	66,495	-	-	3,006,245
Collections	1,124,402	-	-	-	1,124,402
Total cost of capital assets	450,288,556	22,199,559	(3,088,830)	-	469,399,285
Less accumulated depreciation	210,396,089	14,440,402	(2,910,003)	-	221,926,488
Capital assets, net	$ 239,892,467	$ 7,759,157	$ (178,827)	$ -	$ 247,472,797

	October 1, 2013	Additions	Retirements	Adjustments	September 30, 2014
Land	$ 7,552,605	$ 38,543	-	$ -	$ 7,591,148
Land improvements and infrastructure	14,870,571	1,895,615	-	-	16,766,186
Buildings and building improvements	290,629,408	2,447,308	(3,416,722)	21,523,729	311,183,723
Construction in progress	18,454,776	25,786,071	-	(21,523,729)	22,717,118
Equipment	65,428,773	3,193,435	(6,679,817)	-	61,942,391
Library books	25,945,675	129,461	(51,298)	-	26,023,838
Computer software	2,939,750	-	-	-	2,939,750
Collections	1,124,402	-	-	-	1,124,402
Total cost of capital assets	426,945,960	33,490,433	(10,147,837)	-	450,288,556
Less accumulated depreciation	206,101,243	13,058,315	(8,763,469)	-	210,396,089
Capital assets, net	$ 220,844,717	$ 20,432,118	$ (1,384,368)	$ -	$ 239,892,467

Note 6 – Long-term Debt

Long-term debt activity for FY 2015 and 2014 is summarized as follows:

Type/Supported by	October 1, 2014	New Debt	Principal Repayment	September 30, 2015
Bonds:				
Student housing revenue	$ 39,856,000	$ -	$ 12,000,000	$ 27,856,000
General fee revenue	66,180,000	17,035,000	9,375,000	73,840,000
Note payable	1,474,400	-	368,600	1,105,800
Total debts	107,510,400	$ 17,035,000	$ 21,743,600	102,801,800
Less current portion	(4,698,600)			(4,870,600)
(Discount) or premium	272,278			895,436
Total long-term debt	$103,084,078			$ 98,826,636

Type/Supported by	October 1, 2013	New Debt	Principal Repayment	September 30, 2014
Bonds:				
Student housing revenue	$ 41,911,000	$ -	$ 2,055,000	$ 39,856,000
General fee revenue	68,360,000	-	2,180,000	66,180,000
Note payable	1,843,000	-	368,600	1,474,400
Total debts	112,114,000	$ -	$ 4,603,600	107,510,400
Less current portion	(4,603,600)			(4,698,600)
(Discount) or premium	282,200			272,278
Total long-term debt	$107,792,600			$ 103,084,078

Maturities and interest on long-term debt for the next five years and subsequent five-year periods ended September 30 are as follows:

	Principal	Interest	Total
2016	$ 4,870,600	$ 3,580,546	$ 8,451,146
2017	4,207,600	3,456,698	7,664,298
2018	4,309,600	3,370,431	7,680,031
2019	4,038,000	3,276,500	7,314,500
2020	4,164,000	3,173,386	7,337,386
2021-2025	22,367,000	13,934,598	36,301,598
2026-2030	20,310,000	11,363,713	31,673,713
2031-2035	15,230,000	6,333,615	21,563,615
2036-2040	14,625,000	3,464,139	18,089,139
2041-2043	8,680,000	535,786	9,215,786
	$ 102,801,800	$ 52,489,414	$ 155,291,214

The following is a detailed schedule of long-term debt:

Description and Purpose	Date Issued	Final Maturity	Interest Rate - %	Original Indebtedness	Outstanding Indebtedness September 30, 2015	Outstanding Indebtedness September 30, 2014
Bonds Payable:						
Dormitory Revenue Bonds of 1980	5/1/1980	5/1/2020	3.00	$ 2,180,000	$ 445,000	$ 525,000
Dormitory Revenue Bonds of 1981	7/23/1982	5/1/2021	3.00	2,602,000	591,000	686,000
Student Housing Revenue Bonds-Series 2004-A	9/30/2004	9/1/2034	3.00-4.625	13,130,000	-	10,390,000
Student Housing Revenue Bonds-Series 2004-B	9/30/2004	9/1/2016	3.00-6.25	7,515,000	-	1,505,000
Revenue Bonds-Series 2005-A	10/1/2005	6/1/2025	3.0-4.375	8,580,000	-	5,425,000
Revenue Bonds-Series 2009A	8/4/2009	7/1/2029	3.0-4.50	8,115,000	6,260,000	6,585,000
Student Housing Revenue Bonds-Series 2010-A	7/14/2010	6/1/2042	2.85-6.125	27,990,000	26,820,000	27,220,000
General Fee Revenue Bonds-Series 2012-A	4/3/2012	10/1/2031	0.73-4.28	11,170,000	9,740,000	10,230,000
General Fee Revenue Bonds-Series 2012-B	9/5/2012	12/1/2026	0.74-3.84	13,700,000	11,415,000	12,175,000
General Fee Revenue Bonds-Series 2013-A-1	4/4/2013	4/1/2023	1.57	7,550,000	6,125,000	6,840,000
General Fee Revenue Bonds-Series 2013-A-2	4/4/2013	4/1/2043	4.00	24,455,000	24,455,000	24,455,000
General Fee Revenue Bonds-Series 2014-A	12/15/2014	9/1/1934	3.0-5.0	11,860,000	10,670,000	
General Fee Revenue Bonds-Series 2015-A	3/25/2015	6/1/2025	1.96	5,175,000	5,175,000	
Total Bonds Payable				144,022,000	101,696,000	106,036,000
Note Payable:						
UAH Foundation	7/10/2013	7/1/2018		1,843,000	1,105,800	1,474,400
Total Note Payable				1,843,000	1,105,800	1,474,400
Total Debt				$145,865,000	$ 102,801,800	$ 107,510,400

In March 2015, the University refinanced the Revenue Bond Series 2005-A, which resulted in a reduction of future principal and interest payments of $607,787. This savings will average $60,778 per year for the next 10 years. The amounts outstanding on these bonds were paid in March 2015 in the amount of $5.1 million. There was no defeased debt related to the Revenue Bond Series 2005-A at September 30, 2015.

In December 2014, the University refinanced the Student Housing Revenue Bonds Series 2004-A and Series 2004-B, which resulted in a reduction of future principal and interest payments of $1.5 million. This savings will average $77 thousand per year for the next 20 years. The amounts outstanding on these bonds were paid in January 2015 in the amount of $11.8 million. There was no defeased debt outstanding related to the Student Housing Revenue Bonds Series 2004-A and Series 2004-B at September 30, 2014.

The University’s general fee bonds and student housing bonds are subject to certain covenants. These covenants, among other things, require the University to establish and maintain reasonable fees, rates, and other charges to ensure pledged revenues are sufficient for debt service coverage; to maintain books and records pertaining to the pledged revenues; to furnish annual audits and other periodic reports that reflect the financial condition of the Borrower, the project, other pledged facilities, and other pledged assets; and to comply with certain restrictions as to additional indebtedness. The University is in compliance with all restrictive financial covenants as of September 30, 2015.

Note 7 – Self-Insurance

The University participates with other campuses in the System in a self-insurance program for general liability risks. The Board established a separate revocable trust fund for payment of these self-insurance claims under its risk retention program. Annual contributions are made to the consolidated trust fund, at an actuarially determined rate, to provide funding for the retained risk. The accompanying statements of net position include a reserve of $330,629 and $345,155 for general liability for FY 2015 and 2014, respectively.

The University also maintains a self-insurance health plan. For FY 2015, the University paid $22.25 and $5.00 per month per health insurance contract for administrative charges and stop loss coverage, respectively. The accompanying statements of net position include a self-insurance reserve of $1,302,851 and $1,161,963 for health insurance for FY 2015 and 2014, respectively. Annual contributions are made to the health plan, utilizing an actuarially determined rate, to provide funding for the reserve. The changes in the total reported self-insurance liabilities are summarized as follows:

	2015	2014
Balance, beginning of year	$ 1,507,118	$ 1,505,448
Claims paid	(10,422,808)	(9,295,703)
Contributions and adjustments	10,549,170	9,297,373
Balance, end of year	$ 1,633,480	$ 1,507,118

Note 8 – Retirement Plan

Most employees of the University participate in the Teachers' Retirement System of Alabama ("TRS"), a cost sharing, multiple-employer public retirement system. In addition, employees meeting eligibility requirements may participate in an optional program with the Teachers Insurance and Annuity Association – College Retirement Equities Fund ("TIAA – CREF") or The Variable Annuity Life Insurance Company ("VALIC"). TRS is a defined benefit plan while the TIAA – CREF and VALIC programs are defined contribution plans.

Defined Benefit Plan – TRS

Plan description. The Teacher's Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama ("RSA"). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Members of the TRS are classified as either Tier 1 or Tier 2 plan members, contingent upon if their eligible service began prior to January 1, 2013. Benefits for TRS members vest after 10 years of creditable service. Tier 1 members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life 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. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or ERS agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

Contributions. Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.5% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. All regular employees of the University are members of the TRS with the exception of temporary employees.

The University's contractually required contribution rate for the year ended September 30, 2015 was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. The University's contribution rate for the year ended September 30, 2014 was 11.71% of annual pay for Tier 1 members and 11.08% of annual pay for Tier 2 members.

These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. The following is a comparative presentation of contributions:

	2015		2014	
University contributions	$ 11,311,261		$ 11,931,714	
Employee contributions	7,083,068		7,544,985	
Total contributions	$ 18,394,329		$ 19,476,699	
	2015 Tier 1	**2015 Tier 2**	**2014 Tier 1**	**2014 Tier 2**
University contribution regular rate	11.71%	11.05%	11.71%	11.08%
Employee contribution rate	7.50%	6.00%	7.50%	6.00%
Employee contribution law enforcement rate	8.50%	7.00%	8.50%	7.00%

Salaries and wages for covered employees participating in TRS were approximately $97.9 million during FY 2015 and $97.0 million during FY 2014.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2015, the University reported a liability of $146,248,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014 the University's proportion was 1.609851% which was an increase of 0.079614% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the University recognized pension expense of $12.5 million. At September 30, 2015 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,965,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,349,000	-
Employer contributions subsequent to the measurement date	11,290,710	-
Total	$ 17,639,710	$ 10,965,000

$11,290,710 of the amount reported as deferred outflows of resources resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	($1,265)
2017	($1,265)
2018	($1,265)
2019	($1,265)
2020	$444
Thereafter	$0

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2013 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return*	8.00%
Projected salary increases	3.5% - 8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	**100.00%**	

*Includes assumed rate of inflation of 2.5%.

Discount rate. The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of collective net persion liability (Dollar amounts in thousands)	$199,235	$146,248	$101,338

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2014 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Defined Contribution Plans

As previously noted, some employees participate in the optional TIAA-CREF and VALIC programs, which are defined contribution plans. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All regular full-time and regular part-time employees are eligible to participate from the date of employment. The University contributes a matching amount up to 5% of the employee's monthly contribution for regular, full-time exempt employees. The University's contribution is funded as it accrues and, along with that of employees, is immediately and fully vested. The contribution for fiscal years 2015 and 2014, excluding amounts not eligible for matching, are summarized as follows:

	2015	2014
University contributions	$ 2,973,550	$ 2,990,512
Employee contributions	5,634,108	5,645,945
Total contributions	$ 8,607,658	$ 8,636,457

Note 9 – Post-Employment Benefits

Post-employment health care benefits are offered to all employees who officially retire from the University through the Alabama Retired Education Employees' Health Care Trust with TRS or retired employees may elect to continue to participate in the University's group health plan until they are eligible for Medicare by paying the full cost of the plan premium. TRS offers health care benefits through a cost-sharing multiple-employer defined benefit health care plan administered by the Public Education Employee Health Insurance Board ("PEEHIP"). Retired employees age sixty-five or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and the University's health care plan becomes the secondary insurer. Despite the availability of the University's plan, most retirees elect to participate in the PEEHIP with TRS, in which case the retirees pay a portion of the PEEHIP premium, with the University paying an allocation toward the cost of retiree coverage.

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 $1.0 million for each covered individual. The Code of Alabama 1975, Section16-25A-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, 2015:

Retired Member Rates:

- Individual Coverage/Non-Medicare Eligible - $151.00
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependents - $391.00
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible - $250.00
- Individual Coverage/Medicare Eligible Retired Member - $10.00
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - $250.00
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible - $109.00
- Tobacco surcharge - $28.00 per month
- PEEHIP Supplemental Plan - $0
- Optional plans (Hospital Indemnity, Cancer, Dental, Vision) – Up to two optional plans can be taken by retirees at no cost if the retiree is not also enrolled in one of the Hospital Medical Plans. Otherwise, retirees can purchase the Optional Plans at the normal monthly rate of $38.00 or $45.00 for family dental.
- Members who retired on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by two percent.
- Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium will no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five year period.

The required contribution rate of the employer was $370 per retiree per month for FY 2015. The University paid $1,703,480 and $1,574,568 for 382 and 384 retirees for FY 2015 and 2014, respectively. The required contribution rate is determined by PEEHIP in accordance with State statute. The complete financial report for PEEHIP can be obtained at the Retirement Systems of Alabama Members PEEHIP website http://www.rsa-al.gov/uploads/files/PEEHIP_Fin_State_14.pdf under the PEEHIP Financial Reports/Financial Statements.

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.

Note 10 – Compensated Absences

Certain University employees accrue vacation and sick leave at varying rates depending upon their years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. The statement of net position includes vacation pay and salary-related payments associated with vacation pay accruals of $4,728,970 and $4,717,832 for FY 2015 and 2014, respectively. There is no such accrual recognized for sick leave benefits because no terminal cash benefit is available to employees for accumulated sick leave.

Note 11 – Federal Direct Lending Program

The Federal Direct Student Loan Program (“FDSLP”) was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student’s cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLP on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. For FY 2015 and 2014, the University disbursed $28,041,718 and $28,466,907, respectively, under the FDSLP.

Note 12 – Contracts and Grants

As of FY 2015 and FY 2014, the University was awarded approximately $50.8 million and $47.7 million, respectively, in contracts and grants which have not been expended. These awards, which represent commitments of sponsors to provide funds for specific research, training, and service projects, have not been reflected in the financial statements.

During FY 2015, the University received and expended federal funding under the American Recovery and Reinvestment Act ("ARRA"). In 2015 and FY 2014, those funds were primarily in the form of sponsored research grants in the amount of $132,202 and $1,193,514, respectively.

Note 13 – Contingencies and Commitments

The University has sovereign immunity and is therefore, in the opinion of System Counsel, immune to ordinary tort actions. The University has consistently been dismissed from lawsuits on the basis of the sovereign immunity doctrine. That doctrine also protects the University from vicarious liability arising from the negligence of its employees. As a matter of policy, the University has chosen to indemnify its employees through a self-insured trust fund against liability arising from the performance of their official duties. There are some exceptions to the sovereign immunity doctrine, most notably in federal court cases arising under the federal constitution or federal statutes. The University is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of those actions will have a material adverse effect on the financial statements. However, the settlement of legal actions is subject to inherent uncertainties and it is possible that such outcomes could differ materially from management's current expectations.

The University has contracted for the construction of the Student Services Building. At September 30, 2015, the estimated remaining cost to complete the construction was approximately $15.0 million which is expected to be financed from University funds.

Note 14 – Operating Expenses by Function

Operating expenses by functional classification for FY 2015 and 2014 are summarized as follows:

	Year Ended September 30, 2015					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 36,662,366	$ 12,552,026	$ 4,717,423	$ -	$ -	$ 53,931,815
Research	44,252,654	13,374,353	7,024,845	-	-	64,651,852
Public service	2,510,856	751,985	2,502,875	-	-	5,765,716
Academic support	6,217,682	1,958,541	3,085,346	-	-	11,261,569
Student services	6,897,875	2,332,955	6,763,479	-	-	15,994,309
Institutional support	11,181,017	4,529,793	5,205,175	-	-	20,915,985
Operations and maintenance of plant	4,223,602	1,583,000	7,494,977	-	-	13,301,579
Scholarships and fellowships	-	-	-	-	1,128,515	1,128,515
Auxiliary enterprises	1,116,876	312,352	3,261,187	-	-	4,690,415
Depreciation	-	-	-	14,440,402	-	14,440,402
Total Operating Expenses	$ 113,062,928	$ 37,395,005	$ 40,055,307	$ 14,440,402	$ 1,128,515	$ 206,082,157

	Year Ended September 30, 2014					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 36,079,255	$ 11,854,298	$ 4,119,168	$ -	$ -	$ 52,052,721
Research	48,970,008	14,337,790	11,449,511	-	-	74,757,309
Public service	2,128,126	603,394	2,906,586	-	-	5,638,106
Academic support	6,091,175	1,814,676	2,924,953	-	-	10,830,804
Student services	6,427,408	1,976,915	6,185,770	-	-	14,590,093
Institutional support	10,531,518	3,423,856	5,263,182	-	-	19,218,556
Operations and maintenance of plant	3,971,769	1,471,928	7,824,130	-	-	13,267,827
Scholarships and fellowships	-	-	-	-	1,101,624	1,101,624
Auxiliary enterprises	1,124,313	286,131	2,996,930	-	-	4,407,374
Depreciation	-	-	-	13,058,315	-	13,058,315
Total Operating Expenses	$ 115,323,572	$ 35,768,988	$ 43,670,230	$ 13,058,315	$ 1,101,624	$ 208,922,729

Note 15 – Discretely Presented Component Unit-UAH Foundation

Basis of Accounting- The financial statements of UAHF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation- Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of UAHF and changes therein are classified and reported as follows:

- **Unrestricted**- Net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted**- Net assets subject to donor-imposed stipulations that may or will be met either by actions of UAHF and/or the passage of time.

- **Permanently Restricted**- Net assets subject to donor-imposed stipulations to be maintained permanently by UAHF. Generally, the donors of these assets restrict UAHF to use all or a part of the income earned on the related investments for specific purposes. Unrealized and realized gains and losses and dividends and interest from investing in income producing assets may be included in any of these net asset classifications depending on donor-imposed stipulations.

In accordance with ASC 958-320, *Not-for-Profit Entities,* investments in debt securities and investments in equity securities with readily determinable fair values are reported at their fair values based on published market prices. Other investments, including real estate, are stated at cost or fair value at date of donation in the case of gifts. Changes in fair values are reported as unrealized gains or losses in the statement of activities and changes in net assets. All interest income and realized gains and losses are reported in the statement of activities.

Investments – The cost and reported value of investments at September 30, 2015 and 2014 are presented below:

	2015		2014	
	Reported Value	Cost	Reported Value	Cost
Certificates of deposit	$ 513,684	$ 513,684	$ 509,081	$ 509,081
Pooled Endowment Fund	34,398,536	35,904,064	37,167,663	35,320,231
Marketable debt securities	128,525	127,946	241,880	240,988
Marketable equity securities	1,432,714	1,260,141	1,405,357	1,125,271
Mutual funds	1,136,354	1,230,442	1,285,834	1,299,264
Total	$ 37,609,813	$ 39,036,277	$ 40,609,815	$ 38,494,835

UAHF invests certain amounts in a commingled investment pool (“Pooled Endowment Fund”) sponsored by The University of Alabama System. The value recognized for the investment pool is determined by the System and is based on UAHF’s proportionate share of the net asset value of the investment pool. The System has no variance power over the funds. Instead, the funds are distributed by the System to the Foundation upon its request. The investment pool invests in various investment securities, including both marketable and non-marketable securities. Since UAHF reports under FASB, all investments are reported at fair value and the GASB guidance for carrying certain non-readily marketable securities at cost (as described in Note 1) does not apply to UAHF.

Investment in Unconsolidated Entities and Trust Receivable - UAHF is one of several beneficiaries of a trust established upon the death in 1974 of one of the University's benefactors. The sole assets of the trust consist of ownership interests in two closely-held Huntsville, Alabama businesses named Big Springs, Inc. ("Big Springs") and Chambers Bottling Company, LLC ("Chambers"). The trust holds a 70% interest in the common stock of Big Springs and a 65% interest in Chambers.

The trust was established with both lead and remainder beneficiaries. The lead interest in the trust (that is, the rights to the income generated by the trust assets) is divided equally among three sets of beneficiaries who hold a lifetime interest in those rights. As each lead interest terminates, a proportionate amount of the underlying assets in the trust is distributed among two residual beneficiaries, UAHF and another unrelated charitable organization. UAHF's share of the residual interest of the trust assets is 90 percent. UAHF accounts for its residual interest in the trust as an unconditional promise to give noncash assets, consistent with generally accepted accounting principles for situations where a donee has the eventual right to noncash assets held by a charitable trust but not the cash flows generated by them while they are held by the trust. UAHF recorded this interest at fair value as of the date it was awarded in 1974, and currently carries this interest in the Trust receivable line on UAHF's accompanying Statements of Financial Position.

During 2008, one of the income interests terminated, and a pro-rata distribution of the ownership interests held by the trust were transferred to UAHF. As a result of the satisfaction of a pro-rata share of the pledge, UAHF recognized a gain of $4,375,835 representing the increase in fair value of the noncash assets between the date the assets were promised in 1974 and their values upon actual receipt in 2008. As a result of the receipt of these equity interests, UAHF currently holds approximately 21% and 19.5% of Big Springs and Chambers, respectively. These equity interests allow UAHF to exercise significant influence over Big Springs and Chambers, and accordingly, UAHF accounts for these interests using the equity method of accounting. During the years ended September 30, 2015 and 2014, UAHF recorded its proportionate share of earnings of each company (on a combined basis) of $596,253 and $348,360, respectively. In addition, UAHF received distributions from Chambers of $548,067 and $532,935 in 2015 and 2014, respectively. Big Springs did not make any distributions in either 2015 or 2014.

Eventually, all of the assets in the trust will be distributed upon the termination of the remaining lead interests, and the trust will terminate. At such time, UAHF will hold controlling interests of 63% and 58.5% in Big Springs and Chambers, respectively, and will consolidate these entities. UAHF will account for these interests under the equity method until the last lead interest is terminated, including the period after the termination of the second lead interest.

The following summarizes the combined financial position and results of operations of Big Springs and Chambers (on a consolidated basis) for the years ended September 30, 2015 and 2014:

	2015	2014
Current Assets	$ 17,702,874	$ 17,791,276
Noncurrent Assets	11,757,718	10,224,257
Current Liabilities	(4,159,783)	(2,999,249)
Equity	$ 25,300,809	$ 25,016,284
Net Sales	$ 38,652,507	$ 37,223,680
Operating Income	$ 2,952,730	$ 2,377,082
Net Income	$ 3,095,124	$ 1,628,070

Income Taxes-The Foundation is a nonprofit corporation that is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue code for activities related to its exempt purpose. Certain of the Foundation’s activities are considered by the Internal Revenue Service to provide unrelated business income and, accordingly, income from these activities is subject to federal income tax. The Foundation’s income tax expense totaled $212,201 and $211,131 for the years ended September 30, 2015 and 2014, respectively.

Endowments-The Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by the State Legislature and signed into law effective January 1, 2009. UPMIFA prescribes new guidelines for the expenditure of a donor-restricted endowment funds in the absence of overriding, explicit donor stipulations. Its predecessor, UMIFA, focused on the prudent spending of the net appreciation of the fund. UPMIFA instead focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA eliminates UMIFA's historic-dollar-value threshold, an amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. UAHF adopted guidance provided by the FASB relevant to endowments of not-for-profit organizations and the related net asset classification of endowment funds subject to an enacted version of UPMIFA and enhanced disclosures for all endowment funds. The impact of this guidance on the classification of net assets for UAHF was not material to UAHF and is disclosed in UAHF’s financial statements. The earnings distributions are appropriated for expenditure by the governing Boards of Trustees of UAHF in a manner consistent with the standard of prudence prescribed by UPMIFA. In order to conform to the standards for prudent fiduciary management of investments, UAHF’s Board of Trustees has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

Restricted Net Assets-Restricted net assets are classified as either temporarily restricted net assets and available for the following purposes, or permanently restricted net assets, which are restricted to investment in perpetuity, the income from which is expendable for the following purposes at September 30, 2015 and 2014:

	Temporarily Restricted		Permanently Restricted	
	2015	2014	2015	2014
Student support	$ 3,577,316	$ 4,526,055	$ 11,189,675	$ 10,963,560
Faculty support	1,833,841	2,627,112	6,043,455	5,990,607
Academic support	2,502,725	2,856,105	3,312,293	3,312,293
Facilities renovation	136,059	134,059	-	-
Research	222,307	208,627	-	-
Library	56,495	58,805	50,427	50,427
Total	$ 8,328,743	$ 10,410,763	$ 20,595,850	$ 20,316,887

Note 16 - Legal Settlement Receivable

In July 2006, Nektar Therapeutics (Nektar) and the University announced the settlement of the University's litigation against Nektar and Dr. Milton Harris, in exchange for a total cash payment of $25,000,000. Under the terms of the agreement, Nektar and Dr. Harris jointly made an upfront payment totaling $15,000,000 to the University during fiscal year 2006 with remaining payments due through 2016. Included in the statements of net position is the net present value of the remaining payments owed to the University of $951,113 and $1,855,729 as of FY 2015 and 2014, respectively. The amount receivable at September 30, 2015 and 2014 is included in the other current assets line item on the statements of net position.

Note 17 - Segment Information

The University constructed Southeast Housing and issued bonds in 1980 and 1981. The bonds were payable from revenues received by the University for the use and occupancy of the facility. Condensed financial information of the University's segment for FY 2015 and 2014, is as follows:

Condensed Statements of Position

	Dorm Revenue Bonds 1980		Dorm Revenue Bonds 1981	
	2015	**2014**	**2015**	**2014**
Assets				
Current assets	$ 179,193	$ 179,193	$ 154,896	$ 154,895
Capital assets, net of accumulated depreciation	732,818	856,483	716,680	846,809
Total assets	$ 912,011	$ 1,035,676	$ 871,576	$ 1,001,704
Liabilities				
Current liabilities	$ 715,121	$ 546,344	$ 1,721,077	$ 1,422,104
Noncurrent liabilities	360,000	445,000	730,905	819,603
Total liabilities	$ 1,075,121	$ 991,344	$ 2,451,982	$ 2,241,707
Net assets				
Net investment in captial assets	$ 287,818	$ 331,483	$ 125,680	$ 160,809
Restricted				
Expendable	192,000	172,000	280,000	280,000
Unrestricted	(642,928)	(459,151)	(1,986,086)	(1,680,812)
Total net position	(163,110)	44,332	(1,580,406)	(1,240,003)
Total liabilities and net position	$ 912,011	$ 1,035,676	$ 871,576	$ 1,001,704

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Dorm Revenue Bonds 1980		Dorm Revenue Bonds 1981	
	2015	**2014**	**2015**	**2014**
Operating revenues	$ 519,619	$ 526,933	$ 811,633	$ 736,974
Operating expenses	(606,599)	(512,072)	(1,001,047)	(863,385)
Depreciation expense	(123,665)	(123,665)	(130,129)	(130,129)
Operating loss	(210,645)	(108,804)	(319,543)	(256,540)
Nonoperating expenses	3,203	2,532	(20,860)	(22,257)
Changes in net position	(207,442)	(106,272)	(340,403)	(278,797)
Net position, beginning of year	44,332	150,604	(1,240,003)	(961,206)
Net position, end of year	$ (163,110)	$ 44,332	$ (1,580,406)	$ (1,240,003)

Condensed Statements of Cash Flows

	Dorm Revenue Bonds 1980		Dorm Revenue Bonds 1981	
	2015	**2014**	**2015**	**2014**
Cash flows from				
Operating activities	$ (67,970)	$ 33,868	$ (184,286)	$ (105,048)
Capital and related financing activities	67,970	(33,868)	184,286	105,048
Net increase (decrease) in cash	-	-	-	-
Cash, beginning of year	-	-	-	-
Cash, end of year	$ -	$ -	$ -	$ -

Note 18 – Recently Issued Pronouncements

The GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), in February 2015. The objective of this statement is to provide guidance for determining a fair value measurement for financial reporting purposes and enhanced disclosures regarding fair value financial instruments, including the categorization of investment fair value measurements into Levels 1, 2, and 3. This statement is effective for financial statements for periods beginning after June 15, 2015. The University is evaluating whether there will be any material impact from its adoption of GASB 72.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"), in June 2015. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement is effective for fiscal years beginning after June 15, 2016 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The University is evaluating whether there will be any material impact from its adoption of GASB 73.

The *GASB* issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans* ("GASB 74"), in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or "OPEB") included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. The University is evaluating whether there will be any material impact from its adoption of GASB 74.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, ("GASB 75"), in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. This Statement is effective for fiscal years beginning after June 15, 2017. The University is evaluating whether there will be any material impact from its adoption of GASB 75.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, ("GASB 76") in June 2015. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles ("GAAP"). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The University is evaluating whether there will be any material impact from its adoption of GASB 76.

The University of Alabama in Huntsville
Required Supplementary Information

Schedule of the University's Proportionate Share of the Collective Net Pension Liability
Teachers' Retirement Systems of Alabama

	2015
Employer's proportion of the collective net pension liability	1.609851%
Employer's proportionate share of the collective net pension liability	$146,248,000
Employer's covered-employee payroll during measurement period	$97,032,526
Employer's proportionate share of the collective net pension liability as percentage of its covered-employee payroll	150.72%
Plan fiduciary net position as a percentage of the total collective pension liability	71.01%

Schedule of University Contributions
Teachers' Retirement System of Alabama

	2015
Contractually Required Contribution	$11,311,261
Contributions in relation to the contractually required contribution	($11,311,261)
Contribution deficiency (excess)	-
University's covered-employee payroll	$97,998,750
Contributions as a percentage of covered-employee payroll	11.54%

Notes to Schedules

Employer's covered-employee payroll: The total payroll paid to employees (not just pensionable payroll).

Measurement period: For fiscal year 2015, the measurement period is October 1, 2013 - September 30, 2014.

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THE UNIVERSITY OF
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