

ALABAMA A&M UNIVERSITY

FINANCIAL STATEMENTS

September 30, 2020

With Independent Auditor's Report

ALABAMA A&M UNIVERSITY
Normal, Alabama

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Alabama A&M University (“the University”), a component unit of the State of Alabama, and its discretely presented component units as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units at September 30, 2020 and 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 and the accompanying supplementary information on pages 64 and 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2021, on our consideration of Alabama A&M University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alabama A&M University's internal control over financial reporting and compliance.

Birmingham, Alabama
February 20, 2021

Bank, Finley White & Co.

ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

INTRODUCTION

The following discussion presents an overview of the financial position and financial performance of the University during the fiscal year ended September 30, 2020, with comparative information for 2019 and 2018. This discussion and analysis has been prepared by management along with the financial statements and related footnote disclosures. This discussion should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

History, Mission and Governance

Alabama A&M University ("the University") is a historic, student-friendly and community-focused institution of higher learning. Reflecting on its heritage as a historical black college and university (HBCU) and a traditional 1890 land-grant institution, the University functions as a teaching, research and public service institution, including extension. Founded in 1875 by a former slave, Dr. William Hooper Council, the University is a dynamic and progressive institution with a strong commitment to academic excellence. The serene, intimate campus is situated on "The Hill," only a short distance from downtown Huntsville, the site of the school's founding.

The University provides more than 60 undergraduate, graduate and certificate programs and concentrations, a diverse international faculty, 50-plus student organizations, and an extensive alumni network comprised of politicians, educators, entrepreneurs, doctors, lawyers, engineers, scientists, authors, artist, and more, many of whom are change agents on the local, national and international stage.

The University's academic curriculum is organized into four colleges:

1. College of Agricultural, Life and Natural Sciences (CALNS);
2. College of Engineering, Technology and Physical Sciences (CETPS);
3. College of Education, Humanities and Behavioral Sciences (CEHBS); and
4. College of Business and Public Affairs (CBPA).

The programs offered at the University are primarily accredited by the Southern Association of Colleges and Schools and other various accreditation associations.

Overview of Financial Statements

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

**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020**

FINANCIAL HIGHLIGHTS

At September 30, 2020, 2019, and 2018 the University has total assets of \$278,440,664, \$269,016,150, and \$252,295,625 respectively; total deferred outflows of resources of \$20,470,855, \$16,698,572 and \$13,963,403, respectively, total liabilities of \$263,028,799, \$289,799,703 and \$277,498,267, respectively; and total deferred inflows of resources of \$32,910,420 and \$12,122,130, respectively. The University's net position increased by \$19,179,411 during the year ended September 30, 2020. Net position increased in fiscal year 2019 by \$9,447,212

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

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Statement of Net Position

The statement of net position is a point in time financial statement, and presents the assets, liabilities, and net position of the University at September 30, 2020. Net position is displayed in three parts: invested in capital assets, net of related debt, restricted and unrestricted. Restricted net position may either be expendable or nonexpendable and are those assets that are restricted by law or external donor. Unrestricted net position, while they are generally designated for specific purposes, are available for use by the University to meet current expenses for any purpose. The statement of net position, along with all of the University's basic financial statements, are prepared under the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred by the University, regardless of when cash is exchanged.

Assets included in the statement of net position are classified as current or noncurrent. Current assets consist primarily of cash and cash equivalents, investments, and accounts receivable. Noncurrent assets at September 30, 2020 and 2019, consist primarily of capital assets.

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ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

The condensed statements of net position at September 30, 2020, 2019 and 2018, follow:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current assets	\$ 113,462,225	\$ 104,528,700	\$ 96,249,887
Capital assets	<u>164,978,439</u>	<u>164,487,450</u>	<u>156,045,738</u>
Total assets	<u>278,440,664</u>	<u>269,016,150</u>	<u>252,295,625</u>
Deferred outflows of resources	<u>20,470,855</u>	<u>16,698,572</u>	<u>13,963,403</u>
Total assets and deferred outflows of resources	<u>\$ 298,911,519</u>	<u>\$ 285,714,722</u>	<u>\$ 266,259,028</u>
LIABILITIES			
Current liabilities	\$ 78,411,237	\$ 84,881,346	\$ 75,601,840
Noncurrent liabilities	<u>184,617,562</u>	<u>204,918,357</u>	<u>201,896,427</u>
Total liabilities	<u>263,028,799</u>	<u>289,799,703</u>	<u>277,498,267</u>
Deferred inflows of resources	<u>32,910,420</u>	<u>12,122,130</u>	<u>14,415,084</u>
NET POSITION			
Net investment in capital assets	80,882,752	80,728,773	72,287,060
Restricted nonexpendable	914,144	482,609	779,557
Unrestricted	<u>(78,824,596)</u>	<u>(97,418,493)</u>	<u>(98,720,940)</u>
Total net position	<u>2,972,300</u>	<u>(16,207,111)</u>	<u>(25,654,323)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 298,911,519</u>	<u>\$ 285,714,722</u>	<u>\$ 266,259,028</u>

Changes in Assets, Liabilities and Net Position

University cash, cash equivalents, and investments increased between September 30, 2020 and 2019 by \$4,532,346 or 9.2%, primarily attributable to capital cost associated with the completion of the new residence hall. University cash, cash equivalents, and investments increased between fiscal year 2019 and 2018 by \$7,558,461 or 19.4%. Increases in tuition and fee rates between September 30, 2020 and 2019, led to a net increase of \$4,796,802 or 11.8% in accounts and loans receivables, and 3.8% between 2019 and 2018. University aggregate long-term liabilities decreased by \$20,300,795 for fiscal year 2020 and increased by \$3,021,930 for fiscal year 2019. University net position increased between September 30, 2020 and 2019 by \$19,179,411, primarily due to increases in tuition and fees and federal grants and contracts, and \$9,447,212 for fiscal year 2019.

Statement of Revenues, Expenses and Changes in Net Position

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

ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

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

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

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

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ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2020, 2019 and 2018, follow:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Tuition and fees	\$ 73,380,073	\$ 71,978,452	\$ 63,828,135
Less: Scholarships and other allowances	(22,985,068)	(25,206,564)	(21,935,774)
Federal, state and private grants and contracts	37,157,568	26,933,683	28,634,933
Gifts and private support	440,000	1,705,147	2,214,839
Auxiliary enterprises and other	<u>28,031,404</u>	<u>28,225,203</u>	<u>24,357,537</u>
Total operating revenues	116,023,977	103,635,921	97,099,670
Operating expenses	<u>159,097,522</u>	<u>156,114,220</u>	<u>148,625,607</u>
Operating loss	(43,073,545)	(52,478,299)	(51,525,937)
Nonoperating revenues (expenses):			
State appropriations	46,717,823	42,599,878	41,017,090
Investment income, net	233,165	353,593	149,939
Interest expense on capital debt	(2,701,970)	(1,552,094)	(1,954,036)
Capital Appropriation -State	675,000	1,980,225	-
Federal non-operating revenues	18,427,393	19,323,676	18,125,301
Other nonoperating revenues (expenses)	<u>(1,098,455)</u>	<u>(779,767)</u>	<u>(1,160,033)</u>
Net nonoperating revenues	<u>62,252,956</u>	<u>61,925,511</u>	<u>56,178,261</u>
Increase in net position	19,179,411	9,447,212	4,652,324
Net position-beginning of the year	<u>(16,207,111)</u>	<u>(25,654,323)</u>	<u>(30,306,647)</u>
Net position-end of the year	<u>\$ 2,972,300</u>	<u>\$ (16,207,111)</u>	<u>\$ (25,654,323)</u>

Changes in Revenues and Expenses

The University's operating revenues increased by \$12,388,056 or 11.95% during the year ended September 30, 2020 and \$6,536,251 or 6.7% for the fiscal year ended 2019. The increases were primarily the result of an increase in tuition and fees, student enrollment and federal grants and contracts.

Interest expense increased in 2020 by \$1,149,876 or 74.1% and decreased by \$401,942 or 20.6% for 2019.

Grants and Contracts

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

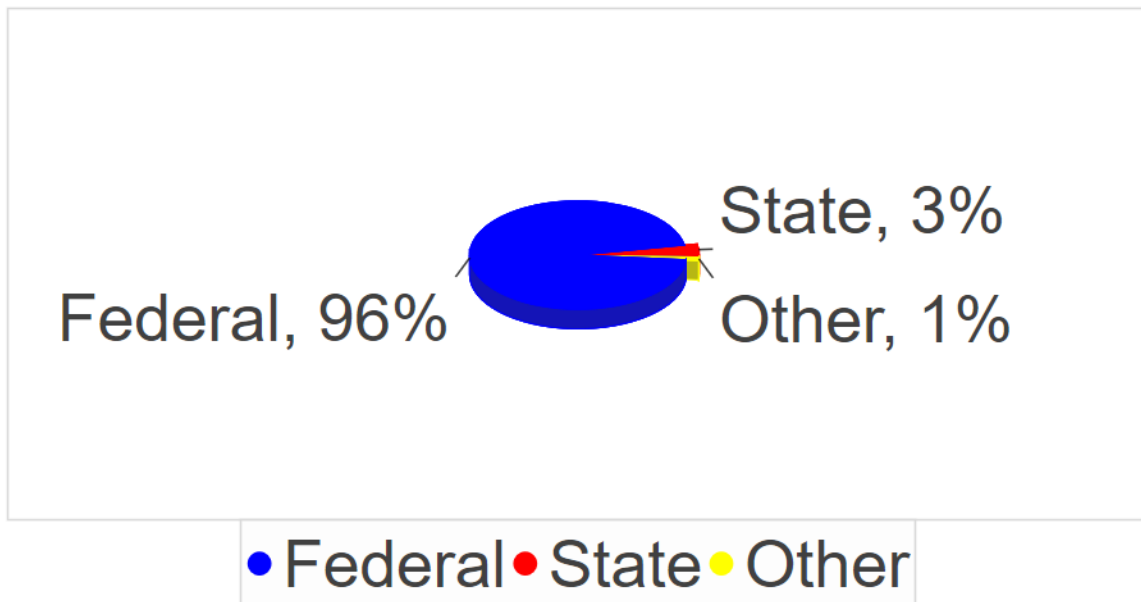
**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020**

The following table details the University's grant and contract awards for the fiscal years ended September 30, 2020, 2019 and 2018, by source:

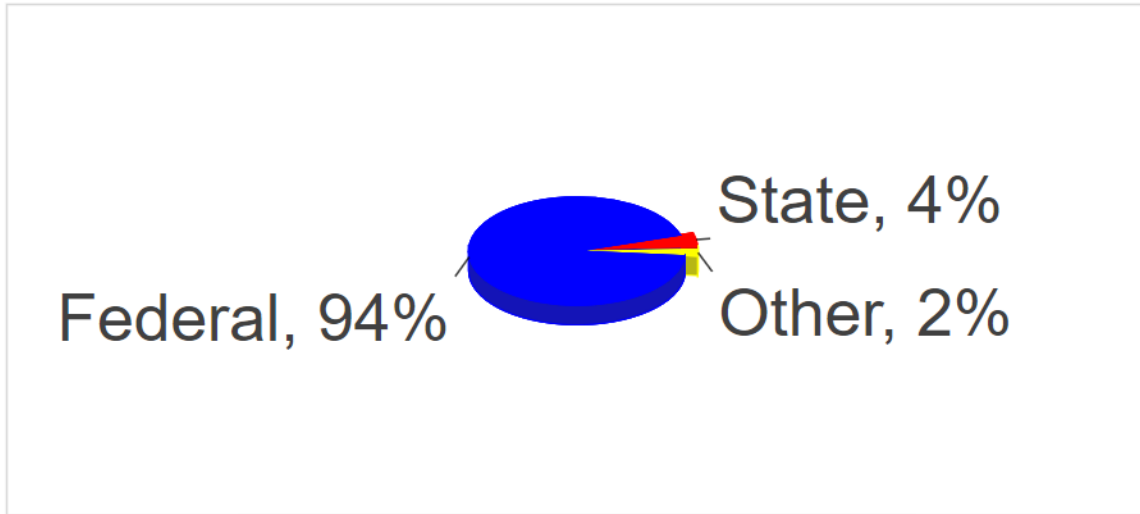
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Federal Sources			
Financial aid (excludes loan programs)	\$ 1,109,709	\$ 756,939	\$ 788,387
Department of Education	21,836,566	14,894,848	15,513,681
National Aeronautics and Space Administration	2,051,148	1,399,100	1,457,228
United States Department of Agriculture	4,210,846	2,872,242	2,991,574
Other federal agencies	<u>3,338,043</u>	<u>2,276,898</u>	<u>2,371,496</u>
Total federal sources	32,546,312	22,200,028	23,122,368
State sources			
Grants and contracts	1,146,798	990,197	987,773
Other sources	<u>342,681</u>	<u>481,376</u>	<u>530,934</u>
Total all sources	<u>\$ 34,035,791</u>	<u>\$ 23,671,601</u>	<u>\$ 24,641,075</u>

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

Analysis of Grant Revenues 2020

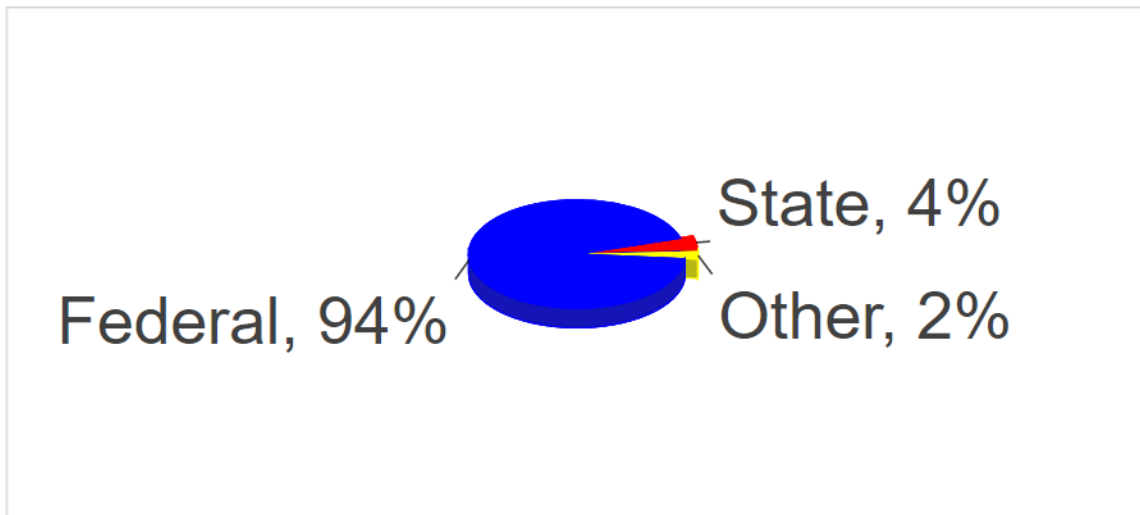


Analysis of Grant Revenues 2019



● Federal ● State ● Other

Analysis of Grant Revenues 2018



● Federal ● State ● Other

ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

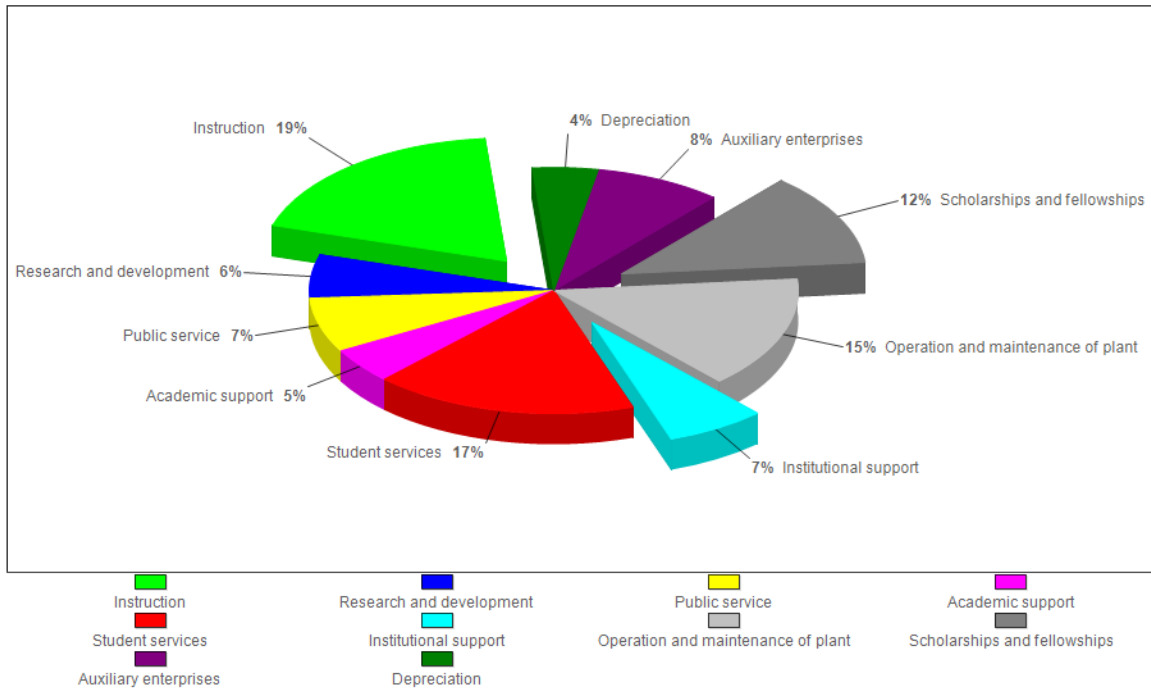
In addition to their natural classification, operating expenses are also reported by their functional classification as defined by the National Association of College and University Business Officers. The functional classification of an operating expense (Instruction, Research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects, by function of the University, amounts expended in areas such as Instruction, Research and Student Services and is used most commonly for comparative reporting purposes among colleges and universities. Operating expenses by functional classification for the fiscal years ended September 30, 2020, a 2019 and 2018, are listed below:

	2020	2019	2018
Educational and General:			
Instruction	\$ 30,084,991	\$ 32,957,353	\$ 29,592,067
Research and development	9,206,031	12,837,888	11,986,675
Public service	11,497,156	13,105,484	11,903,014
Academic support	7,257,779	8,533,583	6,170,045
Student services	27,527,791	20,578,573	16,481,896
Institutional support	10,493,154	16,309,940	19,000,294
Operation and maintenance of plant	23,369,231	12,353,183	15,199,602
Scholarships and fellowships	<u>19,349,907</u>	<u>19,982,886</u>	<u>20,102,403</u>
	138,786,040	136,658,890	130,435,996
Auxiliary Enterprises	13,413,035	12,771,849	11,198,922
Depreciation and amortization	<u>6,898,447</u>	<u>6,683,481</u>	<u>6,990,689</u>
Total Operating Expenses	<u><u>\$ 159,097,522</u></u>	<u><u>\$ 156,114,220</u></u>	<u><u>\$ 148,625,607</u></u>

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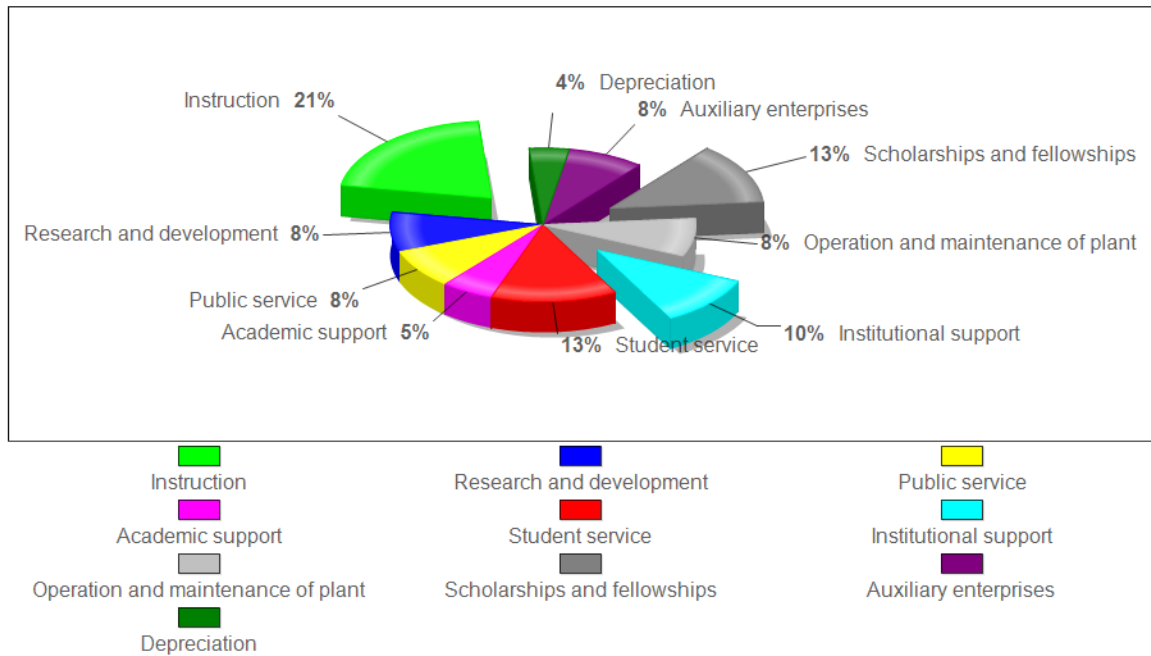
**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020**

**Analysis of Expenditures by Function
2020**



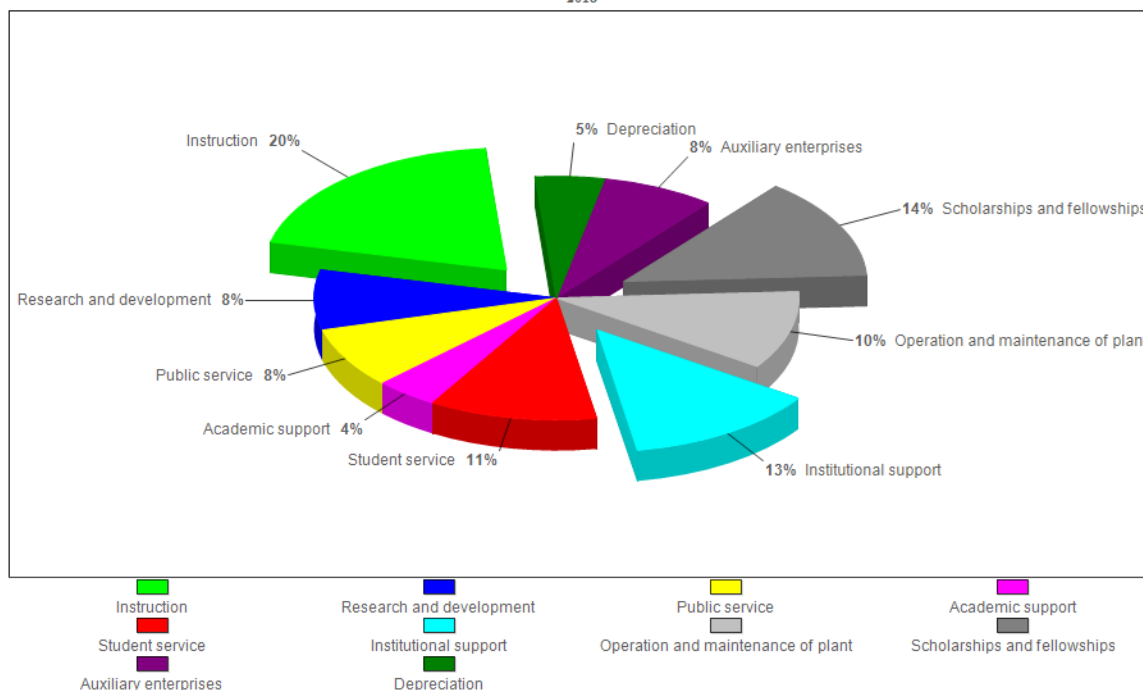
Analysis of Expenditures by Function

2019



ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

Analysis of Expenditures by Function
2018



Statement of Cash Flows

The statement of cash flows presents information related to cash flows of the University. This statement presents cash flows by category: operating activities, noncapital financing activities, capital and related financing activities and investing activities. The net cash provided to, or used by, the University is presented by category. The condensed statements of cash flows for the years ended September 30, 2020, 2019 and 2018, follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash received from operating activities	\$ 110,491,802	\$ 104,427,557	\$ 100,702,541
Cash payments for operating activities	<u>(160,551,543)</u>	<u>(146,320,619)</u>	<u>(146,329,017)</u>
Net cash used in operating activities	(50,059,741)	(41,893,062)	(45,626,476)
Net cash provided by noncapital financing activities	64,046,759	61,143,787	57,982,358
Net cash used by capital and related financing activities	(9,687,837)	(12,045,857)	(15,407,370)
Net cash provided by investing activities	<u>173,095</u>	<u>268,060</u>	<u>161,232</u>
Net increase in cash and cash equivalents	4,472,276	7,472,928	(2,890,256)
Cash and cash equivalents, beginning of the year	<u>46,485,168</u>	<u>39,012,240</u>	<u>41,902,496</u>
Cash and cash equivalents, end of the year	<u>\$ 50,957,444</u>	<u>\$ 46,485,168</u>	<u>\$ 39,012,240</u>

**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020**

ENROLLMENT

The following table indicates the total historical on-campus enrollment of undergraduate and graduate students for the 2016 through 2019 academic years. Also indicated are the full-time equivalent students and the total number of on-campus credit hours taken by the students attending the University.

Fall Headcount Enrollment and Full-Time Equivalent

<u>Year ended September 30</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Total</u>	<u>Full-Time Equivalent</u>	<u>Annual Total Credit Hours Taken</u>
2020	5,093	884	5,977	5,602	181,967
2019	5,273	899	6,172	5,835	173,613
2018	5,143	963	6,106	5,737	165,025
2017	5,039	962	6,001	5,606	146,839
2016	4,851	1,008	5,859	4,903	139,187

Student Admissions

The table below shows the total of new freshman and transfer applications received, the number accepted, and the number who enrolled for the fall semesters of 2016 through 2019.

Fall Semester First-Year Student Admissions

<u>Year ended September 30</u>	<u>Number of Applicants</u>	<u>Percent Accepted</u>	<u>Number Accepted</u>	<u>Percent Enrolled</u>	<u>Number Enrolled</u>
2020	15,004	60.2%	9,028	16.5%	1,491
2019	14,927	60.6 %	9,039	18.7%	1694
2018	16,655	53.7%	8,661	17.8%	1542
2017	11,518	60.5%	7,772	21.0%	1678
2016	8,909	77.5%	7,043	23.2%	1636

Fall Semester Transfer Student Admissions

<u>Year ended September 30</u>	<u>Number of Applicants</u>	<u>Percent Accepted</u>	<u>Number Accepted</u>	<u>Percent Enrolled</u>	<u>Number Enrolled</u>
2020	813	44%	357	38%	114
2019	809	37%	298	38%	114
2018	768	42%	323	55%	178
2017	789	39%	288	77%	223
2016	789	51%	399	56%	224

Student Costs Per Credit Hour

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

**ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020**

Student Cost Per Credit Hour

<u>Student Classification</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Undergraduate, resident	\$287	\$287	\$274	\$271	\$250
Undergraduate, nonresident	574	574	548	542	518
Graduate, resident	422	422	418	413	393
Graduate, nonresident	844	844	826	826	786

Annual Full-Time Tuition

<u>Student Classification</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>
Undergraduate, resident	\$ 10,024	\$ 10,024	\$ 9,456	\$9,366	\$9,366
Undergraduate, nonresident	18,634	18,634	17,676	17,558	17,136
Graduate, resident	9,010	9,010	8,760	8,670	8,670
Graduate, nonresident	16,534	16,534	16,284	16,104	15,744

Room and Board and Estimated Total Cost

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

Annual Room and Board and Estimated Total Costs

<u>Year ended September 30</u>	<u>Room and Board</u>	<u>Estimated Tuition, Fees, Books and Miscellaneous</u>	<u>Estimated Total Costs</u>
2020	\$9,128	\$20,354	\$29,482
2019	\$9,128	\$20,354	\$29,482
2018	9,020	23,128	32,148
2017	8,830	17,676	26,506
2016	8,140	17,676	25,816

Residence Hall Occupancy Analysis

<u>Fall Semester</u>	<u>Number of Occupants</u>	<u>Capacity</u>	<u>Percent of Occupancy</u>
2020	2,165	3,200	68%
2019	3,154	3,220	98%
2018	2,876	2,941	90%
2017	2,599	2,599	100%
2016	2,510	2,541	99%

ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Total capital asset additions for the University were approximately \$7,235,558, \$13,458,017 and \$58,102,474 for the years ended September 30, 2020, 2019 and 2018, respectively. During 2020, noncurrent liabilities decreased by \$20,300,795, primarily due to a decrease in the net OPEB liability. During 2019, noncurrent liabilities increased by \$3,021,930, primarily due an increase in the net pension and OPEB liabilities.

CORONAVIRUS PANDEMIC (COVID-19) RESPONSE

In March 2020, the World Health Organization declared COVID-19 as a global pandemic which continues to spread throughout the United States. COVID-19 has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The pandemic responses have created disruption in global supply chains and adversely impacting many industries. The outbreak continues to adversely impact economic and market conditions and has resulted in a global economic slowdown.

In the Spring semester of 2020, COVID-19 began impacting the State of Alabama and there were numerous operational adjustments to respond to the effects of COVID-19, including transitioning the workforce to remote working, adjusting operations based upon the health and wellness of college students and the public, and modifying/suspending various operations to comply with health guidelines. The Federal Government provided stimulus funding to the University under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help cover expenses related to operations. For 2020, the University received a total of \$29.4 million from the CARES Act funding, with \$3.0 million being federal funds allocated by the Governor of Alabama. Of the \$29.4 million total, \$4.6 million was earmarked as emergency aid to students.

The CARES Act funds have also been used to defray expenses such as refunds for housing and dining, technology costs to transitioning to distance education, faculty and staff training, payroll, and lost revenue.

Of note, this funding helped to significantly reduce cashflow shortfalls resulting from lost housing and board revenue in Spring 2020 when residence halls were closed and students vacated, and again all summer 2020 as the residence halls had to be kept closed, and lost revenue in the fall due to lower student enrollment in the environment, and social distancing safety protocols in the residence halls that necessitated the University leaving hundreds of beds vacant. Through fiscal year 2021, the University anticipates that the pandemic will continue to negatively affect its operations.

ECONOMIC OUTLOOK

In addition to potential variations in state appropriation funding, the University is subject to declines in general economic conditions in the United States and, specifically, the State of Alabama. The coronavirus pandemic resulted in businesses being closed in order to observe State mandated health and safety protocols, and some of them, unable to sustain the losses from being closed, or from the trend of consumers instead ordering from online retailers, went out of business.

ALABAMA A&M UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Fiscal Year Ended September 30, 2020

Unemployment has increased, and these factors discussed have an impact on the ability of our students and their parents, who sometimes support students with their cost of attendance, to be able to pursue higher education.

The University has fortunately not faced decreases in its appropriation in recent years, but annual increases in mandatory costs such as health insurance and retirement contributions may sometimes outpace the growth of the appropriation. The University also continues to attract federal grant revenue, and this represents an important funding component for the University's research and outreach efforts. The outcome of the federal budget process has important ramifications for the University's research budget, particularly in the current environment where there is the potential for reductions in federal grants awarded nationally.

Weakening of the economy, as has been seen resulting from the pandemic, could have a potential negative impact on the University's enrollment, and extramural funding. However, management believes that the University will continue its high level of excellence in service to students, sponsors, the State of Alabama, and other constituents. Additionally, as previously discussed, we continue to focus on enhancing the University's offerings, and combined with our competitive tuition pricing, and quality academic offering and student experience, our anticipation is we should be able to maintain existing enrollment levels, albeit in a potentially remote or hybrid instruction delivery manner, driven by the pandemic.

The need to continue to repair, retrofit or replace inoperable and inefficient infrastructure across campus, while investing in new technology, is a challenge facing the University, which is has continued to consistently take steps to address. The University is investing heavily in essential infrastructure such as roofs, paving of deteriorated roads and parking lots, life and safety, and mechanical and HVAC systems across the campus. As part of our strategic plan, there is an action plan, and significant progress has been made, but this will need to be sustained in future years in order for the University to be successful.

Other than the issues presented above, University administration is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the University's financial position or results of operations during the fiscal year 2021, beyond those unknown variables having a global effect on virtually all types of business operations.

Clayton Gibson
Senior Vice President for Finance and Administration

ALABAMA A&M UNIVERSITY
STATEMENTS OF NET POSITION
September 30, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	<u>Alabama A&M University</u>	<u>Component Units</u>	<u>Alabama A&M University</u>	<u>Component Units</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 42,392,825	\$ 22,344,230	\$ 37,983,318	\$ 3,106,870
Trusteed fund assets:				
Cash and cash equivalents	8,564,619	-	8,501,850	-
Investments	3,066,798	-	3,006,728	-
Student accounts receivable, net of allowances	20,424,168	-	16,986,051	-
Loans receivable, net	3,042,673	-	3,042,673	-
Accounts receivable-other, net	21,979,651	735,218	20,620,966	-
Prepaid expenses	<u>13,991,491</u>	<u>-</u>	<u>14,387,114</u>	<u>-</u>
Total current assets	113,462,225	23,079,448	104,528,700	3,106,870
Noncurrent assets:				
Investments	-	28,546,004	-	51,037,998
Capital assets, net	<u>164,978,439</u>	<u>1,502,527</u>	<u>164,487,450</u>	<u>1,572,829</u>
Total noncurrent assets	<u>164,978,439</u>	<u>30,048,531</u>	<u>164,487,450</u>	<u>52,610,827</u>
Total assets	<u>278,440,664</u>	<u>53,127,979</u>	<u>269,016,150</u>	<u>55,717,697</u>
Deferred outflows of resources:				
Loss on refunding on bonds	1,841,452	-	2,025,597	-
Deferred outflows - pension	15,042,334	-	12,159,081	-
Deferred outflows - OPEB	<u>3,587,069</u>	<u>-</u>	<u>2,513,894</u>	<u>-</u>
Total deferred outflows of resources	<u>20,470,855</u>	<u>-</u>	<u>16,698,572</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 298,911,519</u>	<u>\$ 53,127,979</u>	<u>\$ 285,714,722</u>	<u>\$ 55,717,697</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 14,304,661	\$ 735,633	\$ 20,461,236	\$ -
Compensated absences	117,195	-	79,073	-
Student deposits	1,642,453	-	1,841,923	-
Deposits held in custody for others	-	2,342,237	-	1,593,133
Unearned revenue	55,922,296	-	55,406,667	-
Accrued interest on bonds payable	94,525	-	887,112	-
OPEB Liability	1,841,463	-	2,513,894	-
Loans payable, current portion	<u>4,488,644</u>	<u>420,611</u>	<u>3,691,441</u>	<u>45,417</u>
Total current liabilities	<u>78,411,237</u>	<u>3,498,481</u>	<u>84,881,346</u>	<u>1,638,550</u>
Noncurrent liabilities:				
Compensated absences	2,720,668	-	2,589,192	-
Loans payable, noncurrent portion	79,607,043	810,328	80,067,236	1,230,232
Pension liability	79,704,000	-	71,947,000	-
OPEB liability	<u>22,585,851</u>	<u>-</u>	<u>50,314,929</u>	<u>-</u>
Total noncurrent liabilities	<u>184,617,562</u>	<u>810,328</u>	<u>204,918,357</u>	<u>1,230,232</u>
Total liabilities	<u>263,028,799</u>	<u>4,308,809</u>	<u>289,799,703</u>	<u>2,868,782</u>
Deferred inflows of resources				
Deferred inflows - pension	2,964,000	-	7,827,000	-
Deferred inflows - OPEB	<u>29,946,420</u>	<u>-</u>	<u>4,295,130</u>	<u>-</u>
Total deferred inflows of resources	<u>32,910,420</u>	<u>-</u>	<u>12,122,130</u>	<u>-</u>

ALABAMA A&M UNIVERSITY
STATEMENTS OF NET POSITION (CONT'D)
September 30, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	<u>Alabama A&M University</u>	<u>Component Units</u>	<u>Alabama A&M University</u>	<u>Component Units</u>
NET POSITION				
Net investment in capital assets	80,882,752	-	80,728,773	-
Restricted expendable	-	1,876,372	-	1,952,200
Restricted nonexpendable	914,144	46,942,798	482,609	50,896,715
Unrestricted	<u>(78,824,596)</u>	<u>-</u>	<u>(97,418,493)</u>	<u>-</u>
Total net position	<u>2,972,300</u>	<u>48,819,170</u>	<u>(16,207,111)</u>	<u>52,848,915</u>
Total liabilities, deferred inflow of resources and net positions	<u>\$ 298,911,519</u>	<u>\$ 53,127,979</u>	<u>\$ 285,714,722</u>	<u>\$ 55,717,697</u>

ALABAMA A&M UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2020 and 2019

	<u>2020</u>		<u>2019</u>	
	<u>Alabama A&M University</u>	<u>Component Units</u>	<u>Alabama A&M University</u>	<u>Component Units</u>
REVENUES				
Operating revenues:				
Student tuition and fees	\$ 73,380,073	\$ -	\$ 71,978,452	\$ -
Less: Scholarships and other allowances	<u>(22,985,068)</u>	<u>-</u>	<u>(25,206,564)</u>	<u>-</u>
Net tuition and fees	50,395,005	-	46,771,888	-
Federal appropriations	3,121,777	-	3,262,082	-
Federal grants and contracts	32,546,312	-	22,200,028	-
State and local grants and contracts	1,146,798	-	990,197	-
Nongovernmental grants and contracts	342,681	-	481,376	-
Gifts and privates support	440,000	-	1,705,147	-
Sales and services of educational departments	2,245,068	-	2,911,516	-
Auxiliary revenue	25,675,605	-	24,780,525	-
Interest earned on loans to students	-	-	-	-
Other operating revenues (expenditures)	<u>110,731</u>	<u>(863,302)</u>	<u>533,162</u>	<u>5,427,314</u>
Total operating revenues	<u>116,023,977</u>	<u>(863,302)</u>	<u>103,635,921</u>	<u>5,427,314</u>
EXPENSES				
Operating expenses:				
Salaries and wages	57,226,590	-	59,968,309	-
Fringe benefits	13,858,583	-	20,657,985	-
Scholarships and fellowships	23,145,252	-	21,302,543	-
Travel	1,461,300	-	2,844,532	-
Utilities	4,432,251	-	4,741,560	-
Operating services	12,108,405	-	7,234,500	-
Supplies and other services	2,996,395	-	3,572,492	-
Operations and maintenance	485,913	-	341,499	-
Professional services	34,503,785	-	26,286,785	-
Other operating expenses	1,536,434	3,166,443	82,206	4,061,133
Repairs and maintenance	444,167	-	2,398,328	-
Depreciation and amortization	<u>6,898,447</u>	<u>-</u>	<u>6,683,481</u>	<u>-</u>
Total operating expenses	<u>159,097,522</u>	<u>3,166,443</u>	<u>156,114,220</u>	<u>4,061,133</u>
Operating income (loss)	<u>(43,073,545)</u>	<u>(4,029,745)</u>	<u>(52,478,299)</u>	<u>1,366,181</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	46,717,823	-	42,599,878	-
Investment income	233,165	-	353,593	-
Interest expense capital debt	(2,701,970)	-	(1,552,094)	-
Federal non-operating revenues	18,427,393	-	19,323,676	-
Capital appropriation- state	675,000	-	1,980,225	-
Other nonoperating revenues (expenses)	<u>(1,098,455)</u>	<u>-</u>	<u>(779,767)</u>	<u>-</u>
Net nonoperating revenues	<u>62,252,956</u>	<u>-</u>	<u>61,925,511</u>	<u>-</u>
Increase (decrease) in net position	19,179,411	(4,029,745)	9,447,212	1,366,181
Net position at beginning of the year	<u>(16,207,111)</u>	<u>52,848,915</u>	<u>(25,654,323)</u>	<u>51,482,734</u>
Net position at end of the year	<u>\$ 2,972,300</u>	<u>\$ 48,819,170</u>	<u>\$ (16,207,111)</u>	<u>\$ 52,848,915</u>

ALABAMA A&M UNIVERSITY
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tuition and fees	\$ 45,848,225	\$ 46,083,156
Cash received from federal appropriations	3,121,777	3,262,151
Cash received from grants and contracts	34,384,504	24,780,115
Cash received from private gifts and support	440,000	1,705,147
Cash received from sales and services of educational departments	2,245,068	2,911,476
Cash received from auxiliary enterprises	24,452,228	25,685,512
Other receipts and payments (net)	1,251,002	479,732
Cash payments to suppliers	(59,423,588)	(46,735,445)
Payment for utility services	(4,432,251)	(4,741,560)
Cash payments to employees and related benefits	(74,801,454)	(74,569,324)
Cash payments for scholarships and fellowships	(23,145,252)	(21,302,543)
Cash receipts (payments) for loans to students	-	548,521
Net cash used by operating activities	<u>(50,059,741)</u>	<u>(41,893,062)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	46,717,823	42,599,878
Federal operating revenues	18,427,393	19,323,676
Other nonoperating expenses	<u>(1,098,457)</u>	<u>(779,767)</u>
Net cash provided by noncapital financing activities	<u>64,046,759</u>	<u>61,143,787</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(7,389,435)	(15,125,193)
Proceeds from other sources	184,145	184,145
State appropriations for capital assets	675,000	1,980,225
Principal paid on capital debt and leases	(3,691,440)	(3,436,025)
Proceed from capital debt and leases	4,028,450	6,601,273
Interest cost on capital debt and leases	<u>(3,494,557)</u>	<u>(2,250,282)</u>
Net cash used by capital financing activities	<u>(9,687,837)</u>	<u>(12,045,857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	4,758,531
Purchase of investments	(60,070)	(4,844,064)
Investment income	<u>233,165</u>	<u>353,593</u>
Net cash provided by investing activities	<u>173,095</u>	<u>268,060</u>
Net increase in cash and cash equivalents	4,472,276	7,472,928
Cash and cash equivalents, beginning of the year	<u>46,485,168</u>	<u>39,012,240</u>
Cash and cash equivalents, end of the year	<u>50,957,444</u>	<u>46,485,168</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:		
Cash and cash equivalents	\$ 42,392,825	\$ 37,983,318
Restricted cash and cash equivalents	<u>8,564,619</u>	<u>8,501,850</u>
Total cash and cash equivalents	<u>\$ 50,957,444</u>	<u>\$ 46,485,168</u>

ALABAMA A&M UNIVERSITY
STATEMENTS OF CASH FLOWS (CONT'D)
For the years ended September 30, 2020 and 2019

	2020	2019
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Decrease in operating income	\$ (43,073,545)	\$ (52,478,299)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	6,898,447	82,206
Changes in assets and liabilities:		
Receivables, net	(4,796,802)	(1,254,497)
Prepaid expenses	395,623	534,147
Accounts payable and accrued expenses	(6,156,575)	5,338,112
Compensated absences	169,598	(195,306)
Student deposits	(199,470)	265,853
Deferred revenues	515,631	3,074,388
OPEB obligations	(3,823,395)	3,194,812
Pension obligations	10,747	(454,478)
Net cash used by operating activities	\$ (50,059,741)	\$ (41,893,062)
 NONCASH CAPITAL FINANCING ACTIVITIES		
Loss on disposal of capital assets	\$ 30,267	\$ -

ALABAMA A&M UNIVERSITY FOUNDATION, INC
(A Component Unit of Alabama A&M University)
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ (880,652)	\$ 257,602
Adjustments to reconcile changes in net position to net cash provided by operating activities:		
Depreciation and amortization	70,302	41,076
Realized and unrealized gains and losses	169,328	154,906
Change in accounts receivable	(1,500)	-
Changes in accounts payable	735,633	-
Change in funds held for other organizations	<u>758,104</u>	<u>410,661</u>
Net cash provided by operating activities	<u>851,215</u>	<u>864,245</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,313,909)	(915,075)
Proceeds from sale of investments	<u>733,459</u>	<u>212,388</u>
Net cash provided by investing activities	<u>(580,450)</u>	<u>(702,687)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	-	(175,691)
Payments on mortgage payable	(53,710)	(54,943)
Proceeds from long-term debt	<u>-</u>	<u>-</u>
Net cash used by financing activities	<u>(53,710)</u>	<u>(230,634)</u>
Increase (decrease) in cash and cash equivalents	<u>217,055</u>	<u>(69,076)</u>
Cash and cash equivalents - beginning of the year	<u>1,876,795</u>	<u>1,945,871</u>
Cash and cash equivalents - end of the year	<u>\$ 2,093,850</u>	<u>\$ 1,876,795</u>

**TRUST FOR EDUCATIONAL EXCELLENCE AT
ALABAMA A&M UNIVERSITY
(A Component Unit of Alabama A&M University)
STATEMENTS OF CASH FLOWS
For the years ended July 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ (3,149,093)	\$ 1,108,579
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in other accounts receivables	<u>(733,718)</u>	<u>-</u>
Net cash used by operating activities	<u>(3,882,811)</u>	<u>1,108,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of investments	26,753,729	1,448,363
Proceed from	<u>(3,850,612)</u>	<u>(1,622,601)</u>
Net cash provided by investing activities	<u>22,903,117</u>	<u>(174,238)</u>
Net increase in cash and cash equivalents	19,020,306	934,341
Cash and cash equivalents, beginning of the year	<u>1,230,075</u>	<u>295,734</u>
Cash and cash equivalents, end of the year	<u>\$ 20,250,381</u>	<u>\$ 1,230,075</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Alabama A&M University ("the University") is a land-grant educational institution, supported by the State of Alabama and federal funds from the Morrill Acts of 1862 and 1890. The Federal Land Grant Act of 1862, by which the University was established as a land grant university, donated public lands to several states and territories with the intent that the states would use these properties for the benefit of agriculture and the mechanical arts. The University was founded in 1875 and is located in Normal, Alabama.

The University has evolved from a small teaching school in 1875 to a modern university of approximately 6,000 students providing baccalaureate and graduate studies in technical, professional, vocational and liberal arts. The four (4) undergraduate colleges include the College of Agriculture, Life and Natural Sciences, the College of Business and Public Affairs, the College of Education, Humanities and Behavioral Sciences, and College of Engineering, Technology and Physical Sciences. The School of Graduate Studies coordinates graduate programs. The programs offered at the University are primarily accredited by the Southern Association of Colleges and Schools and other various accreditation associations.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

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

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

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (CONT'D)

dividends, real estate and any and all property rights of every kind and character to be held, invested and reinvested for educational purposes at the University. Although the University does not control the timing or amount of receipts from the Foundation and Trust, the majority of resources, or income thereon, which they hold and invest are restricted to support the activities of the University. Because these restricted resources held by the Foundation and Trust can only be used by, or for the benefit of, the University, they are considered component units of the University. These component units are described in greater detail in **NOTE 19**.

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

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

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

The University is also affiliated with the North Alabama Center for Educational Excellence. This entity is not considered a component unit of the University under the provisions of GASB Statement No. 61.

The Alabama A&M University Research, Innovation, Science and Engineering Foundation (RISE) is a component unit of the University. The purpose of RISE is to enhance technology transfers, faculty research and contractual opportunities areas while providing educational opportunities for graduate and undergraduate students.

In an agreement with the University, RISE reimburses the University for expenses incurred on its behalf, and a portion of its indirect cost earned. As of September 30, 2020, approximately \$1,570,766 was owed to the University by RISE, consisting primarily of personnel costs processed on behalf of RISE by the University, and is included in the University's accounts receivable balance at year end.

Basis of Accounting

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

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (CONT'D)

Measurement Focus and Basis of Accounting and Financial Statement Presentation

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

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

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

Revenue and Expense Recognition

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

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

Cash and Cash Equivalents

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

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (CONT'D)

Investments

State statutes authorize the University to invest in U.S. government obligations, or in bonds of the State of Alabama or in any county or municipality therein, or in certificates of deposit collaterally secured by a pledge of U.S. government obligations. Investments in equity securities, mutual funds and debt securities are reported at fair value in the accompanying statements of net position, with all net realized and unrealized gains and losses reflected in the accompanying statements of revenues, expenses and changes in net position. Fair value of these investments is based on quoted market prices or dealer quotes, where available.

Fair Value Measurements

As required by governmental accounting standards, the University adopted and implemented *GASB Statement No. 72, Fair Value Measurement and Application*. With the adoption of this statement, the University expanded disclosures to present its investments across a hierarchy of valuation inputs.

Receivables

Student receivables are amounts due from students of the University for tuition and fees and are recorded at their estimated net realizable value. The University establishes reserves for balances determined to be impaired or otherwise uncollectible. Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

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

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

Deferred outflows of resources consist of, 1) employer contributions to the Teachers' Retirement System of Alabama and the Public Education Employees' Health Insurance Plan subsequent to the plans' measurement dates, changes in proportion and difference between employer contributions and proportionate of contributions related to the OPEB plan, changes in actuarial and other assumptions related to the pension plan and, 2) the unamortized portion of the loss on the issuance of refunding bonds.

Deferred inflows of resources consist of the proportionate share of the differences between expected and actual experience related to the pension plan, net difference between projected and actual earnings on the pension and OPEB plan investments, changes of assumptions in OPEB plan, changes in proportion and differences between employer contribution and proportionate share of contributions in pension plan.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (CONT'D)

Restricted Assets

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

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

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

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

Capital Assets

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

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

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

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

Net Position

The University's net position is classified as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred inflows and outflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt would also be included in this component of net position. Unexpended related debt proceeds and the related debt attributable to the unspent amount, as well as deferred inflows of resources, if applicable, are not reported in net investment in capital assets, but in restricted or unrestricted net position.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (CONT'D)

Restricted-nonexpendable - This component of net position consists of Nonexpendable and Expendable elements, as follows:

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

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

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

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

Bond Issue Costs and Deferred Loss on Bond Refunding

Original issue discount and deferred loss on refunding on long-term indebtedness are deferred and amortized using the effective interest method over the life of the debt to which it relates and is classified as deferred outflows of resources in accordance with GASB Statement No. 65.

Unearned Revenue

Unearned revenues include funds received in advance of an event, such as tuition and fees and advance ticket sales for athletic events. Net student tuition and fee revenues and housing revenues for the fall semester are recognized in the fiscal year in which the related revenues are earned. Ticket sale revenues for athletic events are recognized as the related games are played. Unearned revenues also consist of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements. Amounts received from grant sponsors for which the only unmet term of the agreement is timing are classified as deferred inflows of resources in accordance with GASB Statement No. 65. All other unearned revenue is classified as a current liability. Additionally, bond issue costs for the University are expensed when incurred but capitalized by its component units which are nonprofit organizations and amortized over the life of the debt.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (CONT'D)

Compensated Absences

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

Use of Estimates

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

Income Taxes

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

Scholarship Allowances and Student Financial Aid

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the accompanying statements of revenues, expenses and changes in net position. Scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as PELL grants and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's basic financial statements based on their classification as either an exchange or nonexchange transaction. To the extent that revenues from such programs are used to satisfy tuition and fees and certain other student charges, the University has recorded a scholarship discount and allowance.

Coronavirus Pandemic (COVID-19)

In March 2020, the World Health Organization declared COVID-19 as a global pandemic which continues to spread throughout the United States. COVID-19 has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The pandemic responses have created disruption in global supply chains and adversely impacting many industries. The outbreak continues to adversely impact economic and market conditions and has resulted in a global economic slowdown.

In the Spring semester of 2020, COVID-19 began impacting the State of Alabama and there were numerous operational adjustments to respond to the effects of COVID-19, including transitioning the workforce to remote working, adjusting operations based upon the health and wellness of college students and the public, and modifying/suspending various operations to comply with health guidelines.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (CONT'D)

The Federal Government provided stimulus funding to the University under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help cover expenses related to operations. For 2020, the University received a total of \$29.4 million from the CARES Act funding, with \$3.0 million being federal funds allocated by the Governor of Alabama. Of the \$29.4 million total, \$4.6 million was earmarked as emergency aid to students.

The CARES Act funds have also been used to defray expenses such as refunds for housing and dining, technology costs to transition to distance education, faculty and staff training, payroll, and lost revenue. Of note, this funding helped to significantly reduce cashflow shortfalls resulting from lost housing and board revenue in Spring 2020 when residence halls were closed and students vacated, and again all summer 2020 as the residence halls had to be kept closed, and lost revenue in the fall due to lower student enrollment in the environment, and social distancing safety protocols in the residence halls that necessitated the University leaving hundreds of beds vacant. Through fiscal year 2021, the University anticipates that the pandemic will continue to negatively affect its operations.

NOTE 2 - CONCENTRATION OF CREDIT AND MARKET RISK

The University maintains cash accounts with several large financial institutions. All accounts at each financial institution are guaranteed by the FDIC up to \$250,000 per bank, with the remaining amounts being secured by the SAFE program (See NOTE 3). The University also places its cash equivalents and short-term investments in investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer.

The University believes that no significant concentration of credit risk exists with respect to these cash investments.

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

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

The maximum loss the University would incur is the value of student accounts and loans receivable, which at September 30, 2020 and 2019, totaled \$23,466,841 and \$20,028,724.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less, held in the name of the University. The University's Board of Trustees approves all banks or other institutions as depositories for University funds. Custodial risk for deposits is defined as "the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party."

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - CASH AND CASH EQUIVALENTS (CONT'D)

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

Additional collateral was not required for University funds on deposit with QPD institutions. At September 30, 2020 and 2019, the net average public deposits subject to collateral requirements for all institutions participating in the pool totaled approximately \$14.2 billion and \$11.4 billion, respectively.

The University had cash and cash equivalents totaling \$50,957,444 and \$46,485,168 at September 30, 2020 and 2019, respectively. In the unlikely event a public entity should suffer a loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. As a result, the University believes its custodial risk related to cash and cash equivalents is remote.

NOTE 4 - INVESTMENTS

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

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

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

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

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

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

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (CONT'D)

Foreign currency risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University does not have a formal policy for foreign currency risk. At September 30, 2020 and 2019, there were no investments held that are directly impacted by fluctuations in foreign currency exchange rates.

The University manages its exposure to declines in fair values of investments due to market interest rate changes by limiting the maturity of their directly-held investments to less than one year, or by only purchasing obligations that it intends to hold to maturity. Any investments in mutual funds are limited to those which the underlying obligations have a weighted-average maturity of 90 days or less.

The following table provides information as of September 30, 2020 and 2019, concerning the fair value of investments and **interest rate risk**:

2020				
Type of Investments	Maturity in Years at Fair Value		Total Fair Value	Cost
	Less Than 1 Year	1-5 Years		
	Fixed maturity:			
U.S. Treasury Obligations	\$ 1,683,526	\$ 1,084,915	\$ 2,768,441	\$ 2,736,647
Total fixed maturity	1,683,526	1,084,915	2,768,441	2,736,647
Total investments			\$ 2,768,441	\$ 2,736,647

2019				
Type of Investments	Maturity in Years at Fair Value		Total Fair Value	Cost
	Less Than 1 Year	1-5 Years		
	Fixed maturity:			
U.S Treasury Obligations	\$ 1,720,320	\$ 860,684	\$ 2,581,004	\$ 2,547,955
Total fixed maturity	1,720,320	860,684	2,581,004	2,547,955
Total investments			\$ 2,581,004	\$ 2,547,955

Credit Risk

The following tables provide information as of September 30, 2020 and 2019, respectively, concerning **credit risk** and **concentration of credit risk**:

2020			
Moody's Rating	Fair Value	Cost	Fair Value as a % of Total Fixed Maturity Fair Value
U.S. Treasury Obligations	\$ 2,768,441	\$ 2,736,647	100.00%
	\$ 2,768,441	\$ 2,736,647	

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (CONT'D)

	2019		Fair Value as a % of Total Fixed Maturity Fair Value
Moody's Rating	Fair Value	Cost	
U.S. Treasury Obligations	\$ 2,581,004	\$ 2,547,955	100.00%
	<u>\$ 2,581,004</u>	<u>\$ 2,547,955</u>	

At September 30, 2020 and 2019, the University owned debt securities at the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, which represented various percentages of the total fair value of investments.

Investments Fair Value Measurement

GASB Statement 72, Fair Value Measurement and Application, requires disclosures to be about fair value measurements, the level of fair hierarchy, and valuation techniques. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

Level 1 inputs - this valuation is based on quoted market prices for identical assets or liabilities traded in active markets;

Level 2 inputs - this valuation is based on quoted market prices for similar instructions in markets that are not active, and inputs other that quoted prices that are observable for the asset or liability;

Level 3 inputs -this valuation is determined by using the best information available under the circumstances and might include the government's own data. In developing unobservable inputs, a government may begin with its own data but should adjust those data if (a) reasonably available information indicates that other market participants would use different data or (b) there is something particular to the government that is not available to other market participants.

For fiscal years ended September 30, 2020 and 2019, the University's investments were measured as follows:

		Fair Value at Reporting Date Using		
Description	2020	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 485,794	\$ 485,794	\$ -	\$ -
U. S. Treasury Obligations	<u>2,768,441</u>	<u>2,768,441</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,254,235</u>	<u>\$ 3,254,235</u>	<u>\$ -</u>	<u>\$ -</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS (CONT'D)

<u>Description</u>	<u>2019</u>	<u>Fair Value at Reporting Date Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 425,724	\$ 425,724	\$ -	\$ -
U.S. Treasury Obligations	<u>2,581,004</u>	<u>2,581,004</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,006,728</u>	<u>\$ 3,006,728</u>	<u>\$ -</u>	<u>\$ -</u>

Trust for Educational Excellence at Alabama A&M University

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

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

For the years ended July 31, 2020 and 2019, the Trust generated investment income (losses) of \$(1,810,738) and \$2,649,283, respectively, which includes the following:

	<u>2020</u>	<u>2019</u>
Realized and unrealized appreciation in market value	\$ (2,627,298)	\$ 1,545,282
Dividends, interest and other income	<u>816,560</u>	<u>1,104,001</u>
	<u>\$ (1,810,738)</u>	<u>\$ 2,649,283</u>

At July 31, 2020 and 2019, the Trust's major investments are classified as follows:

	<u>2020</u>	<u>2019</u>
Mutual Funds	\$ 6,126,883	\$ 8,936,204
Exchange Transaction Funds	14,079,220	32,361,269
Exchange Transaction Funds - Real Estate	<u>275,098</u>	<u>2,086,846</u>
	<u>\$20,481,201</u>	<u>\$43,384,319</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES

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

The following is a schedule of total accounts receivable as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Accounts receivable:		
Student accounts receivable	\$ 45,965,520	\$ 38,958,564
Grants receivable	18,707,071	16,208,115
Other receivable	<u>3,272,580</u>	<u>4,412,851</u>
	67,945,171	59,579,530
Allowance for doubtful accounts	<u>(25,541,352)</u>	<u>(21,972,512)</u>
Accounts receivable, net	<u>\$ 42,403,819</u>	<u>\$ 37,607,018</u>
Loans receivable:		
Perkins loans advances	\$ 16,499,658	\$ 16,261,896
Less:		
Loans assigned to U.S. Government	(870,884)	(870,884)
Principal collected	(11,358,118)	(11,122,801)
Principal cancellations	<u>(1,227,983)</u>	<u>(1,225,538)</u>
	<u>(13,456,985)</u>	<u>(13,219,223)</u>
Loans receivable, net	<u>\$ 3,042,673</u>	<u>\$ 3,042,673</u>

NOTE 6 - CHANGE IN CAPITAL ASSETS

A summary of the changes in physical plant for the years ended September 30, 2020 and 2019, respectively, is as follows:

	<u>Balance 10/01/19 (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/20</u>
Capital assets not being depreciated				
Land	\$ 5,043,375	\$ -	\$ -	\$ 5,043,375
Construction in progress	18,796,396	4,371,745	-	23,168,141
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>27,584,438</u>	<u>4,371,745</u>	<u>-</u>	<u>31,956,183</u>
Capital assets being depreciated				
Land improvements	554,817	-	-	554,817
Buildings	230,095,777	-	(2,248)	230,093,529
Equipment	22,408,462	2,827,361	(196,252)	25,039,571
Library holdings	12,373,310	36,452	(229,072)	12,180,690
Information technology	<u>4,693,051</u>	<u>-</u>	<u>-</u>	<u>4,693,051</u>
	270,125,417	2,863,813	(427,572)	272,561,658
Less: accumulated depreciation				
Land improvements	(124,332)	(27,741)	-	(152,073)
Buildings	(106,847,186)	(5,080,259)	-	(111,927,445)
Equipment	(12,950,521)	(1,533,875)	168,233	(14,316,164)
Library holdings	(8,635,591)	(44,151)	229,072	(8,450,670)
Information technology	<u>(4,664,775)</u>	<u>(28,276)</u>	<u>-</u>	<u>(4,693,051)</u>
	<u>(133,222,405)</u>	<u>(6,714,302)</u>	<u>397,305</u>	<u>(139,539,403)</u>
Capital assets being depreciated, net	136,903,012	(3,850,489)	(30,267)	133,022,256
Capital assets, net	<u>\$ 164,487,450</u>	<u>\$ 521,256</u>	<u>\$ (30,267)</u>	<u>\$ 164,978,439</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - CHANGE IN CAPITAL ASSETS (CONT'D)

	Balance 10/01/18 (Restated)	Additions	Deletions	Balance 9/30/19 (Restated)
Capital assets not being depreciated				
Land	\$ 5,043,375	\$ -	\$ -	\$ 5,043,375
Construction in progress	7,547,106	11,249,290	-	18,796,396
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>16,335,148</u>	<u>11,249,290</u>	<u>-</u>	<u>27,584,438</u>
Capital assets being depreciated				
Land improvements	554,817	-	-	554,817
Buildings	230,860,748	-	(764,971)	230,095,777
Equipment	20,558,998	2,155,326	(305,862)	22,408,462
Library holdings	12,871,471	53,401	(551,562)	12,373,310
Information technology	<u>4,693,051</u>	<u>-</u>	<u>-</u>	<u>4,693,051</u>
	269,539,085	2,208,727	(1,622,395)	270,125,417
Less: accumulated depreciation				
Land Improvements	(96,591)	(27,741)	-	(124,332)
Buildings	(102,490,428)	(5,121,729)	764,971	(106,847,186)
Equipment	(12,172,609)	(1,065,898)	287,986	(12,950,521)
Library holdings	(9,111,322)	(75,831)	551,562	(8,635,591)
Information technology	<u>(4,507,093)</u>	<u>(157,682)</u>	<u>-</u>	<u>(4,664,775)</u>
	<u>(128,378,043)</u>	<u>(6,448,881)</u>	<u>1,604,519</u>	<u>(133,222,405)</u>
Capital assets being depreciated, net	<u>141,161,042</u>	<u>(4,240,154)</u>	<u>(17,876)</u>	<u>136,903,012</u>
Capital assets, net	<u>\$ 157,496,190</u>	<u>\$ 7,009,136</u>	<u>\$ (17,876)</u>	<u>\$ 164,487,450</u>

Depreciation expense (including amortization expense on capital lease assets) for the years ended September 30, 2020 and 2019, was \$6,714,302 and \$6,448,881, respectively.

NOTE 7 - COMPENSATED ABSENCES

Regular University employees accumulate vacation and sick leave, subject to maximum limitations, at varying rates depending upon their employee classification and length of service. Upon termination of employment, employees are paid all unused accrued vacation at their rate of pay up to 240 hours. As of September 30, 2020 and 2019, accrued annual and sick leave was \$2,837,863 and \$2,668,265, respectively.

NOTE 8 - LONG-TERM DEBT

Notes Payable

Capital Project Loan - Series A 2019-5

On September 19, 2019, the University entered into a Capital Project Loan Agreement with Rice Capital Access Program, LLC, to borrow up to \$70,000,000 (Future Advance Project Funding Bond, Series A 2019-5 Bond) with interest rate equal to the 30 year treasury rate plus 0.225%. The proceeds from the bond will allow the University to fund construction and renovations to residential and academic buildings across campus. The Series A 2019-5 Bond matures on December 1, 2049, with the first principal payment schedule for June 1, 2031 and the last date for advances of February 1, 2023. Interest is due on the outstanding principal of each fund advance and accrues from the date of each respective advance.

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

NOTE 8 - LONG-TERM DEBT (CONT'D)

The Series A 2019-5 Loan were issued in accordance with the Historically Black College and University (HBCU) Capital Financing Loan Program (“Program”). The goal of the Program is to provide low-cost capital to finance improvements to the infrastructure of the nation's HBCUs.

The Series A 2019-5 Loan was issued for: 1) the construction of a 140,000 square foot physical education/event center, which will function as a student center, will include an arena to host academic convocations, athletic, graduation and community events and will include meeting and classroom spaces for teaching and hosting other events, 2) the renovation and rehabilitation of academic buildings located on the campus, (a) Carver Hall Complex mechanical infrastructure as well as technology upgrades, laboratory system upgrades and interior and exterior painting upgrades, (b) Morrison Hall - roof repair, mechanical infrastructure as well as technology upgrades, laboratory system upgrades and interior and exterior painting upgrades.

The uses of the Series A 2019-5 Loan proceeds as of September 30, 2020, are summarized as follows:

Uses of Proceeds - Series A 2019-5 Loans	Amount
Funding of Defeasance Escrow to Refund - Series 2000A Loans	\$ -
Issuance Costs, and Funding of Escrow	-
Total Series 2015-5 Proceeds	<u>\$ -</u>

Capital Project Loan - Series A 2015

On September 25, 2015, the University entered into a Capital Project Loan Agreement with Rice Capital Access Program, LLC, to borrow the aggregate principal amount of \$96,000,000 (Series A 2015 Loans), through the execution of three (3) promissory notes (the Notes) as follows:

Loan Series	Purpose	Face Value
Series A 2015-5 Loan	Refund Series 2000A Loans	\$ 14,482,000
Series A 2015-6 Loan	Refund Series 2007A Loans	47,353,000
Series A 2015-7 Loan	Funding of Capital Projects	<u>34,165,000</u>
Total		<u>\$ 96,000,000</u>

The Series A 2015 Loan were issued in accordance with the Historically Black College and University (HBCU) Capital Financing Loan Program (“Program”). The goal of the Program is to provide low-cost capital to finance improvements to the infrastructure of the nation's HBCUs, and on September 25, 2015, the Program funded a total of \$61,804,355 to the University.

The Series A 2015 Loans were issued to: 1) refund the Public Educational Building Authority of the City of Huntsville – Alabama A&M University Student Housing Revenue Loans, Series 2000, 2) refund the Alabama A&M University Revenue Refunding and Capital Improvements Loans, Series 2007, and 3) to finance the acquisition, renovation and rehabilitation of certain student apartments, residence halls, and the McCalep Vocational Building.

As security for the Loans, the University has pledged all tuition, general fees and student housing revenues.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT (CONT'D)

Series A 2015-5 Loans - Acquisition of Normal Hills Apartments and Refunding of Series 2000 Student Housing Revenue Loans

On September 25, 2015 the University acquired from Alabama A&M University Foundation, Inc. and its wholly owned limited liability company, Alabama A&M University Foundation, LLC, the real estate assets and related debt for the Normal Hills Apartments.

Normal Hills Apartments is a student housing complex occupied primarily for the benefit of students at the University, originally financed through the issuance of the Series 2000A and 2000B Loans by the Public Educational Building Authority of the City of Huntsville - Alabama A&M in the aggregate amounts of \$18,205,000 and \$32,500,000, respectively. These 2000B bonds were fully retired in June of 2006 and the 2000A loans will be retired June 2030.

From the issuance of the Series A 2015-5 Loans, \$14,330,237 was related to the redemption of the Series 2000A Loans, and the funds were borrowed at a fixed interest rate of 2.032%. The Series 2000A loans were not callable for redemption until October 2, 2015, therefore, the University executed an in-substance debt defeasance transaction on September 25, 2015.

The Program charges an escrow fee that is equal to 5.263% of the outstanding principal of the loan being financed. This escrow was funded from loan proceeds, and totaled to \$716,511 on the Series A 2015-5 Loans. The escrow is available to the Program to pay principal and interest on the bonds in the event of any Program borrower's delinquency in bond repayment. All remaining escrow funds are returned to the University upon repayment of the Loans. The uses of the Series A 2015-5 Loan proceeds are summarized as follows:

<u>Uses of Proceeds - Series A 2015-5 Loans</u>	<u>Amount</u>
Funding of Defeasance Escrow to Refund - Series 2000A Loans	\$ 13,370,930
Issuance Costs, and Funding of Escrow	<u>959,304</u>
Total Series 2015-5 Proceeds	<u><u>\$ 14,330,237</u></u>

The Series A 2015-5 Loans of \$14,330,237 will be repaid using various pledged revenues, which includes but is not limited to proceeds from tuition, fees, and auxiliary operations. Principal and interest payments are remitted to the Program on a monthly basis.

The advanced refunding and reduction in the interest rate paid on outstanding debt resulted in a savings and reduction in annual debt service of approximately \$6,135,379, and an economic gain of approximately \$4,295,980 over the remaining life of the refunded Series 2000A loan.

Series 2007 Revenue Refunding and Capital Improvement Bonds

On September 25, 2015, the University issued the Series A 2015-6 Loans, receiving proceeds of \$46,996,236, with interest payable semi-annual at an interest rate of 2.116%. The proceeds of the Series A 2015-6 Loans were used primarily to refund the outstanding Series 2007 Loans. Because the Series 2007 Loans were not eligible to be redeemed before November 1, 2017, the University executed an advance refunding, to defease the Series 2007 loan debt.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT (CONT'D)

Similar to the refunding of the Series 2000A loans, proceeds from the Series A 2015-6 loans were used to advance refund the Series 2007 Loans (Refunded Loans). Loan proceeds of \$44,012,820, along with \$3,602,969 from certain Series 2007 debt service reserve accounts that were liquidated, were used to purchase risk free government securities, and placed in the defeasance escrow account controlled by a trust company.

The funds in the defeasance escrow and related investment earnings are irrevocably pledged to be used to pay (a) the principal and interest requirements on the Refunded Loans from, and including, November 1, 2015 through November 1, 2017, and (b) the redemption price (principal, premium, and accrued interest) of Refunded Loans maturing on or after November 1, 2018, which was called for redemption on May 1, 2017.

The Program requires the University to fund an escrow that is equal to 5.263% of the outstanding principal of the loan being financed. This escrow was funded from Bond proceeds, and totaled \$2,349,808. The escrow is available to the Program to pay principal and interest on the Loans in the event of any Program borrower' delinquency in loan repayment. All remaining escrow funds are returned to the University upon repayment of the Loans. The uses of the Series A 2015-6 Loan proceeds are summarized as follows:

Uses of Funds from Series A 2015-6 Loans	Amount
Funding of Defeasance Escrow to Pay Series 2007 Loans Principal	\$ 44,012,820
Issuance Costs, and Funding of Required Escrow	2,983,416
Total Loan Proceeds	<u>\$ 46,996,236</u>

In a legal context, the defeasance on September 25, 2015, renders the outstanding loans paid, thereby removing all obligations of the issuer, the University, for payment of the loans. Therefore, as of September 30, 2015, the Series 2007 bonds were no longer treated as debt for accounting purposes.

The Series 2015-6 Loans will be repaid using various pledged revenues, which includes but is not limited to proceeds from tuition, fees, and auxiliary operations. Principal and interest payments are remitted to the Program on a monthly basis.

Issuance of Series A 2015-7 for New Construction

On September 25, 2015, the University issued the Series A 2015-7 Loans, receiving proceeds of \$34,165,000 with interest rate equal to the 30 year Treasury rate plus 0.225%. These funds were borrowed so as to allow the University to engage in construction and renovations to residential and academic buildings across campus, at a competitive interest rate. The interest rate for the Loans are fixed, and based on a weighted average based of the prevailing market rates during the period the University draws down funds, during construction.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT (CONT'D)

As the University conducts construction and costs are incurred, draws will be made on the available remaining balance until the Bonds outstanding eventually equals \$34,165,000. The Series A 2015-7 Loans are repaid using various pledged revenues, which include but not limited to, proceeds from tuition, fees, and auxiliary operations. Principal and interest payments are remitted to the Program on a monthly basis, and the loan matures in 2045.

The University's changes in outstanding long-term debt and current portion of debt at June 30, 2020 and 2019, is as follows:

	<u>Balance</u> <u>9/30/2019</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>9/30/2020</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	\$ 84,744,049	\$ 3,043,078	\$ 3,691,440	\$ 84,095,687	\$ 4,488,644
Compensated Absences Payable	2,668,265	169,598	-	2,837,863	117,195
Net Pension Liability	71,947,000	7,757,000	-	79,704,000	-
Net OPEB Liability	<u>52,828,823</u>	<u>-</u>	<u>28,401,509</u>	<u>24,427,314</u>	<u>1,841,463</u>
	<u>\$ 212,188,137</u>	<u>\$ 10,969,676</u>	<u>\$ 32,092,949</u>	<u>\$ 191,064,864</u>	<u>\$ 6,447,302</u>
	<u>Balance</u> <u>9/30/2018</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>9/30/2019</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	\$ 87,194,702	\$ 985,372	\$ 3,436,025	\$ 84,744,049	\$ 3,691,441
Compensated Absences Payable	2,863,571	-	195,306	2,668,265	79,073
Net Pension Liability	70,713,000	1,234,000	-	71,947,000	-
Net OPEB Liability	<u>46,110,221</u>	<u>6,718,602</u>	<u>-</u>	<u>52,828,823</u>	<u>2,513,895</u>
	<u>\$ 206,881,494</u>	<u>\$ 8,937,974</u>	<u>\$ 3,631,331</u>	<u>\$ 212,188,137</u>	<u>\$ 6,284,409</u>

A summary of the University's loans payable activity for the years ended September 30, 2020 and 2019, is as follows:

	<u>Balance</u> <u>10/01/19</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>09/30/2020</u>	<u>Due Within</u> <u>One Year</u>
Rice Capital Access Program 2015-5 Series: Normal Hills Operations due in varying amounts including interest at 2.024% through June 3, 2030	\$ 11,245,495	\$ -	\$ 923,158	\$ 10,322,337	\$ 941,307
Rice Capital Access Program 2015-6 Series; Dormitory Construction and Renovation due in varying amounts including interest at 2.116% through June 1, 2032	38,348,183	-	2,594,146	35,754,037	2,647,082
Rice Capital Access Program 2015-7: Dormitory Construction and Renovation due in varying amounts including interest at 30 yr FFB rate at time of draw + .225% through June 1, 2045	<u>34,164,999</u>	<u>-</u>	<u>174,137</u>	<u>33,990,862</u>	<u>900,255</u>
Rice Capital Access Program 2019-5: due in varying amounts including interest at 30 yr FFB rate at time of draw + .225% through June 1, 2045	<u>985,372</u>	<u>3,043,078</u>	<u>-</u>	<u>4,028,450</u>	<u>-</u>
	84,744,049	3,043,078	3,691,441	84,095,687	<u>\$ 4,488,644</u>
Less: unamortized loss on 2015-6 series	<u>(2,025,597)</u>	<u>-</u>	<u>(184,145)</u>	<u>(1,841,452)</u>	
Loans payable	<u>\$ 82,718,452</u>	<u>\$ 3,043,078</u>	<u>\$ 3,507,296</u>	<u>82,254,235</u>	
Less current portion	<u>3,691,441</u>			<u>4,488,644</u>	
	<u>\$ 79,027,011</u>			<u>\$ 77,765,590</u>	

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LOANS PAYABLE (CONT'D)

	<u>Balance 10/01/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/19</u>	<u>Due within one Year</u>
Rice Capital Access Program 2015-5 Series: Normal Hills Operations due in varying amounts including interest at 2.024% through June 3, 2030	\$ 12,148,297	\$ -	\$ 902,802	\$ 11,245,495	\$ 923,158
Rice Capital Access Program 2015-6 Series; Dormitory Construction and Renovation due in varying amounts including interest at 2.116% through June 1, 2032	40,881,406	-	2,533,223	38,348,183	2,594,146
Rice Capital Access Program 2015-7: Dormitory Construction and Renovation due in varying amounts including interest at 30yr FFB rate at time of draw + .225% through June 1, 2045	34,164,999	-	-	34,164,999	174,137
Rice Capital Access Program 2019-5: due in varying amounts including interest at 30 yr FFB rate at time of draw + .225% through June 1, 2045	-	<u>985,372</u>	-	<u>985,372</u>	-
	87,194,702	985,372	3,436,025	84,744,049	<u>\$ 3,691,441</u>
Less unamortized loss on defeasance 2007	-	-	-	-	
Less unamortized gain on defeasance 2015-5 and 2015-6 series	<u>(2,209,742)</u>	-	<u>(184,145)</u>	<u>(2,025,597)</u>	
Loans payable	<u>\$ 84,984,960</u>	<u>\$ 985,372</u>	<u>\$ 3,251,880</u>	82,718,452	
Less current portion	<u>3,436,024</u>			<u>3,691,441</u>	
	<u>\$ 81,548,936</u>			<u>\$ 79,027,011</u>	

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

Principal and interest maturity requirements on long-term debt related to notes payable, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,488,644	\$ 1,900,873	\$ 6,389,517
2022	4,672,600	1,716,917	6,389,517
2023	4,781,420	1,608,096	6,389,516
2024	4,874,687	1,514,829	6,389,516
2025	4,998,219	1,391,297	6,389,516
2026-2030	26,670,104	5,277,479	31,947,583
2031-2035	17,343,817	2,735,407	20,079,224
2036-2040	7,616,180	1,655,080	9,271,260
2041-2045	<u>8,650,016</u>	<u>621,245</u>	<u>9,271,261</u>
	<u>\$ 84,095,687</u>	<u>\$ 18,421,223</u>	<u>\$102,516,910</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - DEFINED BENEFIT PLAN

Plan Description

The University contributes to the Teachers' Retirement System of Alabama ("TRS"), a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

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

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

Complete financial presentation and disclosure of the financial position and activities of the TRS is presented in the September 30, 2018 annual financial report of TRS. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy

Employees are required to contribute 7.5 percent of their salary to the Teachers' Retirement System. The University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year, the Teachers' Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the University and its employees equal the required contributions for 2020 and 2019 as follows:

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - DEFINED BENEFIT PLAN (CONT'D)

	2020		2019	
	Tier 1	Tier 2	Tier 1	Tier 2
Total Percentage of Covered Payroll	19.74%	17.01%	19.74%	17.01%
Total Percentage of Covered Payroll	20.74%	18.01%	20.74%	18.01%
Contributions:				
Percentage contributed by the University	12.24%	11.01%	12.24%	11.01%
Percentage contributed by Employees	7.50%	6.00%	7.50%	6.00%
Percentage contributed by Employees	8.50%	7.00%	8.50%	7.00%
Amount contributed by the University (both Tiers)		\$6,051,601		\$6,269,525
Amount contributed by Employees (both Tiers)		<u>3,515,275</u>		<u>3,647,882</u>
Total Contributions		<u>\$9,566,876</u>		<u>\$9,917,407</u>

Net Pension Liability

The net pension liability (NPL) is the difference between the “Total Pension Liability” (TPL) and the plan’s “fiduciary net position” (FNP). The total pension liability (TPL) is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The (TPL) includes benefits related to projected salary and service, and automatic cost of living adjustments (COLA’s). In addition, ad hoc COLA’s are also included in the (TPL) to the extent they are substantively automatic. The (FNP) is determined on the same basis used by the pension plans. The NPL was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Net Pension Liability	(In Thousands)
Valuation Date:	September 30, 2018
Measurement Date:	September 30, 2019
Reporting Date:	September 30, 2020
Net Pension Liability:	
Total Pension Liability (TPL)	\$ 36,676,350
Fiduciary Net Position (FNP)	<u>(25,619,448)</u>
Net Pension Liability (NPL)	<u>\$ 11,056,902</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	(69.85)%
University Percentage of TRS Net Pension Liability	0.720853 %
Pension Expense	\$ 780,447

Actuarial Assumptions

The TPL was determined by an actuarial valuation as of September 30, 2018, using the following key assumptions:

Inflation	2.75%
Salary increases, including inflation	3.25% - 5.00%
Investment rate of return, net of investment expense, including inflation	7.70%

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - DEFINED BENEFIT PLAN (CONT'D)

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 summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Fixed Income	17.00 %	4.40 %
US Large Stocks	32.00 %	8.00 %
US Mid Stocks	9.00 %	10.00 %
US Small Stocks	4.00 %	11.00 %
Int'l Developed Mkt Stocks	12.00 %	9.50 %
Int'l Emerging Mkt Stocks	3.00 %	11.00 %
Alternatives	10.00 %	10.10 %
Real Estate	10.00 %	7.50 %
Cash Equivalent	<u>3.00 %</u>	<u>1.50 %</u>
Total	<u>100.00 %</u>	

Contributions

Employer contributions to the plan are as follows:

2018	2019	2020
<u>\$5,631,846</u>	<u>\$5,808,836</u>	<u>\$6,266,973</u>

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ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - DEFINED BENEFIT PLAN (CONT'D)

Schedule of Deferred Outflows and Inflow of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the University at September 30, 2020 for each plan are as follows:

	Collective Deferred Outflows of Resources (In Thousands)	Collective Deferred Inflows of Resources (In Thousands)
Differences between expected and actual experience	\$ 1,178	\$ 2,643
Changes of assumptions	2,456	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	346	321
Employer Contribution Subsequent of the Measure Date	8,287	-
Net difference between projected and actual earnings	<u>2,775</u>	<u>-</u>
Total	<u>\$ 15,042</u>	<u>\$ 2,964</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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 net pension liability to changes in the discount rate

The following table presents the net pension liability of the University's proportionate share of the plan, calculated using the discount rate, as well as what the University's net pension liability would have been if it were calculated using a discount rate that is 1-percent-point lower (6.70%) and 1-percent-point higher (8.70%) than the current rate (7.70%):

	(In Thousands)		
	1% Decrease (6.70%)	Current Discount Rate (7.70)%	1% Increase (8.70%)
Net Pension Liability	<u>\$108,202</u>	<u>\$79,704</u>	<u>\$55,587</u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - DEFINED BENEFIT PLAN (CONT'D)

Schedule of Deferred Outflows and Inflow of Resources

Deferred outflows of resources and deferred inflows of resources by source reported by the University at September 30, 2019 for each plan are as follows:

	Collective Deferred Outflows of Resources (In Thousands)	Collective Deferred Inflows of Resources (In Thousands)
Differences between expected and actual experience	\$ 1,553	\$ 2,192
Changes of assumptions	3,998	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	495	204
Employer Contribution Subsequent of the Measure Date	6,113	-
Net difference between projected and actual earnings	-	5,431
Total	<u>\$ 12,159</u>	<u>\$ 7,827</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2020 will be recognized in pension expense as follows:

Deferred Amounts to Be Recognized in Fiscal Years Ended September 30 :

	(In Thousands)
2021	\$ 212
2022	\$ 295
2023	\$ 1,617
2024	\$ 1,703
2025	\$ (37)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2019 will be recognized in pension expense as follows:

Deferred Amounts to Be Recognized in Fiscal Years Ended September 30:

	(In Thousands)
2020	\$ 6,472
2021	\$ (1,359)
2022	\$ (1,275)
2023	\$ 52
2024	\$ 138

Pension Expense

For the fiscal years ended September 30, 2020 and 2019, the University recognized pension expense of \$8,452,973 and \$5,657,603, respectively.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - ADDITIONAL BENEFIT PLANS

Regular full-time employees are eligible to contribute to optional supplemental retirement programs which are a defined contribution plans. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. The employee's contributions are funded as they accrue and are immediately and fully vested. The University does not match employee contributions.

During the fiscal years ended September 30, 2020 and 2019, employees' contributions to optional supplemental retirement programs were \$931,319 and \$840,475, respectively.

NOTE 11 - OTHER POST-RETIREMENT EMPLOYEE BENEFITS

Plan Description

Employees of the University are covered by a cost sharing multiple-employer other post employment benefit plan administered by the Alabama Retired Education Employees Health Care Trust (Trust). The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP.

Retirees who elect to participate in PEEHIP pay a portion of the PEEHIP premium, with the University paying an allocation toward the cost of retiree coverage. Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are eligible for tuition assistance benefits for themselves as well as for their spouse and unmarried dependent children.

PEEHIP is a cost-sharing multiple-employer defined benefit healthcare plan administered by the Public Education Employee Health Insurance Board. PEEHIP offers a basic hospital/medical plan that provides basic medical coverage for up to 365 days of care during each hospital confinement. The basic hospital/medical plan also provides for physicians' benefits, outpatient care, prescription drugs, and mental health benefits. Major medical benefits under the basic hospital/medical plan are subject to a lifetime contract maximum of \$1,000,000 for each covered individual. The Code of Alabama 1975, Section 16-25A-8 provides the authority to set the contribution requirements for retirees and employers.

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

NOTE 11 - OTHER POST-RETIREMENT EMPLOYEE BENEFITS (CONT'D)

The required rates of retirees are as follows as of September 30, 2020:

Retired Member Rates:

Individual Coverage/Non-Medicare Eligible	\$ 166
Family Coverage/Non-Medicare Eligible Retired Member and More Than 1 Dependant or Only Dependent Non-Medicare Eligible	\$ 421
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$ 521
Family Coverage/Non-Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible	\$ 280
Family Coverage/Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$ 310
Individual Coverage/Medicare Eligible Retired Member	\$ 25
Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - No Spouse	\$ 280
Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - with Non-Medicare Eligible Spouse	\$ 380
Family Coverage/Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible	\$ 139
Family Coverage/Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	\$ 169
Tobacco surcharge (per month)	\$ 50
Wellness premium (per month)	\$ 50
Number of retirees for the year ended	602

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)

The Trust's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expenses, and information about the fiduciary net position. In accordance with GASB, the Trust is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Benefits Provided

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

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

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (CONT'D)

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. The MAPDP plan is fully insured by United Healthcare and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the United Healthcare plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Benefits are recognized when due and payable in accordance with the terms of the plan.

Funding Policy

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree.

In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (CONT'D)

Net OPEB Liability

The net OPEB liability (NOL) is the difference between the “Total OPEB Liability” (TOL) and the plan’s “fiduciary net position” (FNP). The (FNP) is determined on the same basis used by the pension plans. The NOL was measured as of September 30, 2019, and the TOL used to calculate the NOL was determined by an actuarial valuation as of September 30, 2018.

Valuation Date:	September 30, 2018
Measurement Date:	September 30, 2019
Reporting Date:	September 30, 2020
Net OPEB Liability:	
Total OPEB Liability (TOL)	\$ 28,673,935
Fiduciary Net Position (FNP)	<u>(4,246,621)</u>
Net OPEB Liability (NOL)	<u><u>\$ 24,427,314</u></u>
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	(14.81)%
University Percentage of TRS Net OPEB Liability	0.2972 %
Pension Expense	\$ 1,981,932

Actuarial Assumptions

The TOL was determined by an actuarial valuation as of September 30, 2018, using the following key assumptions:

Inflation	2.75%
Salary increases, including inflation*	3.25% - 5.00%,
Long-term Investment Rate of Return**	7.50%
Municipal bond index rate at the measurement date	4.18%
Municipal bond index rate at the prior measurement date	3.57%
Projected year for fiduciary net position to be depleted	2024
Single equivalent interest rate at the measurement date	4.25%
Single equivalent interest rate at the prior measurement date	3.60%
Healthcare cost trend eligible:	
Pre-Medicare eligible	7.00%
Medicare eligible	5.50%
Ultimate trend rate:	
Pre-Medicare eligible	4.75% in 2026
Medicare eligible	4.75% in 2024
Year of ultimate trend rate	2022

* *Includes 3.00 wage inflation*

** *Compounded annually, net of investment expenses, and includes inflation.*

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (CONT'D)

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 summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Fixed Income	30.00 %	4.40 %
US Large Stocks	38.00 %	8.00 %
US Mid Stocks	8.00 %	10.00 %
US Small Stocks	4.00 %	11.00 %
Inters	15.00 %	9.50 %
Cash Equivalent	<u>5.00 %</u>	<u>1.50 %</u>
Total	<u><u>100.00 %</u></u>	

Schedule of Deferred Outflows and Inflow of Resources

At September 30, 2020 and 2019, the University reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$18,729,808
Change of assumptions	-	10,117,937
Net difference between projected and actual earnings on OPEB		-
Change in proportion and difference between employer contributions and proportionate share contributions		1,098,675
Employer contributions subsequent to the measurement date	<u>3,587,069</u>	<u>-</u>
Total	<u><u>\$ 3,587,069</u></u>	<u><u>\$29,946,420</u></u>

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (CONT'D)

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 994,605	\$ -
Change of assumptions	1,519,289	2,573,251
Net difference between projected and actual earnings on OPEB		283,057
Change in proportion and difference between employer contributions and proportionate share contributions		1,438,822
Employer contributions subsequent to the measurement date	<u> </u>	<u> </u>
Total	<u>\$ 2,513,894</u>	<u>\$ 4,295,130</u>

At September 30, 2019, \$3,587,069 reported as deferred outflows related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021.

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

Year ended September 30:	Amount
2021	\$ (5,474,469)
2022	\$ (5,474,468)
2023	\$ (5,410,460)
2024	\$ (4,390,137)
2025	\$ (4,773,607)
Thereafter	\$ (836,209)

At September 30, 2018, \$1,507,058 reported as deferred outflows related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ended September 30:	Amount
2020	\$ (613,555)
2021	\$ (613,555)
2022	\$ (613,555)
2023	\$ (550,008)
2024	\$ 464,835
Thereafter	\$ 144,602

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (CONT'D)

Actuarial Assumptions

The total OPEB liability as September 30, 2020 was determined by an actuarial valuation performed as of September 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases, including inflation*	3.25% - 5.00%
Long-term Investment Rate of Return**	7.25%
Municipal bond index rate at the measurement date	3.57%
Municipal bond index rate at the prior measurement date	2.93%
Projected year for fiduciary net position to be depleted	2042
Single equivalent interest rate at the measurement date	4.63%
Single equivalent interest rate at the prior measurement date	4.01%
Healthcare cost trend eligible:	
Pre-Medicare eligible	7.75%
Medicare eligible	5.00%
Ultimate trend rate:	
Pre-medicare eligible	5.00%
Medicare eligible	5.00%
Year of ultimate trend rate	2022

* Includes 3.00% wage inflation

** Compounded annually, net of investment expenses, and includes inflation

Rates of mortality for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for the males and 112% for ages 78 and over for females. The rated of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using a scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS on September 13, 2016. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate plan participation, rates of plan election, etc) used in the September 30, 2016 valuation were based a review of recent plan experience done concurrently with the September 30, 2016 valuation.

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

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are summarized in the following Table:

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (CONT'D)

Asset Class	Target Allocation	Long-term Expected Rate of Return *
Fixed Income	30.00 %	4.40 %
US Large Stocks	38.00 %	8.00 %
US Mid Stocks	8.00 %	10.00 %
US Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	15.00 %	9.50 %
Cash Equivalent	5.00 %	1.50 %
Total	100.00 %	

* Geometric mean, includes 2.5% inflation

Discount Rate

The discount rate used to measure the total OPEB liability at September 30, 2017 was 4.63%. The projection of cashflows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating employers must contribute for each active employee. Approximately 27.08% of the employer contributions were used to assist in funding retiree benefit payments in 2016 and it is assumed that amount will increase by 3.00% per year. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-years Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2115. The long-term rate is used until the assets are expected to be depleted in 2042, after which the municipal bond rate is used.

Sensitivity of Alabama A&M University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following table presents the University's proportionate share of the net OPEB liability calculated using the discount rate of 4.63%, as well as what the net OPEB liability would be if calculated using 1-percentage point lower (3.63%) or 1-percentage point higher (5.63%) than the current rate:

	1% Decrease (5.75% decreasing to 3.75% for pre- Medicare, 3.75% for Medicare Eligible, and 1% for Optional Plans)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre- Medicare, 1.75% for Medicare Eligible, and 2% for Optional Plans)	1% Increase (7.75% decreasing to 5.75% for pre- Medicare, 5.75% for Medicare Eligible, and 3% for Optional Plans)
Net OPEB Liability	\$19,586,312	\$24,427,314	\$30,524,337

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (CONT'D)

	1% Decrease (4.50%)	Current Discount Rate (5.50)%	1% Increase (6.50%)
Net OPEB Liability	\$29,526,071	\$24,427,314	\$20,261,311

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the Alabama Retired Education Employees' Health Care Trust's financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 13 - INCOME TAX STATUS

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

NOTE 14 - RELATED PARTIES

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

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

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

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ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 - OPERATING EXPENSES

Operating expenses by functional classification for the fiscal years ended September 30, 2020 and 2019, are as follows:

	Expenses by Function	
	2020	2019
Educational and General:		
Instruction	\$ 30,084,991	\$ 32,957,353
Research and development	9,206,031	12,837,888
Public service	11,497,156	13,105,484
Academic support	7,257,779	8,533,583
Student services	27,527,791	20,578,573
Institutional support	10,493,154	16,309,940
Operation and maintenance of plant	23,369,231	12,353,183
Scholarships and fellowships	19,349,907	19,982,886
Auxiliary Enterprises	13,413,035	12,771,849
Depreciation and amortization	<u>6,898,447</u>	<u>6,683,481</u>
Total operating expenses	<u>\$ 159,097,522</u>	<u>\$ 156,114,220</u>

NOTE 17 - RISKS AND UNCERTAINTIES

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

NOTE 18 - SUBSEQUENT EVENTS

As detailed in Note 8, the University has various outstanding loans with the US Department of Education's HBCU Capital Financing Program (Program). Three of the four loans, Series A 2015-5, Series A 2015-6, and Series A 2015-7 are fully disbursed, and based on information communicated by the lender the total outstanding balance as of January 8, 2020 across these three loans is approximately \$80 million. The fourth loan, Series A 2019-5, provides for up to \$70 million, to fund construction and renovation projects across campus. The Series A 2019-5 loan balance increases monthly as construction draws are submitted for funding, and this process will continue until all projects are completed in 2022, and the entire loan amount has been drawn.

The Consolidated Appropriations Act, 2021 (Pub. L. 116-260) provides that the US Secretary of Education repays outstanding principal, interest, and fees on the Program's disbursed loan amounts as of December 27, 2020. This forgiveness applies to CARES Act, Public, and Private deferred principal and interest amounts, and there. To the best of our understanding of the legislation, and communication with the Program trustee as of the report date, the Series A 2015 loans, totaling to approximately \$80 million, will be forgiven, which would result in a substantial economic gain to the University.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 - COMPONENT UNITS

Details of the Foundation's net position at September 30, 2020 and 2019 and the Trust's net position at July 31, 2020 and 2019, are as follows:

	2020			2019		
	Foundation	Trust	Totals	Foundation	Trust	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,093,850	\$ 20,250,380	\$ 22,344,230	\$ 1,876,795	\$ 1,230,075	\$ 3,106,870
Receivables,	1,500	733,718	735,218	-	-	-
Total current assets	<u>2,095,350</u>	<u>20,984,098</u>	<u>23,079,448</u>	<u>1,876,795</u>	<u>1,230,075</u>	<u>3,106,870</u>
Non-current assets:						
Investments	8,064,802	20,481,202	28,546,004	7,653,679	43,384,319	51,037,998
Capital assets, net	1,502,527	-	1,502,527	1,572,829	-	1,572,829
Total non-current assets	<u>9,567,329</u>	<u>20,481,202</u>	<u>30,048,531</u>	<u>9,226,508</u>	<u>43,384,319</u>	<u>52,610,827</u>
Total assets	<u>\$ 11,662,679</u>	<u>\$ 41,465,300</u>	<u>\$ 53,127,979</u>	<u>\$ 11,103,303</u>	<u>\$ 44,614,394</u>	<u>\$ 55,717,697</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 735,633	\$ -	\$ 735,633	\$ -	\$ -	\$ -
Funds held for other organizations	2,342,237	-	2,342,237	1,593,133	-	1,593,133
Current portion due on mortgage payable	420,611	-	420,611	45,417	-	45,417
Total current liabilities	<u>3,498,481</u>	<u>-</u>	<u>3,498,481</u>	<u>1,638,550</u>	<u>-</u>	<u>1,638,550</u>
Non-current liabilities:						
Mortgage payable	810,328	-	810,328	1,230,232	-	1,230,232
Total non-current liabilities	<u>810,328</u>	<u>-</u>	<u>810,328</u>	<u>1,230,232</u>	<u>-</u>	<u>1,230,232</u>
Total liabilities	<u>4,308,809</u>	<u>-</u>	<u>4,308,809</u>	<u>2,868,782</u>	<u>-</u>	<u>2,868,782</u>
NET POSITION						
Net Assets:						
Without donor restrictions	2,161,275	(284,903)	1,876,372	1,798,944	153,256	1,952,200
With donor restrictions	5,192,595	41,750,203	46,942,798	6,435,577	44,461,138	50,896,715
Total restricted	<u>7,353,870</u>	<u>41,465,300</u>	<u>48,819,170</u>	<u>8,234,521</u>	<u>44,614,394</u>	<u>52,848,915</u>
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>7,353,870</u>	<u>41,465,300</u>	<u>48,819,170</u>	<u>8,234,521</u>	<u>44,614,394</u>	<u>52,848,915</u>
Total liabilities and net position	<u>\$ 11,662,679</u>	<u>\$ 41,465,300</u>	<u>\$ 53,127,979</u>	<u>\$ 11,103,303</u>	<u>\$ 44,614,394</u>	<u>\$ 55,717,697</u>

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ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 - COMPONENT UNITS (CONT'D)

Details of the Foundation's revenues, expenses and changes in net position at September 30, 2020 and 2019 and the Trust's revenues, expenses, and changes in net position at July 31, 2020 and 2019 are as follows:

	2020			2019		
	Foundation	Trust	Totals	Foundation	Trust	Totals
OPERATING REVENUES						
Net rental revenue/other	\$ 449,166	\$ -	\$ 449,166	\$ 348,787	\$ -	\$ 348,787
Contributions	585,105	-	585,105	2,240,229	-	2,240,229
Investment income	82,493	816,560	899,053	34,109	1,104,001	1,138,110
Realized and unrealized gain (loss) on investments	<u>(169,328)</u>	<u>(2,627,298)</u>	<u>(2,796,626)</u>	<u>154,906</u>	<u>1,545,282</u>	<u>1,700,188</u>
Total revenues	<u>947,436</u>	<u>(1,810,738)</u>	<u>(863,302)</u>	<u>2,778,031</u>	<u>2,649,283</u>	<u>5,427,314</u>
OPERATING EXPENSES						
Educational and general:						
Scholarships	1,004,452	1,000,046	2,004,498	1,607,424	1,148,889	2,756,313
Program administration	734,699	-	734,699	876,174	-	876,174
Investment fees	18,635	338,309	356,944	36,831	391,815	428,646
Depreciation expense	<u>70,302</u>	<u>-</u>	<u>70,302</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,828,088</u>	<u>1,338,355</u>	<u>3,166,443</u>	<u>2,520,429</u>	<u>1,540,704</u>	<u>4,061,133</u>
CHANGE IN NET POSITION						
Increase (decrease) in net position	(880,652)	(3,149,093)	(4,029,745)	257,602	1,108,579	1,366,181
Total net position, beginning of the year	<u>8,234,521</u>	<u>44,614,394</u>	<u>52,848,915</u>	<u>7,976,919</u>	<u>43,505,815</u>	<u>51,482,734</u>
Total net position, end of the year	<u>\$ 7,353,869</u>	<u>\$ 41,465,301</u>	<u>\$ 48,819,170</u>	<u>\$ 8,234,521</u>	<u>\$ 44,614,394</u>	<u>\$ 52,848,915</u>

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ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 20 - RESTATEMENT OF PRIOR YEARS FINANCIAL STATEMENTS

The prior years financial statements have been restated to correct amounts reported in 2019 for capital assets. The affect of the restatement is as follows:

	Balance 9/30/2019	Increase (Decrease)	Restated Balance 9/30/2019
Construction in progress	\$ 6,020,816	1,526,291	\$ 7,547,107
Buildings	231,375,495	(514,746)	230,860,749
Information technology	4,957,652	(264,601)	4,693,051
Accumulated Depreciation	(129,081,553)	703,510	(128,378,043)
Net investment in capital assets	72,287,060	1,450,454	73,737,514

The prior years financial statements have been restated to correct amounts reported for loan receivable in 2019 in the amount of \$237,762 and unearned revenue in the amount of \$8,726.

As a result of the corrections, to restated beginning net position for 2019 is as follows:

	Net Assets			
	Net Investment in Capital Assets	Restricted Expendable	Unrestricted	Total Net Position
Ending net position previously reported, September 30, 2019	\$ 79,278,319	\$ 720,371	\$(97,409,767)	\$(17,411,077)
Adjustments:	-	-	-	-
Capital assets	1,450,454	-	-	1,450,454
Loans receivable	-	(237,762)	-	(237,762)
Unearned revenue	-	-	(8,726)	(8,726)
	1,450,454	(237,762)	(8,726)	1,203,966
Ending net position, September 30, 2019, restated	<u>\$ 80,728,773</u>	<u>\$ 482,609</u>	<u>\$(97,418,493)</u>	<u>\$(16,207,111)</u>

NOTE 21 - RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 - RECENTLY ISSUED ACCOUNTING STANDARDS (CONT'D)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The University is evaluating whether there will be any material impact from its adoption of GASB 84.

The GASB issued Statement No. 87, *Leases* in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this GASB No. 87 are effective for reporting periods beginning after December 15, 2019. The University is evaluating whether there will be any material impact of adopting GASB 87.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. The primary objective of GASB 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The University is evaluating whether there will be any material impact of adopting GASB 88.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* in June 2018. The objectives of this GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The University is evaluating whether there will be any material impact of adopting GASB 89.

The GASB issued Statement No. 90, *Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61* in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 - RECENTLY ISSUED ACCOUNTING STANDARDS (CONT'D)

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The University is evaluating whether there will be any material impact of adopting GASB 90.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR).

As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

ALABAMA A&M UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 - RECENTLY ISSUED ACCOUNTING STANDARDS (CONT'D)

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Statements 83, 84, 88, 89, 90, 91, 92, and 93 implementation dates are delayed by one year. Statement 87, Leases, implementation is postponed by 18 months.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The statement is effective for reporting periods beginning after June 15, 2022. The University is evaluating whether there will be any material impact from its adoption of GASB 96.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. For the requirements effective immediately, the University has determined there will be no material impact from its adoption of GASB 97. For the requirements effective for reporting periods beginning after June 15, 2021, the University is evaluating whether there will be any material impact from its adoption of GASB 97.

**ALABAMA A&M UNIVERSITY
REQUIRED SUPPLEMENTARY**

**University's Proportionate Share of Net Pension Liability (NPL)
(in Thousands)**

Measurement Period, 12 months ended	2020	2019	2018	2017	2016
	9/30/19	9/30/18	9/30/17	9/30/16	9/30/15
Employers proportion of the net pension liability	\$ 79,704	71,947	70,713	78,093	75,117
Employers proportionate share of the collective net pension liability	0.7209 %	0.7236 %	0.7195 %	0.7213 %	0.7177 %
Employer's covered payroll during the measurement period	\$ 52,225	\$ 48,407	\$ 46,932	\$ 45,191	\$ 44,136
Employer's proportional share of the collective net pension liability as a percentage of payroll	152.62 %	148.63 %	150.67 %	172.81 %	170.19 %
Plan fiduciary net position as a percentage of the total collective pension liability	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %
University's Contributions to Pension Plan:					
Contractually required contribution	6,267	5,809	5,632	5,423	5,296
Contributions in relation to the contractually required contribution	6,267	5,809	5,632	5,423	5,296
Contribution deficiency (excess)	-	-	-	-	-
Employer's covered payroll	\$ 54,836	\$ 52,225	\$ 48,407	\$ 46,932	\$ 45,191
Contributions as a percentage of covered payroll	11.43 %	11.12 %	11.63 %	11.55 %	11.72 %

**ALABAMA A&M UNIVERSITY
REQUIRED SUPPLEMENTARY**

**University's Proportionate Share of OPEB Liability (NPL)
(in Thousands)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement Period, 12 months ended	9/30/19	9/30/18	9/30/17
Employers proportion of the net OPEB liability	\$ 24,427	\$ 52,829	\$ 46,110
Employers proportionate share of the collective net OPEB liability	0.0647 %	0.0643 %	0.6208 %
Employer's covered payroll during the measurement period	\$ 52,225	\$ 48,497	\$ 46,932
Employer's proportional share of the collective net OPEB liability as a percentage of payroll	46.77 %	109.13 %	98.25 %
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14 %	14.81 %	15.37 %
University's Contributions to OPEB Plan:			
Contractually required contribution	\$ 3,823	\$ 3,194	\$ 938
Contributions in relation to the contractually required contribution	\$ 3,823	\$ 3,194	\$ 938
Contribution deficiency (excess)	-	-	-
Employer's covered payroll	\$ 54,837	\$ 52,225	\$ 48,407
Contributions as a percentage of covered payroll	6.97 %	6.12 %	1.94 %

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alabama A&M University (“the University”), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 20, 2021.

Internal Control Over Financial Reporting

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

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

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



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

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

Purpose of this Report

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

Birmingham, Alabama
February 20, 2021

Bank, Finley White & Co.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Alabama A&M University’s (“the University”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs for the year ended September 30, 2018. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the University’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of University’s compliance.



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

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

Birmingham, Alabama
February 20, 2021

Bank, Finley White & Co.

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Contract Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Agriculture Research - Basic and Applied Research	10.001	58-5030-6-053	\$ 889
Total Agricultural Research - Basic and Applied Research			<u>889</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Cooperative Forestry Research	10.202	N119MSCFRXXXG001	256,589
Cooperative Forestry Research	10.202	N120MSCFRXXXG022	62,728
Total Cooperative Forestry Research			<u>319,317</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI201445XXXXG015	283,954
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI191445XXXXG003	1,683,578
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	NI8181445XXXXG017	41,034
Total Payments to 1890 Land-Grant Colleges and Tuskegee University			<u>2,008,566</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through University of Georgia			
Sustainable Agriculture Research and Education	10.215	2016-38640-25382	2,284
Sustainable Agriculture Research and Education	10.215	2018-38640-28417	1,527
Total Sustainable Agriculture Research and Education			<u>3,811</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
1890 Institution Capacity Building Grant	10.216	2019-38821-29156	94,187
1890 Institution Capacity Building Grant	10.216	2017-38821-26426	76,788
1890 Institution Capacity Building Grant	10.216	2018-38821-27728	154,306
1890 Institution Capacity Building Grant	10.216	2017-38821-26435	116,399
1890 Institution Capacity Building Grant	10.216	2018-38821-27757	12,890
1890 Institution Capacity Building Grant	10.216	2017-38821-26406	14,088
1890 Institution Capacity Building Grant	10.216	2018-38821-27722	16,041
1890 Institution Capacity Building Grant	10.216	2020-38821-31100	18,753
1890 Institution Capacity Building Grant	10.216	2018-38821-27938	74,502
1890 Institution Capacity Building Grant	10.216	2018-38821-27736	47,463
1890 Institution Capacity Building Grant	10.216	19-DG-1133010-055	15,766
1890 Institution Capacity Building Grant	10.216	2019-38821-29144	85,392
1890 Institution Capacity Building Grant	10.216	2019-38821-29158	92,152
1890 Institution Capacity Building Grant	10.216	2017-38821-26421	75,533
1890 Institution Capacity Building Grant	10.216	2019-38821-29029	95,234
1890 Institution Capacity Building Grant	10.216	2013-38821-21103	3,692
1890 Institution Capacity Building Grant	10.216	2015-38821-24337	75,276
1890 Institution Capacity Building Grant	10.216	2015-38821-24349	56
1890 Institution Capacity Building Grant	10.216	2019-38821-29035	32,928
1890 Institution Capacity Building Grant	10.216	18-JV-11330124-052	20,726
Total 1890 Institution Capacity Building Grant			<u>1,122,172</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Alcorn State University:			
Higher Education - Multicultural Scholars Grant	10.220	2014-38413-21797	24,256
Total Higher Education - Multicultural Scholars Grant			<u>24,256</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Program Michigan State University:			
Special Crop Research Initiative	10.309	2017-51181-26828	80,873
Total Higher Education - Multicultural Scholars Grant			<u>80,873</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Agriculture and Food Research Initiative (AFRI)	10.310	2020-67023-30979	22,415
Agriculture and Food Research Initiative (AFRI)	10.310	2018-68006-28100	32,400
Agriculture and Food Research Initiative (AFRI)	10.310	2019-67012-29700	80,999
Pass-Through Program Tuskegee University:			
Agriculture and Food Research Initiative (AFRI)	10.310	2016-68006-24765	45,032
Pass-Through Program University of Illinois:			
Agriculture and Food Research Initiative (AFRI)	10.310	2018-68006-27937	28,956
Total Agriculture and Food Research Initiative (AFRI)			<u>209,802</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Beginning Farmer and Rancher Development Program	10.311	2017-70017-26842	185,218
Total Beginning Farmer and Rancher Development Program			<u>185,218</u>

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Contract Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Programs			
Middle Tennessee State University Capacity Building for Non-Land Grant Colleges of Agriculture	10.326	2017-70001-25989	21,386
Total Capacity Building for Non-Land Grant Colleges of Agriculture			<u>21,386</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Program:			
National Food Safety raining, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328	2017-70020-27253	79,622
Pass-Through University of Florida:			
National Food Safety raining, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328	2015-70020-24397	1,398
Total National Food Safety raining, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program			<u>81,020</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443	AO182501X443G051	66,500
Total Farm Operating Loans			<u>66,500</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Risk Management Education Partnerships	10.460	RM18RMEPP522C054	36,412
Total Risk Management Education Partnerships			<u>36,412</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Cooperative Extension Service	10.500	2007-45200-01744	245,312
Cooperative Extension Service	10.500	NI18EFNEPXXXG004-0001	56
Cooperative Extension Service	10.500	2009-45200-044523	9,838
Cooperative Extension Service	10.500	2010-45200-4423	76,944
Cooperative Extension Service	10.500	2011-45200-04423	84,484
Cooperative Extension Service	10.500	2012-45200-04423	15,887
Cooperative Extension Service	10.500	N1201444XXXXG011	795,170
Cooperative Extension Service	10.500	NI1914444XXXXG005	610,758
Cooperative Extension Service	10.500	2008-45200-04423	142,521
Pass-Through University of Arkansas:			
Cooperative Extension Service	10.500	2015-49200-24228	9,690
Total Cooperative Extension Service			<u>1,990,660</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs			
Expanded Food and Nutrition Education Program	10.514	NI19EFNEPXXXG057-0001	110,987
Expanded Food and Nutrition Education Program	10.514	NI19EFNEPXXXG057-0001	506
Total Expanded Food and Nutrition Education		1	<u>111,493</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs			
Renewable Resources Extension Act and National Focus Fund Project	10.515	NI19RREAFXXXG013	6,844
Renewable Resources Extension Act and National Focus Fund Project	10.515	NI19RREAFXXXG008	488
Total Renewable Resources Extension Act and National Focus Fund Project			<u>7,332</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs			
Scholarships for Students at 1890 Institution	10.524	2020-38430-31311	242,110
Total Scholarships for Students at 1890 Institutions			<u>242,110</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs			
State Admin. Matching Grants for Supplemental Nutrition Assistance Program	10.561	4153	1,078,135
Total State Admin. Matching Grants for Supplemental Nutrition Assistance Program			<u>1,078,135</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Forestry Research	10.652	18-DG-11330101-075	111,261
Forestry Research	10.652	16-CA-11330124-097	471
Total Forestry Research			<u>111,732</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Partnership Agreements	10.699	15-CCS-111325543-009	50,055
Total Partnership Agreements			<u>50,055</u>

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Contract Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Direct Program:			
Norman E. Borlaug International Agricultural Science and Tech Fellowship	10.777	FX19BF-10777R006	27,607
Total Norman E. Borlaug International Agricultural Science and Tech Fellowship			<u>27,607</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass Through Program:			
University of Maryland Eastern Shore			
Soil and Water Conservation	10.902	NR183A7500100C001	11,346
Total Soil and Water Conservation			<u>11,346</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>7,790,692</u>
U.S. DEPARTMENT OF COMMERCE			
Pass Through Program			
University of Mississippi			
Weather and Air Quality Research	11.459	NA18OAR4590305	6,086
Total Weather and Air Quality Research			<u>6,086</u>
U.S. DEPARTMENT OF DEFENSE OFFICE OF THE SECRETARY OF DEFENSE			
Direct Program:			
Basic and Applied Scientific Research	12.300	N00014-17-1-2635	87,236
Total Basic and Applied Scientific Research			<u>87,236</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Programs:			
Basic, Scientific Research	12.431	W911NF-18-1-0444	138,189
Basic, Scientific Research	12.431	W911NF-20-1-0123	29,108
Basic, Scientific Research	12.431	W911NF-19-2-0001	99,875
Total Basic, Science Research			<u>267,172</u>
U.S. DEPARTMENT OF DEFENSE			
Pass Through Programs:			
University of Alabama in Huntsville			
Centers for Academic Excellence	12.598	HHM402-18-1-0006	28,429
Total Centers for Academic Excellence			<u>28,429</u>
TOTAL U.S. DEPARTMENT OF DEFENSE OFFICE OF THE SECRETARY OF DEFENSE			<u>382,837</u>
U.S. DEPARTMENT OF JUSTICE			
Pass-Through 4H			
Juvenile Mentoring Program	16.726	2016-JU-FX-0005	39,858
Total Juvenile Mentoring Program			<u>39,858</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-Through Programs			
Federal Transit Administration			
Federal Transit Administration	20.500	AL04004800	423,389
Total Federal Transit Capital Investment Grants			<u>423,389</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-Through Programs			
Washington State University			
University Transportation Centers Program	20.701	69A3551947137	23,586
Total University Transportation Centers Program			<u>23,586</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>446,975</u>
U.S. DEPARTMENT OF TREASURY			
Pass Through Program			
Corporation for Public Broadcasting			
Coronavirus Relief Fund (COVID-19)	21.019		2,806
Total Coronavirus Relief Fund			<u>2,806</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>2,806</u>
NATIONAL AERONAUTICS AND ADMINISTRATION			
Direct Programs			
Science	43.001	80MSFC19M009	15,293
Total Science			<u>15,293</u>

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Contract Number	Expenditures
NATIONAL AERONAUTICS AND ADMINISTRATION			
Direct Programs:			
Education	43.008	80NSSC18M0138	135,957
Pass-Through Program:			
University of Alabama in Huntsville			
Education	43.008	80NSSC19M0051	17,000
Education	43.008	NNX15AJ18H	4,420
Education	43.008	NNX15AJ18H	1,840
Pass Through Program:			
University of Alabama in Huntsville			
Education	43.008	NNX15J18H	13,511
Total NASA Education Program			<u>172,728</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Direct Programs:			
Safety Security and Mission Services	43.009	80NSSC19K1062	10,449
TOTAL NATIONAL AERONAUTICS AND ADMINISTRATION			<u>198,470</u>
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
Engineering Grants	47.041	1740687	33,561
Pass Through Programs			
Morgan State University			
Engineering Grants	47.041	1849454	162,538
Total Engineering Grants			<u>196,099</u>
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
Mathematical and Physical Sciences	47.049	15559870	16,177
Total Mathematical and Physical Sciences			<u>16,177</u>
NATIONAL SCIENCE FOUNDATION			
Pass Through Programs			
Morehouse College			
Computer and Information Science and Engineering	47.070	1831964	19,341
Total Computer and Information Science and Engineering			<u>19,341</u>
NATIONAL SCIENCE FOUNDATION			
Pass Through Program:			
Howard University			
Biological Sciences	47.074	1832140	13,175
Pass Through Program:			
University of Alabama in Huntsville			
Biological Sciences	47.074	1655280	89,756
Total Biological Sciences			<u>102,931</u>
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
Education and Human Resources	47.076	1758505	165,395
Education and Human Resources	47.076	1238192	81,624
Education and Human Resources	47.076	1546965	85,831
Education and Human Resources	47.076	1436572	331,361
Education and Human Resources	47.076	1564893	263,839
Education and Human Resources	47.076	1643799	209,738
Education and Human Resources	47.076	1818732	135,115
Education and Human Resources	47.076	1525120	12,225
Pass Through Program:			
University of Alabama			
Education and Human Resources	47.076	1619659	81,718
Pass Through Program:			
University of Alabama Birmingham			
Education and Human Resources	47.076	1933739	53,471
Total Education and Human Resources			<u>1,420,317</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>1,754,865</u>
U.S. NUCLEAR REGULATORY COMMISSION			
Direct Program:			
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008	31310018M0035	51,707
Total U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program			<u>51,707</u>
TOTAL U.S. NUCLEAR REGULATORY COMMISSION			<u>51,707</u>

ALABAMA A&M UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2018

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Contract Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Student Financial Aid Cluster			
Federal Pell Grant Program	84.063	OE-P063111097	18,427,393
Federal Supplemental Educational Opportunity Program	84.007	OE-P007A09001	658,110
College Work-Study Program	84.033	OE-P033A070001	335,755
Federal Direct Loan Program	84.268	OE-P268K181027	53,645,822
TEACH Grants	84.379	P379T141027	16,918
Total Student Financial Aid Cluster			<u>73,083,998</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs:			
Higher Education - Institutional Aid	84.031	P031B170009-18	158,378
Higher Education - Institutional Aid	84.031	P031B141001-18	277,051
Higher Education - Institutional Aid	84.031	P031B150030-18	212,449
Higher Education - Institutional Aid	84.031	P031B170009-19	4,108,954
Higher Education - Institutional Aid	84.031	P031B170009-18	800
Higher Education - Institutional Aid	84.031	P031K190003	1,837,210
Higher Education - Institutional Aid	84.031	P031B150030-19	708,749
Higher Education - Institutional Aid	84.031	P031B141001-18	1,917
Higher Education - Institutional Aid	84.031	P031B150030-17	167
Total Higher Educational - Institutional Aid			<u>7,305,675</u>
U.S. DEPARTMENT OF EDUCATION			
Trio Cluster:			
TRIO - Upward Bound	84.047	P047A171384-17	759
TRIO - Upward Bound	84.047	P047A171384-18	72,765
TRIO - Upward Bound	84.047	P047A171384-19	343,749
TRIO - Upward Bound	84.047	P047A171384-20	12,052
Total TRIO - Upward Bound			<u>429,325</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Program:			
Minority Science and Engineering Improvement	84.120	P120A150053	12,670
Total Minority Science and Engineering Improvement			<u>12,670</u>
U.S. DEPARTMENT OF EDUCATION			
Direct Programs			
Education Stabilization Fund (COVID-19)	84.425	P425J200077	8,242,681
Education Stabilization Fund (COVID-19)	84.425	P425F203291	308,770
Education Stabilization Fund (COVID-19)	84.425	P425E203581	2,267,850
Total Education Stabilization Fund			<u>10,819,301</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>91,650,969</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass Through Program:			
University of Alabama			
Foster Care Title IV-E	93.658	C200161203	120,692
Total Foster Care Title IV-E			<u>120,692</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Mental and Behavioral Health Education and Training Grants	93.732	1M01P31282-01-00	361,444
Total Mental and Behavioral Health Education and Training Grants			<u>361,444</u>
Direct Program:			
Biomedical Research and Research Training	93.859	R15GM124602	63,513
Total Biomedical Research and Research Training			<u>63,513</u>
TOTAL NATIONAL INSTITUTE OF HEALTH			<u>545,649</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
Scholars and Fellows and Educational Programs	97.062	2014-ST-062-000060	136,307
Total Scholars and Fellows and Educational Programs			<u>136,307</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>136,307</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 103,007,221</u>

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

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Alabama A&M University ("the University") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2 - INDIRECT COST RATE

The University has elected not to use the 10 percent de minimus cost rate allowed under Uniform Guidance. The University operates under predetermined fixed Facilities and Administrative Cost Rates (F&A) which were effective from October 1, 2016 through through October 1, 2020 and thereafter until amended. The predetermined fixed rates were based upon 2015 financial information. The provisional fixed rates, begin on October 1, 2020 and are the same as the predetermined fixed rates. For fiscal year September 30, 2020, the based rate for on-campus research was 48% and for off-campus the rate was 26%.

ALABAMA A&M UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2020

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes No

Identification of major programs:

CFDA Numbers

Name of Federal Program

10.500
 10.561
 84.031
 84.425

Cooperative Extension Service
 State Administrative Matching Grant
 Higher Education Institutional Aid
 Higher Educational Stabilization Fund

Dollar threshold used to distinguish between Type A and type B programs: \$3,090,217

Auditee qualified as low-risk auditee? Yes No