

**ALABAMA A&M UNIVERSITY**

**FINANCIAL STATEMENTS**

**September 30, 2021**

**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 aggregate discretely presented component units as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditor’s Responsibility***

Our responsibility is to express opinions on these financial statements based on our 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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely presented component units at September 30, 2021 and 2020, 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 62 and 63, 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.

Birmingham, Alabama  
TBD

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

## **INTRODUCTION**

The following discussion presents an overview of the financial position and financial performance of the University during the fiscal year ended September 30, 2021, with comparative information for 2020 and 2019. 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 Councill, 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, 2021**

**FINANCIAL HIGHLIGHTS**

At September 30, 2021, 2020, and 2019 the University has total assets of \$319,784,231, \$269,038,036, and \$269,016,150 respectively; total deferred outflows of resources of \$34,808,821, \$20,470,855 and \$16,698,572, respectively, total liabilities of \$186,265,081, \$239,440,422 and \$289,799,703, respectively; and total deferred inflows of resources of \$30,095,027 and \$12,122,130, respectively. The University's net position increased by \$121,074,895 during the year ended September 30, 2021. Net position increased in fiscal year 2020 by \$33,365,160 and \$9,447,212 by 2019.

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, 2021. 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, 2021 and 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, 2021**

The condensed statements of net position at September 30, 2021, 2020 and 2019, follow:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
Current assets	\$ 121,792,342	\$ 104,059,597	\$ 104,528,700
Capital assets	<u>197,991,889</u>	<u>164,978,439</u>	<u>164,487,450</u>
Total assets	<u>319,784,231</u>	<u>269,038,036</u>	<u>269,016,150</u>
Deferred outflows of resources	<u>34,808,821</u>	<u>20,470,855</u>	<u>16,698,572</u>
Total assets and deferred outflows of resources	<u>\$ 354,593,052</u>	<u>\$ 289,508,891</u>	<u>\$ 285,714,722</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 49,916,707	\$ 54,822,860	\$ 84,881,346
Noncurrent liabilities	<u>136,348,374</u>	<u>184,617,562</u>	<u>204,918,357</u>
Total liabilities	<u>186,265,081</u>	<u>239,440,422</u>	<u>289,799,703</u>
Deferred inflows of resources	<u>30,095,027</u>	<u>32,910,420</u>	<u>12,122,130</u>
<b>NET POSITION</b>			
Net investment in capital assets	184,997,105	80,882,752	80,728,773
Restricted nonexpendable	4,129,435	3,209,677	482,609
Unrestricted	<u>(50,893,596)</u>	<u>(66,934,380)</u>	<u>(97,418,493)</u>
Total net position	<u>138,232,944</u>	<u>17,158,049</u>	<u>(16,207,111)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 354,593,052</u>	<u>\$ 289,508,891</u>	<u>\$ 285,714,722</u>

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

University cash, cash equivalents, and investments increased between September 30, 2021 and 2020 by \$39,058,400 or 72.3%, primarily attributable to increased collections of tuition and fees and grants and contracts from the CARES Act. University cash, cash equivalents, and investments increased between fiscal year 2020 and 2019 by \$4,592,416 or 9.9%. Increases in tuition and fee rates and COVID/CARES funding used to relieve student debt between September 30, 2021 and 2020, led to a net decrease of \$19,986,266 or 55.4% in accounts and loans receivables, and 11.8% between 2020 and 2019. University aggregate noncurrent liabilities decreased by \$48,269,188 for fiscal year 2021 and decreased by \$20,300,795 for fiscal year 2020. University net position increased between September 30, 2021 and 2020 by \$121,074,895, primarily due to increases in tuition and fees and federal grants and contracts, (especially COVID/CARES grants), and \$33,365,160 for fiscal year 2020.

***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, 2021**

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, 2021**

The condensed statements of revenues, expenses and changes in net position for the years ended September 30, 2021, 2020 and 2019, follow:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Operating revenues:</b>			
Tuition and fees	\$ 73,150,147	\$ 73,380,073	\$ 71,978,452
Less: Scholarships and other allowances	(24,264,249)	(22,985,068)	(25,206,564)
Federal, state and private grants and contracts	111,334,823	37,157,568	26,933,683
Gifts and private support	2,158,277	440,000	1,705,147
Auxiliary enterprises and other	<u>29,824,108</u>	<u>28,031,404</u>	<u>28,225,203</u>
Total operating revenues	192,203,106	116,023,977	103,635,921
Operating expenses	<u>223,075,594</u>	<u>159,097,522</u>	<u>156,114,220</u>
Operating loss	(30,872,488)	(43,073,545)	(52,478,299)
<b>Nonoperating revenues (expenses):</b>			
State appropriations	47,976,861	46,717,821	42,599,878
Investment income, net	59,770	233,170	353,593
Interest expense on capital debt	533,420	(2,701,970)	(1,552,094)
Capital Appropriation -State		675,000	1,980,225
Federal non-operating revenues	19,506,423	18,427,393	19,323,676
Gain on forgiveness of debt from Rice Capital Access Program LLC	84,406,466	-	-
Other nonoperating revenues (expenses)	<u>(535,557)</u>	<u>13,087,291</u>	<u>(779,767)</u>
Net nonoperating revenues	<u>151,947,383</u>	<u>76,438,705</u>	<u>61,925,511</u>
Increase in net position	121,074,895	33,365,160	9,447,212
Net position-beginning of the year	<u>17,158,049</u>	<u>(16,207,111)</u>	<u>(25,654,323)</u>
Net position-end of the year	<u>\$ 138,232,944</u>	<u>\$ 17,158,049</u>	<u>\$ (16,207,111)</u>

***Changes in Revenues and Expenses***

The University's operating revenues increased by \$76,179,129 or 65.66% during the year ended September 30, 2021 and \$12,388,056 or 12.0% for the fiscal year ended 2020. The increases were primarily the result of an increase in tuition and fees, student enrollment and federal grants and contracts.

Interest expense decreased in 2021 by \$3,235,390 or 119.7% and increased by \$1,149,876 or 74.1% for 2020.

***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.

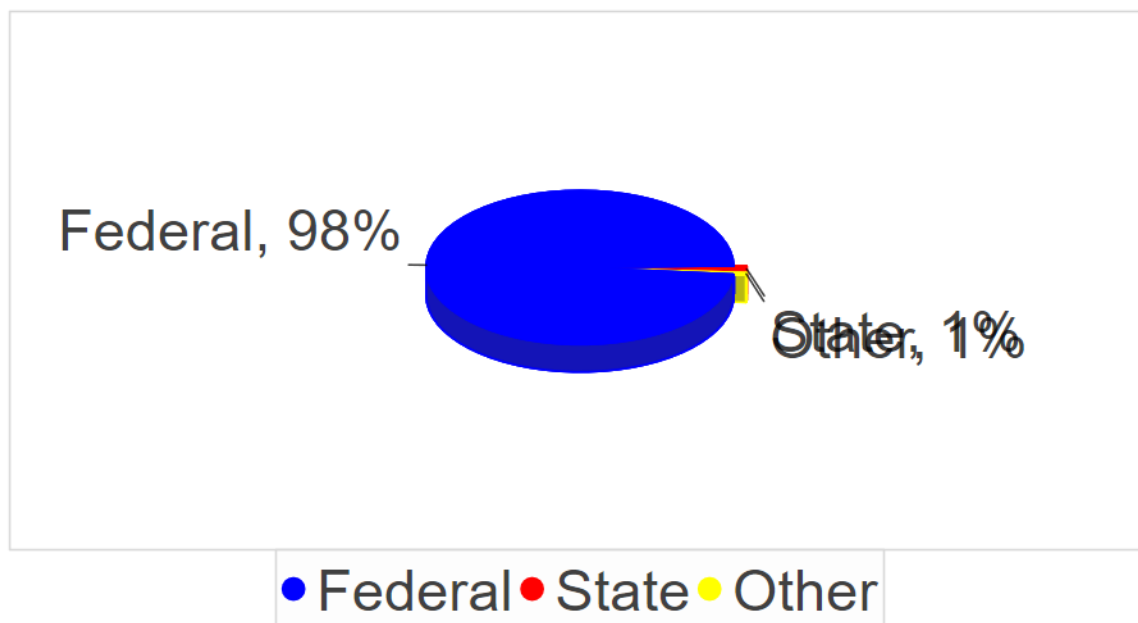
**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

The following table details the University's grant and contract awards for the fiscal years ended September 30, 2021, 2020 and 2019, by source:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Federal Sources</b>			
Financial aid (excludes loan programs)	\$ 535,502	\$ 1,109,709	\$ 756,939
Department of Education	91,986,392	21,836,566	14,894,848
National Aeronautics and Space Administration	-	2,051,148	1,399,110
United States Department of Agriculture	4,200,812	4,210,846	2,872,243
Other federal agencies	<u>8,927,741</u>	<u>3,338,043</u>	<u>2,276,898</u>
Total federal sources	105,650,447	32,546,312	22,200,038
<b>State sources</b>			
Grants and contracts	1,323,172	1,146,798	987,773
Other sources	<u>561,953</u>	<u>342,681</u>	<u>530,934</u>
Total all sources	<u>\$ 107,535,572</u>	<u>\$ 34,035,791</u>	<u>\$ 23,718,745</u>

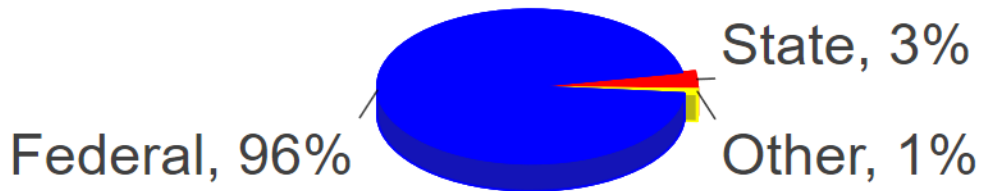
The following is a graphic illustration of grant awards by source:

## Analysis of Grant Revenues 2021



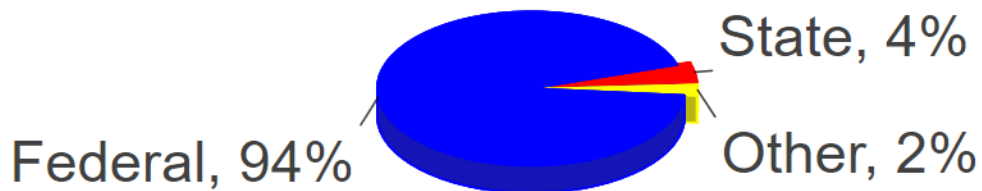
ALABAMA A&M UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
Fiscal Year Ended September 30, 2021

## Analysis of Grant Revenues 2020



● Federal ● State ● Other

## Analysis of Grant Revenues 2019



● Federal ● State ● Other

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

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, 2021, 2020 and 2019, are listed below:

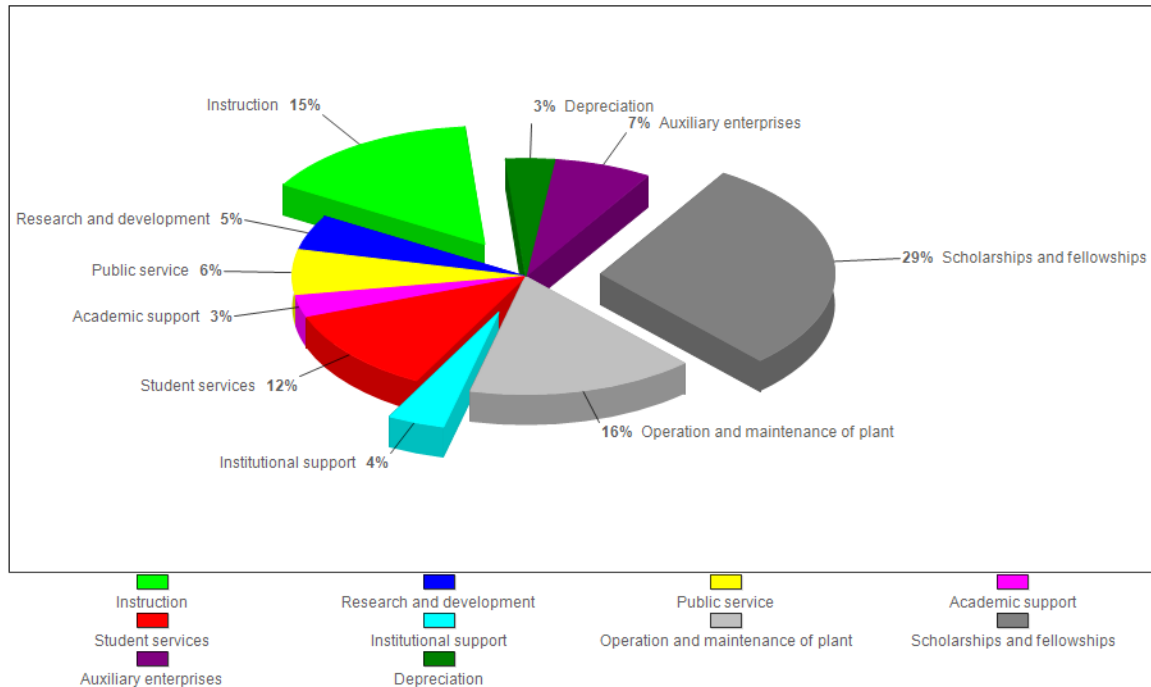
**Expenses by Function**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Educational and General:</b>			
Instruction	\$ 33,955,855	\$ 30,084,991	\$ 32,957,353
Research and development	10,702,309	9,206,031	12,837,888
Public service	14,013,728	11,497,156	13,105,484
Academic support	6,917,900	7,257,779	8,533,583
Student services	25,668,769	27,527,791	20,578,573
Institutional support	8,742,016	10,493,154	16,309,940
Operation and maintenance of plant	34,774,077	23,369,231	12,353,183
Scholarships and fellowships	<u>65,502,167</u>	<u>19,349,907</u>	<u>19,982,886</u>
	200,276,821	138,786,040	136,658,890
 <b>Auxiliary Enterprises</b>	 15,023,170	 13,413,035	 12,771,849
 <b>Depreciation and amortization</b>	 <u>7,775,603</u>	 <u>6,898,447</u>	 <u>6,683,481</u>
 <b>Total Operating Expenses</b>	 <u><u>\$ 223,075,594</u></u>	 <u><u>\$ 159,097,522</u></u>	 <u><u>\$ 156,114,220</u></u>

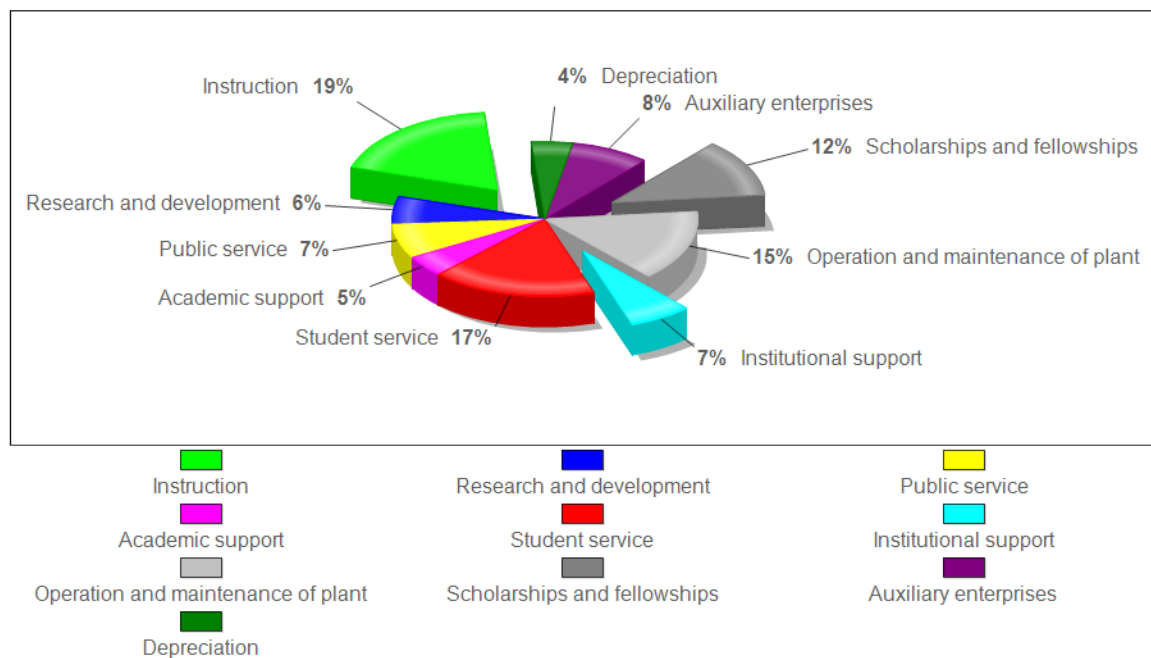
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**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

**Analysis of Expenditures by Function**  
2021

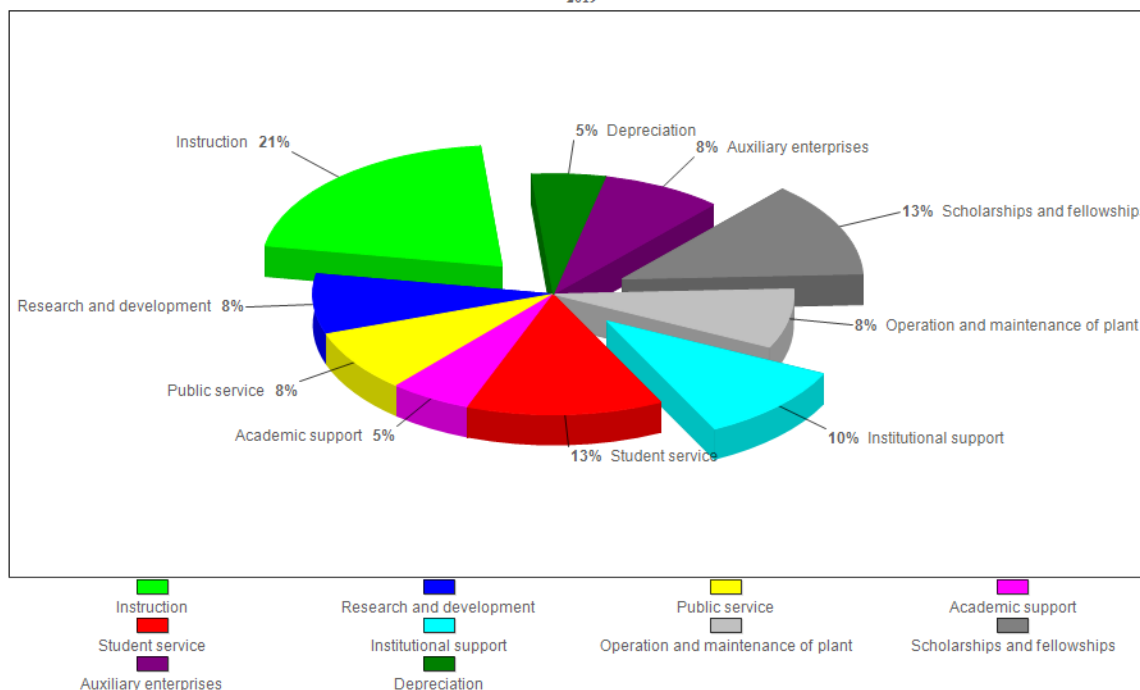


**Analysis of Expenditures by Function**  
2020



**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

Analysis of Expenditures by Function  
2019



***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, 2021, 2020 and 2019, follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash received from operating activities	\$ 213,695,269	\$ 110,491,802	\$ 104,427,557
Cash payments for operating activities	<u>(216,459,480)</u>	<u>(160,551,543)</u>	<u>(146,320,619)</u>
Net cash used in operating activities	(2,764,211)	(50,059,741)	(41,893,062)
Net cash provided by noncapital financing activities	66,947,725	64,046,759	61,143,787
Net cash used by capital and related financing activities	(25,184,829)	(9,687,837)	(12,045,857)
Net cash provided by investing activities	<u>59,710</u>	<u>113,025</u>	<u>268,060</u>
Net increase in cash and cash equivalents	39,058,395	4,412,206	7,472,928
Cash and cash equivalents, beginning of the year	<u>50,897,374</u>	<u>46,485,168</u>	<u>39,012,240</u>
Cash and cash equivalents, end of the year	<u>\$ 89,955,769</u>	<u>\$ 50,897,374</u>	<u>\$ 46,485,168</u>

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

**ENROLLMENT**

The following table indicates the total historical on-campus enrollment of undergraduate and graduate students for the 2017 through 2021 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**

<b><u>Year ended September 30</u></b>	<b><u>Undergraduate</u></b>	<b><u>Graduate</u></b>	<b><u>Total</u></b>	<b><u>Full-Time Equivalent</u></b>	<b><u>Annual Total Credit Hours Taken</u></b>
2021	5,107	862	5,969	5,303	154,711
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

**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**

<b><u>Year ended September 30</u></b>	<b><u>Number of Applicants</u></b>	<b><u>Percent Accepted</u></b>	<b><u>Number Accepted</u></b>	<b><u>Percent Enrolled</u></b>	<b><u>Number Enrolled</u></b>
2021	10,122	71.0%	7,139	20.7%	1477
2020	15,004	60.2 %	9,028	16.5%	1491
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

**Fall Semester Transfer Student Admissions**

<b><u>Year ended September 30</u></b>	<b><u>Number of Applicants</u></b>	<b><u>Percent Accepted</u></b>	<b><u>Number Accepted</u></b>	<b><u>Percent Enrolled</u></b>	<b><u>Number Enrolled</u></b>
2021	786	49%	385	54%	207
2020	813	44%	357	38%	114
2019	809	37%	298	38%	114
2018	768	42%	323	55%	178
2017	789	39%	288	77%	223

**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, 2021**

**Student Cost Per Credit Hour**

<b>Student Classification</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
Undergraduate, resident	287	287	274	271	250
Undergraduate, nonresident	574	574	548	542	518
Graduate, resident	422	422	418	413	393
Graduate, nonresident	840	844	826	826	786

**Annual Full-Time Tuition**

<b>Student Classification</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
Undergraduate, resident	10,024	10,024	10,024	9,456	9,366
Undergraduate, nonresident	18,634	18,634	18,634	17,676	17,558
Graduate, resident	9,010	9,010	9,010	8,670	8,670
Graduate, nonresident	16,534	16,534	16,534	16,284	16,104

**Room and Board and Estimated Total Cost**

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

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

<b>Year ended September 30</b>	<b>Room and Board</b>	<b>Estimated Tuition, Fees, Books and Miscellaneous</b>	<b>Estimated Total Costs</b>
2021	9,520	20,876	30,396
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

**Residence Hall Occupancy Analysis**

<b>Fall Semester</b>	<b>Number of Occupants</b>	<b>Capacity</b>	<b>Percent of Occupancy</b>
2021	2,778	3,200	87%
2020	2,165	3,200	68%
2019	3,154	3,220	98%
2018	2,876	2,941	90%
2017	2,599	2,599	100%



**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Total capital asset additions for the University were approximately \$44,880,456, \$7,235,558 and \$13,458,017 for the years ended September 30, 2021, 2020 and 2019, respectively. During 2020, noncurrent liabilities decreased by \$48,269,188, primarily due to a decrease in the net OPEB liability. During 2021, noncurrent liabilities decreased by \$(20,300,795), primarily due an increase in the net pension and OPEB liabilities.

As detailed in Note 8, on December 27, 2020, the U.S. Department of Education, Consolidated Appropriations Act, 2021 (Pub. L. 116-260) cancelled the Promissory Notes that was held by Regions Bank. The debt cancellation resulted in revenue of \$84,406,465.71 being reported in the Statement of Revenues, Expenses, and Changes in Net Position as a gain on the forgiveness of debt.

**CORONAVIRUS PANDEMIC (COVID-19) RESPONSE**

COVID-19 has continued to adversely impact 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 global economics slowdown.

Since Spring 2020, 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. The University received a total of \$120.9 million from the CARES Act funding, with \$3.0 million being federal funds allocated by the Governor of Alabama. Of the \$120.9 million total, \$27.1 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 continued to help significantly reduce cashflow shortfalls resulting from lost revenue. Through fiscal year 2021, the University has continued to adjusted operations which are negatively impacted by COVID-19.

**ECONOMIC OUTLOOK**

The long-term outlook for Alabama A&M University (AAMU) remains positive despite variations in state appropriation funding and economic challenges. The AAMU continues to make the necessary changes to ensure the long-term viability of the University. The Universities efficiency measures and strategic goals and objectives outline realistic targets for long term growth and stability to ensure that AAMU will continue on its pathway to prominence.

**ALABAMA A&M UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Fiscal Year Ended September 30, 2021**

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 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.

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

Other than the items 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 2022, beyond those unknown variables having a global effect on virtually all types of business operations.

Lynda Batiste, PhD  
Interim Vice President for Business and Finance

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**September 30, 2021 and 2020**

	<b>2021</b>		<b>2020</b>	
	<b>Alabama A&amp;M University</b>	<b>Component Units</b>	<b>Alabama A&amp;M University (Restated)</b>	<b>Component Units</b>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 89,145,901	\$ 27,191,603	\$ 42,392,825	\$ 22,344,230
Trusted fund assets:				
Cash and cash equivalents	869,943	-	8,564,619	-
Investments	3,066,858	-	3,066,798	-
Student accounts receivable, net of allowances	2,386,323	-	13,700,030	-
Loans receivable, net	2,967,734	-	3,042,673	-
Accounts receivable-other, net	10,703,541	7,350	19,301,161	735,218
Prepaid expenses	<u>12,652,042</u>	<u>-</u>	<u>13,991,491</u>	<u>-</u>
Total current assets	<u>121,792,342</u>	<u>27,198,953</u>	<u>104,059,597</u>	<u>23,079,448</u>
<b>Noncurrent assets:</b>				
Investments	-	34,979,698	-	28,546,004
Capital assets, net	<u>197,991,889</u>	<u>1,502,527</u>	<u>164,978,439</u>	<u>1,502,527</u>
Total noncurrent assets	<u>197,991,889</u>	<u>36,482,225</u>	<u>164,978,439</u>	<u>30,048,531</u>
Total assets	<u>319,784,231</u>	<u>63,681,178</u>	<u>269,038,036</u>	<u>53,127,979</u>
<b>Deferred outflows of resources:</b>				
Loss on refunding on bonds	-	-	1,841,452	-
Deferred outflows - pension	20,211,803	-	15,042,334	-
Deferred outflows - OPEB	<u>14,597,018</u>	<u>-</u>	<u>3,587,069</u>	<u>-</u>
Total deferred outflows of resources	<u>34,808,821</u>	<u>-</u>	<u>20,470,855</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 354,593,052</u>	<u>\$ 63,681,178</u>	<u>\$ 289,508,891</u>	<u>\$ 53,127,979</u>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 5,272,953	\$ 1,120,309	\$ 9,538,765	\$ 735,633
Compensated absences	90,294	-	117,195	-
Student deposits	1,964,062	-	1,642,453	-
Deposits held in custody for others	-	9,112,124	-	2,342,237
Unearned revenue	40,686,708	-	37,099,815	-
Accrued interest on bonds payable	18,313	-	94,525	-
OPEB Liability	1,884,377	-	1,841,463	-
Loans payable, current portion	<u>-</u>	<u>-</u>	<u>4,488,644</u>	<u>420,611</u>
Total current liabilities	<u>49,916,707</u>	<u>10,232,433</u>	<u>54,822,860</u>	<u>3,498,481</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	2,730,945	-	2,720,668	-
Loans payable, noncurrent portion	12,994,785	806,472	79,607,043	810,328
Pension liability	86,756,000	-	79,704,000	-
OPEB liability	<u>33,866,644</u>	<u>-</u>	<u>22,585,851</u>	<u>-</u>
Total noncurrent liabilities	<u>136,348,374</u>	<u>806,472</u>	<u>184,617,562</u>	<u>810,328</u>
Total liabilities	<u>186,265,081</u>	<u>11,038,905</u>	<u>239,440,422</u>	<u>4,308,809</u>
<b>Deferred inflows of resources</b>				
Deferred inflows - pension	3,365,000	-	2,964,000	-
Deferred inflows - OPEB	<u>26,730,027</u>	<u>-</u>	<u>29,946,420</u>	<u>-</u>
Total deferred inflows of resources	<u>30,095,027</u>	<u>-</u>	<u>32,910,420</u>	<u>-</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF NET POSITION (CONT'D)**  
**September 30, 2021 and 2020**

	<u>2021</u>		<u>2020</u>	
	<u>Alabama A&amp;M University</u>	<u>Component Units</u>	<u>Alabama A&amp;M University (Restated)</u>	<u>Component Units</u>
<b>NET POSITION</b>				
Net investment in capital assets	184,997,105	-	80,882,752	-
Restricted expendable	4,129,435	4,071,765	3,209,677	1,876,372
Restricted nonexpendable	-	48,570,508	-	46,942,798
Unrestricted	<u>(50,893,596)</u>	<u>-</u>	<u>(66,934,380)</u>	<u>-</u>
Total net position	<u>138,232,944</u>	<u>52,642,273</u>	<u>17,158,049</u>	<u>48,819,170</u>
 Total liabilities, deferred inflow of resources and net positions	 <u>\$ 354,593,052</u>	 <u>\$ 63,681,178</u>	 <u>\$ 289,508,891</u>	 <u>\$ 53,127,979</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the years ended September 30, 2021 and 2020**

	<b>2021</b>		<b>2020</b>	
	<b>Alabama A&amp;M University</b>	<b>Component Units</b>	<b>Alabama A&amp;M University - (Restated)</b>	<b>Component Units</b>
<b>REVENUES</b>				
<b>Operating revenues:</b>				
Student tuition and fees	\$ 73,150,147	\$ -	\$ 73,380,073	\$ -
Less: Scholarships and other allowances	(24,264,249)	-	(22,985,068)	-
Net tuition and fees	48,885,898	-	50,395,005	-
Federal appropriations	3,799,251	-	3,121,777	-
Federal grants and contracts	105,650,447	-	32,546,312	-
State and local grants and contracts	1,323,172	-	1,146,798	-
Nongovernmental grants and contracts	561,953	-	342,681	-
Gifts and privates support	2,158,277	-	440,000	-
Sales and services of educational departments	834,768	-	2,245,068	-
Auxiliary revenue	29,141,562	-	25,675,605	-
Other operating revenues (expenditures)	(152,222)	6,510,395	110,731	(863,302)
Total operating revenues	192,203,106	6,510,395	116,023,977	(863,302)
<b>EXPENSES</b>				
<b>Operating expenses:</b>				
Salaries and wages	56,428,716	-	57,226,590	-
Fringe benefits	16,569,564	-	13,858,583	-
Scholarships and fellowships	73,569,442	-	23,145,252	-
Travel	864,039	-	1,461,300	-
Utilities	4,338,492	-	4,432,251	-
Operating services	10,412,261	-	12,108,405	-
Supplies and other services	4,009,563	-	2,996,395	-
Operations and maintenance	2,179,596	-	485,913	-
Professional services	46,387,118	-	34,503,785	-
Other operating expenses	5,335,288	1,953,573	1,536,434	3,166,443
Repairs and maintenance	(4,794,088)	-	444,167	-
Depreciation and amortization	7,775,603	-	6,898,447	-
Total operating expenses	223,075,594	1,953,573	159,097,522	3,166,443
Operating income (loss)	(30,872,488)	4,556,822	(43,073,545)	(4,029,745)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	47,976,861	-	46,717,821	-
Investment income	59,770	-	233,170	-
Interest expense capital debt	(533,420)	-	(2,701,970)	-
Federal non-operating revenues	19,506,423	-	18,427,393	-
Gain on forgiveness of debt from Rice Capital Access Program LLC	84,406,466	-	-	-
Capital appropriation- state	-	-	675,000	-
Other nonoperating revenues (expenses)	(535,557)	-	13,087,291	-
Net nonoperating revenues	151,947,383	-	76,438,705	-
Increase (decrease) in net position	121,074,895	4,556,822	33,365,160	(4,029,745)
Net position at beginning of the year as restated	17,158,049	48,085,451	(16,207,111)	52,848,915
Net position at end of the year	\$ 138,232,944	\$ 52,642,273	\$ 17,158,049	\$ 48,819,170

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from tuition and fees	\$ 66,018,589	\$ 45,848,225
Cash received from federal appropriations	3,799,251	3,121,777
Cash received from grants and contracts	109,900,266	34,384,504
Cash received from private gifts and support	-	440,000
Cash received from sales and services of educational departments	834,768	2,245,068
Cash received from auxiliary enterprises	33,142,395	24,452,228
Other receipts and payments (net)	(152,222)	1,251,002
Cash payments to suppliers	(66,158,531)	(59,423,588)
Payment for utility services	(4,338,492)	(4,432,251)
Cash payments to employees and related benefits	(74,474,009)	(74,801,454)
Cash payments for scholarships and fellowships	(73,569,442)	(23,145,252)
Cash receipts (payments) for loans to students	<u>2,233,216</u>	<u>-</u>
Net cash used by operating activities	<u>(2,764,211)</u>	<u>(50,059,741)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	47,976,861	46,717,823
Federal operating revenues	19,506,423	18,427,393
Other nonoperating expenses	<u>(535,559)</u>	<u>(1,098,457)</u>
Net cash provided by noncapital financing activities	<u>66,947,725</u>	<u>64,046,759</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(40,789,053)	(7,389,435)
Proceeds from other sources	1,841,452	184,145
State appropriations for capital assets	-	675,000
Principal paid on capital debt and leases	13,305,564	(3,691,440)
Proceed from capital debt and leases	-	4,028,450
Interest cost on capital debt and leases	<u>457,208</u>	<u>(3,494,557)</u>
Net cash used by capital financing activities	<u>(25,184,829)</u>	<u>(9,687,837)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(60)	(60,070)
Investment income	<u>59,770</u>	<u>233,165</u>
Net cash provided by investing activities	<u>59,710</u>	<u>113,025</u>
Net increase in cash and cash equivalents	39,058,395	4,472,276
Cash and cash equivalents, beginning of the year	<u>50,957,444</u>	<u>46,485,168</u>
Cash and cash equivalents, end of the year	<u>90,015,839</u>	<u>50,957,444</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION:</b>		
Cash and cash equivalents	\$ 89,145,901	\$ 42,392,825
Restricted cash and cash equivalents	<u>869,943</u>	<u>8,564,619</u>
Total cash and cash equivalents	<u>\$ 90,015,844</u>	<u>\$ 50,957,444</u>

**ALABAMA A&M UNIVERSITY**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**For the years ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Decrease in operating income	\$ (30,872,488)	\$ (43,073,545)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>		
Depreciation and amortization expense	7,775,603	1,536,434
<b>Changes in assets and liabilities:</b>		
Receivables, net	19,986,265	(1,254,497)
Prepaid expenses	1,339,449	534,147
Accounts payable and accrued expenses	(4,265,812)	5,338,112
Compensated absences	(16,624)	(195,306)
Student deposits	321,608	265,853
Deferred revenues	3,586,893	3,074,388
OPEB obligations	(2,902,635)	3,194,812
Pension obligations	<u>2,283,530</u>	<u>(454,478)</u>
Net cash used by operating activities	<u>\$ (2,764,211)</u>	<u>\$ (31,034,080)</u>
<b>NONCASH CAPITAL FINANCING ACTIVITIES</b>		
Federal grants and gifts	<u>\$ 84,406,466</u>	<u>\$ -</u>
Loss on disposal of capital assets	<u>\$ 130,489</u>	<u>\$ -</u>

**ALABAMA A&M UNIVERSITY FOUNDATION, INC**  
**(A Component Unit of Alabama A&M University)**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended September 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net position	\$ (507,289)	\$ (880,652)
<b>Adjustments to reconcile changes in net position to net cash provided by operating activities:</b>		
Depreciation and amortization	-	70,302
Realized and unrealized gains and losses	169,328	169,328
Change in accounts receivable	(5,850)	(1,500)
Changes in accounts payable	384,676	735,633
Change in funds held for other organizations	<u>6,769,887</u>	<u>758,104</u>
Net cash provided by operating activities	<u>6,810,752</u>	<u>851,215</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,164,655)	(1,313,909)
Proceeds from sale of investments	<u>282,549</u>	<u>733,459</u>
Net cash provided by investing activities	<u>(1,882,106)</u>	<u>(580,450)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments on mortgage payable	<u>(53,710)</u>	<u>(53,710)</u>
Net cash used by financing activities	<u>(53,710)</u>	<u>(53,710)</u>
Increase in cash and cash equivalents	<u>4,874,936</u>	<u>217,055</u>
Cash and cash equivalents - beginning of the year	<u>2,093,850</u>	<u>1,876,795</u>
Cash and cash equivalents - end of the year	<u><u>\$ 6,968,786</u></u>	<u><u>\$ 2,093,850</u></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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net position	<u>\$ 5,064,111</u>	<u>\$ (3,882,812)</u>
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Net cash provided (used) by operating activities	<u>5,064,111</u>	<u>(3,882,812)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from sale of investments	464,526	26,753,729
Proceed from Purchase of investments	<u>(5,556,200)</u>	<u>(3,850,612)</u>
Net cash provided (used) by investing activities	<u>(5,091,674)</u>	<u>22,903,117</u>
Net increase (decrease) in cash and cash equivalents	(27,563)	19,020,305
Cash and cash equivalents, beginning of the year	<u>20,250,380</u>	<u>1,230,075</u>
Cash and cash equivalents, end of the year	<u><u>\$ 20,222,817</u></u>	<u><u>\$ 20,250,380</u></u>

## **ALABAMA A&M UNIVERSITY**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **NOTE 1 - ORGANIZATION**

Alabama A&M University ("the University") is a land-grant educational institution, supported by the State of Alabama and federal funds from the Morrill Acts of 1862 and 1890. The Federal Land Grant Act of 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 the University 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**

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**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, 2021, approximately \$1,120,309 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**

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**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**

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**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**

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**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**

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**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**

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**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)**

COVID 19 has continued to adversely impact 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.

Since spring 2020, 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. The University received a total of \$120.9 million from the CARES Act funding, with \$3.0 million being federal funds allocated by the Governor of Alabama. Of the \$120.9 million total, \$27.1 million was earmarked as emergency aid to students.



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

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**NOTE 1 - ORGANIZATION (CONT'D)**

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 continued to help significantly reduce cash flow shortfalls resulting from lost revenue. Through fiscal year 2021, the University has continued to adjust operations which are negatively impacted by COVID-19.

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, 2021 and 2020, totaled \$5,354,057 and \$16,742,703.

**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**

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**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, 2021 and 2020, 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 \$90,015,844 and \$50,957,444 at September 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, concerning the fair value of investments and **interest rate risk**:

<b>2021</b>				
<b>Type of Investments</b>	<b>Maturity in Years at Fair Value</b>		<b>Total Fair Value</b>	<b>Cost</b>
	<b>Less Than 1 Year</b>	<b>1-5 Years</b>		
	<b>Year</b>			
Fixed maturity:				
U.S. Treasury Obligations	\$ 1,508,562	\$ 1,235,669	\$ 2,744,231	\$ 2,740,442
Total fixed maturity	<u>1,508,562</u>	<u>1,235,669</u>	<u>2,744,231</u>	<u>2,740,442</u>
Total investments			<u>\$ 2,744,231</u>	<u>\$ 2,740,442</u>

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

**Credit Risk**

The following tables provide information as of September 30, 2021 and 2020, respectively, concerning **credit risk** and **concentration of credit risk**:

<b>2021</b>			
<b>Moody's Rating</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value as a % of Total Fixed Maturity Fair Value</b>
U.S. Treasury Obligations	\$ 2,744,231	\$ 2,744,231	100.00%
	<u>\$ 2,744,231</u>	<u>\$ 2,744,231</u>	

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

**NOTE 4 - INVESTMENTS (CONT'D)**

<b>Moody's Rating</b>	<b>2020</b>		<b>Fair Value as a % of Total Fixed Maturity Fair Value</b>
	<b>Fair Value</b>	<b>Cost</b>	
U.S. Treasury Obligations	\$ 2,768,441	\$ 2,678,441	100.00%
	<u>\$ 2,768,441</u>	<u>\$ 2,678,441</u>	

At September 30, 2021 and 2020, 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 than 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, 2021 and 2020, the University's investments were measured as follows:

<b>Description</b>	<b>2021</b>	<b>Fair Value at Reporting Date Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and Cash Equivalents	\$ 485,794	\$ 485,794	\$ -	\$ -
U. S. Treasury Obligations	<u>2,744,231</u>	<u>2,744,231</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,230,025</u>	<u>\$ 3,230,025</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NOTE 4 - INVESTMENTS (CONT'D)**

<b>Description</b>	<b>2020</b>	<b>Fair Value at Reporting Date Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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>

**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, 2021 and 2020, the Trust generated investment income (losses) of \$5,427,719 and \$(1,810,738), respectively, which includes the following:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Realized and unrealized appreciation (depreciation) in market value	\$ 5,063,027	\$ (2,627,298)
Dividends, interest and other income	<u>364,692</u>	<u>816,560</u>
	<u>\$ 5,427,719</u>	<u>\$ (1,810,738)</u>

At July 31, 2021 and 2020, the Trust's major investments are classified as follows:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Mutual Funds	\$ 6,111,454	\$ 6,126,883
Exchange Transaction Funds	19,092,129	14,079,220
Exchange Transaction Funds - Real Estate	<u>359,260</u>	<u>275,098</u>
	<u>\$25,562,843</u>	<u>\$20,481,201</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<b>Accounts receivable:</b>		
Student accounts receivable	\$ 33,423,963	\$ 45,965,721
Grants receivable	11,549,756	9,304,241
Other receivable	<u>(846,215)</u>	<u>3,272,580</u>
	44,127,504	58,542,542
Allowance for doubtful accounts	<u>(31,037,640)</u>	<u>(25,541,352)</u>
Accounts receivable, net	<u><u>\$ 13,089,864</u></u>	<u><u>\$ 33,001,190</u></u>
 <b>Loans receivable:</b>		
Perkins loans advances	\$ 16,499,658	\$ 16,499,658
Less:		
Loans assigned to U.S. Government	(870,884)	(870,884)
Principal collected	(11,432,290)	(11,358,118)
Principal cancellations	<u>(1,228,750)</u>	<u>(1,227,983)</u>
	<u>(13,531,924)</u>	<u>(13,456,985)</u>
Loans receivable, net	<u><u>\$ 2,967,734</u></u>	<u><u>\$ 3,042,673</u></u>

**NOTE 6 - CHANGE IN CAPITAL ASSETS**

A summary of the changes in physical plant for the years ended September 30, 2021 and 2020, respectively, is as follows:

	<u>Balance 10/01/20 (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/21</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 5,043,375	\$ -	\$ -	\$ 5,043,375
Construction in progress	23,168,140	30,303,853	(3,960,915)	49,511,078
Historical treasures	<u>3,744,667</u>	<u>-</u>	<u>-</u>	<u>3,744,667</u>
	<u>31,956,182</u>	<u>30,303,853</u>	<u>(3,960,915)</u>	<u>58,299,120</u>
<b>Capital assets being depreciated</b>				
Land improvements	554,817	-	-	554,817
Buildings	230,093,529	3,960,915	-	234,054,444
Equipment	25,039,572	4,962,689	(142,402)	29,859,859
Library holdings	12,180,690	30,482	(9,986)	12,201,186
Information technology	<u>4,693,051</u>	<u>5,622,517</u>	<u>-</u>	<u>10,315,568</u>
	272,561,659	14,576,603	(152,388)	286,985,874
<b>Less: accumulated depreciation</b>				
Land improvements	(152,073)	(27,741)	-	(179,814)
Buildings	(111,927,445)	(5,260,542)	-	(117,187,987)
Equipment	(14,316,163)	(1,332,379)	11,913	(15,636,630)
Library holdings	(8,450,670)	(40,437)	9,986	(8,481,121)
Information technology	<u>(4,693,051)</u>	<u>(1,124,504)</u>	<u>-</u>	<u>(5,817,555)</u>
	<u>(139,539,402)</u>	<u>(7,785,603)</u>	<u>21,899</u>	<u>(147,303,107)</u>
Capital assets being depreciated, net	<u>133,022,257</u>	<u>6,801,001</u>	<u>(130,489)</u>	<u>139,692,769</u>
Capital assets, net	<u><u>\$ 164,978,439</u></u>	<u><u>\$ 37,104,854</u></u>	<u><u>\$ (4,091,404)</u></u>	<u><u>\$ 197,991,889</u></u>

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

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

	Balance 10/01/19 (Restated)	Additions	Deletions	Balance 9/30/20 (Restated)
<b>Capital assets not being depreciated</b>				
Land	\$ 5,043,375	\$ -	\$ -	\$ 5,043,375
Construction in progress	18,796,395	4,371,745	-	23,168,140
Historical treasures	3,744,667	-	-	3,744,667
	<u>27,584,437</u>	<u>4,371,745</u>	<u>-</u>	<u>31,956,182</u>
<b>Capital assets being depreciated</b>				
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	4,693,051	-	-	4,693,051
	<u>270,125,417</u>	<u>2,863,813</u>	<u>(427,572)</u>	<u>272,561,658</u>
<b>Less: accumulated depreciation</b>				
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	(14,316,163)
Library holdings	(8,635,591)	(44,151)	229,072	(8,450,670)
Information technology	(4,664,775)	(28,276)	-	(4,693,051)
	<u>(133,222,405)</u>	<u>(6,714,302)</u>	<u>397,305</u>	<u>(139,539,402)</u>
Capital assets being depreciated, net	<u>136,903,012</u>	<u>(3,850,489)</u>	<u>(30,267)</u>	<u>133,022,256</u>
Capital assets, net	<u>\$ 164,487,449</u>	<u>\$ 521,256</u>	<u>\$ (30,267)</u>	<u>\$ 164,978,438</u>

Depreciation expense (including amortization expense on capital lease assets) for the years ended September 30, 2021 and 2020, was \$7,775,603 and \$6,898,447, 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, 2021 and 2020, accrued annual and sick leave was \$2,821,239 and \$2,837,863, 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**

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**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.

**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:

<b>Loan Series</b>	<b>Purpose</b>	<b>Face Value</b>
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>

On December 27, 2020, the U.S. Department of Education cancelled the promissory notes for the Capital Project Loans, Series A 2015-5, 2015-6, 2015-7 and a portion of the Series A 2019-5. The debt cancellation resulted in gain on retirement of long-term debt of \$84,406,466. The gain has been reported in the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenue.

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

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

The University's changes in outstanding long-term debt and current portion of debt at June 30, 2021 and 2020, is as follows:

	<b>Balance 9/30/2020</b>	<b>Addition</b>	<b>Reduction</b>	<b>Balance 9/30/2021</b>	<b>Due Within One Year</b>
Notes Payable	\$ 84,095,687	\$ 13,305,564	\$ 84,406,466	\$ 12,994,785	\$ -
Compensated Absences Payable	2,837,863	-	16,624	2,821,239	90,294
Net Pension Liability	79,704,000	7,052,000	-	86,756,000	-
Net OPEB Liability	<u>24,427,014</u>	<u>11,323,707</u>	<u>-</u>	<u>35,751,021</u>	<u>1,884,377</u>
	<u>\$ 191,064,564</u>	<u>\$ 31,681,271</u>	<u>\$ 84,423,090</u>	<u>\$ 138,323,045</u>	<u>\$ 1,974,671</u>

	<b>Balance 9/30/2019</b>	<b>Addition</b>	<b>Reduction</b>	<b>Balance 9/30/2020</b>	<b>Due Within One Year</b>
Notes Payable	\$ 83,758,677	\$ 4,028,450	\$ 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>52,828,523</u>	<u>-</u>	<u>28,401,509</u>	<u>24,427,014</u>	<u>1,841,463</u>
	<u>\$ 211,202,465</u>	<u>\$ 11,955,048</u>	<u>\$ 32,092,949</u>	<u>\$ 191,064,564</u>	<u>\$ 6,447,302</u>

A summary of the University's loans payable activity for the years ended September 30, 2021 and 2020, is as follows:

	<b>Balance 10/02/2020</b>	<b>Addition</b>	<b>Reduction</b>	<b>Balance 09/30/2021</b>	<b>Due Within One Year</b>
Rice Capital Access Program 2015-5 Series: Normal Hills Operations due in varying amounts including interest at 2.024% through June 3, 2030	\$ 10,322,337	\$ -	\$ 10,322,337	\$ -	\$ -
Rice Capital Access Program 2015-6 Series; Dormitory Construction and Renovation due in varying amounts including interest at 2.116% through June 1, 2032	35,754,037	-	35,754,037	-	-
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	33,990,862	-	33,990,862	-	-
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>4,028,450</u>	<u>13,305,564</u>	<u>4,339,229</u>	<u>12,994,785</u>	<u>-</u>
	84,095,686	13,305,564	84,406,465	12,994,786	<u>\$ -</u>
Less: unamortized loss on 2015-6 series	<u>(1,841,412)</u>	<u>-</u>	<u>(1,841,412)</u>	<u>-</u>	
Loans payable	<u>\$ 82,254,274</u>	<u>\$ 13,305,564</u>	<u>\$ 82,565,053</u>	<u>12,994,786</u>	
Less current portion	<u>4,488,644</u>			<u>12,994,785</u>	
	<u>\$ 77,765,630</u>			<u>\$ 12,994,785</u>	

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

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

	<u>Balance 10/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/20</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	\$ 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 June1, 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 30yr FFB rate at time of draw + .225% through June 1, 2045	34,164,999	-	174,137	33,990,862	900,255
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	-	4,028,450	-	4,028,450	-
	83,758,677	4,028,450	3,691,441	84,095,686	<u>\$ 4,488,644</u>
Less unamortized loss on defeasance 2007	-	-	-	-	
Less unamortized gain on defeasance 2015-5 and 2015-6 series	<u>(2,025,597)</u>	<u>-</u>	<u>(184,185)</u>	<u>(1,841,412)</u>	
Loans payable	<u>\$ 81,733,080</u>	<u>\$ 4,028,450</u>	<u>\$ 3,507,256</u>	82,254,274	
Less current portion	<u>3,691,441</u>			<u>4,488,644</u>	
	<u>\$ 78,041,639</u>			<u>\$ 77,765,630</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>
2023	\$ -	\$ 490,406	\$ 490,406
2024	-	446,254	446,254
2025	-	301,839	301,839
2026	-	307,118	307,118
2027	-	313,355	313,355
2028-2032	-	1,582,687	1,582,687
2033-2037	10,997,372	894,461	11,891,833
2038	<u>1,997,413</u>	<u>20,271</u>	<u>2,017,684</u>
	<u>\$ 12,994,785</u>	<u>\$ 4,356,391</u>	<u>\$ 17,351,176</u>

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

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**NOTE 9 - DEFINED BENEFIT PLAN**

**Plan Description**

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

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

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

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 2021 and 2020 as follows:

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

**NOTE 9 - DEFINED BENEFIT PLAN (CONT'D)**

	2021		2020	
	Tier 1	Tier 2	Tier 1	Tier 2
Total Percentage of Covered Payroll	19.86%	17.22%	19.93%	17.34%
Total Percentage of Covered Payroll	20.86%	18.22%	20.93%	18.34%
<b>Contributions:</b>				
Percentage contributed by the University	12.36%	11.22%	12.43%	11.34%
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)		\$5,966,762		\$6,051,601
Amount contributed by Employees (both Tiers)		3,481,457		3,515,275
Total Contributions		<u>\$9,448,219</u>		<u>\$9,566,876</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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

<b>Net Pension Liability</b>	<b>(In Thousands)</b>
Valuation Date:	<b>September 30, 2019</b>
Measurement Date:	<b>September 30, 2020</b>
Reporting Date:	<b>September 30, 2021</b>
<b>Net Pension Liability:</b>	
Total Pension Liability (TPL)	\$ 38,316,039
Fiduciary Net Position (FNP)	<u>(25,946,389)</u>
Net Pension Liability (NPL)	<u>\$ 12,369,650</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	(67.72)%
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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Rate of Return</b>
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:

<b>2019</b>	<b>2020</b>	<b>2021</b>
<u>\$5,808,836</u>	<u>\$6,266,973</u>	<u>\$6,049,057</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:

	<b>Collective Deferred Outflows of Resources (In Thousands)</b>	<b>Collective Deferred Inflows of Resources (In Thousands)</b>
Differences between expected and actual experience	\$ 4,294	\$ 1,505
Changes of assumptions	902	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	197	-
Employer Contribution Subsequent of the Measure Date	8,376	-
Net difference between projected and actual earnings	<u>6,443</u>	<u>1,860</u>
Total	<u>\$ 20,212</u>	<u>\$ 3,365</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%):

	<b>(In Thousands)</b>		
	<b>1% Decrease (6.70%)</b>	<b>Current Discount Rate (7.70%)</b>	<b>1% Increase (8.70%)</b>
Net Pension Liability	\$111,575	\$86,756	\$62,223

**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:

	<b>Collective Deferred Outflows of Resources (In Thousands)</b>	<b>Collective Deferred Inflows of Resources (In Thousands)</b>
Differences between expected and actual experience	\$ 4,294	\$ 1,505
Changes of assumptions	902	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	197	-
Employer Contribution Subsequent of the Measure Date	8,376	-
Net difference between projected and actual earnings	<u>6,443</u>	<u>1,860</u>
Total	<u>\$ 20,212</u>	<u>\$ 3,365</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2021 will be recognized in pension expense as follows:

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

	<b>(In Thousands)</b>
2022	\$ 1,534
2023	\$ 2,821
2024	\$ 2,903
2025	\$ 1,213
2026	\$ 11,741

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:**

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

**Pension Expense**

For the fiscal years ended September 30, 2021 and 2020, the University recognized pension expense of \$8,421,057 and \$8,452,973, respectively.

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

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**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, 2021 and 2020, employees' contributions to optional supplemental retirement programs were \$8,536,555 and \$931,319, 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**

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

The required rates of retirees are as follows as of September 30, 2021:

**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**

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**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:	<b>September 30, 2018</b>
Measurement Date:	<b>September 30, 2019</b>
Reporting Date:	<b>September 30, 2020</b>
<b>Net OPEB Liability:</b>	
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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Rate of Return</b>
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>100.00 %</u>	

**Schedule of Deferred Outflows and Inflow of Resources**

At September 30, 2021 and 2020, the University reported outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2021</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 906,620	\$12,853,348
Change of assumptions	12,487,552	6,638,638
Net difference between projected and actual earnings on OPEB		1,507
Change in proportion and difference between employer contributions and proportionate share contributions	1,202,846	7,236,534
Employer contributions subsequent to the measurement date	<u>                    </u>	<u>-</u>
Total	<u>\$14,597,018</u>	<u>\$26,730,027</u>

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

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

	<b>2020</b>	
	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
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>

At September 30, 2021, \$14,597,018 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, 2022.

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

<b>Year ended September 30:</b>	<b>Amount</b>
2022	\$ (3,656,232)
2023	\$ (3,601,772)
2024	\$ (2,694,588)
2025	\$ (3,044,556)
2026	\$ 305,634
Thereafter	\$ -

At September 30, 2020, \$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:

<b>Year ended September 30:</b>	<b>Amount</b>
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**

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

**Actuarial Assumptions**

The total OPEB liability as September 30, 2021 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 2021 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 2021 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)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Rate of Return *</b>
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	<u>100.00 %</u>	

\* 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:

	<b>1% Decrease (5.75% decreasing to 3.75% for pre- Medicare, 3.75% for Medicare Eligible, and 1% for Optional Plans)</b>	<b>Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre- Medicare, 1.75% for Medicare Eligible, and 2% for Optional Plans)</b>	<b>1% Increase (7.75% decreasing to 5.75% for pre- Medicare, 5.75% for Medicare Eligible, and 3% for Optional Plans)</b>
Net OPEB Liability	\$28,261,298	\$35,751,021	\$45,500,094

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

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

	<b>1% Decrease (4.50%)</b>	<b>Current Discount Rate (5.50)%</b>	<b>1% Increase (6.50%)</b>
Net OPEB Liability	\$43,850,482	\$35,751,021	\$29,318,294

**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, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**NOTE 13 - RELATED PARTIES**

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

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

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

**NOTE 15 - OPERATING EXPENSES**

Operating expenses by functional classification for the fiscal years ended September 30, 2021 and 2020, are as follows:

<b>Expenses by Function</b>		
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>Educational and General:</b>		
Instruction	\$ 33,955,855	\$ 30,084,991
Research and development	10,702,309	9,206,031
Public service	14,013,728	11,497,156
Academic support	6,917,900	7,257,779
Student services	25,668,769	27,527,791
Institutional support	8,742,016	10,493,154
Operation and maintenance of plant	34,774,077	23,369,231
Scholarships and fellowships	65,502,167	19,349,907
Auxiliary Enterprises	15,023,170	13,413,035
Depreciation and amortization	<u>7,775,603</u>	<u>6,898,447</u>
Total operating expenses	<u><u>\$ 223,075,594</u></u>	<u><u>\$ 159,097,522</u></u>

**NOTE 16 - RISKS AND UNCERTAINTIES**

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

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

**NOTE 17 - COMPONENT UNITS**

Details of the Foundation's net position at September 30, 2021 and 2020 and the Trust's net position at July 31, 2021 and 2020, are as follows:

	<b>2021</b>			<b>2020</b>		
	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ 6,968,786	\$ 20,222,817	\$ 27,191,603	\$ 2,093,850	\$ 20,250,380	\$ 22,344,230
Receivables,	7,350	-	7,350	1,500	733,718	735,218
Total current assets	<u>6,976,136</u>	<u>20,222,817</u>	<u>27,198,953</u>	<u>2,095,350</u>	<u>20,984,098</u>	<u>23,079,448</u>
<b>Non-current assets:</b>						
Investments	9,406,822	25,572,876	34,979,698	8,064,802	20,481,202	28,546,004
Capital assets, net	<u>1,502,527</u>	<u>-</u>	<u>1,502,527</u>	<u>1,502,527</u>	<u>-</u>	<u>1,502,527</u>
Total non-current assets	<u>10,909,349</u>	<u>25,572,876</u>	<u>36,482,225</u>	<u>9,567,329</u>	<u>20,481,202</u>	<u>30,048,531</u>
<b>Total assets</b>	<u>\$ 17,885,485</u>	<u>\$ 45,795,693</u>	<u>\$ 63,681,178</u>	<u>\$ 11,662,679</u>	<u>\$ 41,465,300</u>	<u>\$ 53,127,979</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	\$ 1,120,309	\$ -	\$ 1,120,309	\$ 735,633	\$ -	\$ 735,633
Funds held for other organizations	9,112,124	-	9,112,124	2,342,237	-	2,342,237
Current portion due on mortgage payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,611</u>	<u>-</u>	<u>420,611</u>
Total current liabilities	<u>10,232,433</u>	<u>-</u>	<u>10,232,433</u>	<u>3,498,481</u>	<u>-</u>	<u>3,498,481</u>
<b>Non-current liabilities:</b>						
Mortgage payable	<u>806,472</u>	<u>-</u>	<u>806,472</u>	<u>810,328</u>	<u>-</u>	<u>810,328</u>
Total non-current liabilities	<u>806,472</u>	<u>-</u>	<u>806,472</u>	<u>810,328</u>	<u>-</u>	<u>810,328</u>
Total liabilities	<u>11,038,905</u>	<u>-</u>	<u>11,038,905</u>	<u>4,308,809</u>	<u>-</u>	<u>4,308,809</u>
<b>NET POSITION</b>						
<b>Net Assets:</b>						
Without donor restrictions	1,292,303	2,779,462	4,071,765	2,161,275	(284,903)	1,876,372
With donor restrictions	<u>5,554,277</u>	<u>43,016,231</u>	<u>48,570,508</u>	<u>5,192,595</u>	<u>41,750,203</u>	<u>46,942,798</u>
Total restricted	<u>6,846,580</u>	<u>45,795,693</u>	<u>52,642,273</u>	<u>7,353,870</u>	<u>41,465,300</u>	<u>48,819,170</u>
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>6,846,580</u>	<u>45,795,693</u>	<u>52,642,273</u>	<u>7,353,870</u>	<u>41,465,300</u>	<u>48,819,170</u>
<b>Total liabilities and net position</b>	<u>\$ 17,885,485</u>	<u>\$ 45,795,693</u>	<u>\$ 63,681,178</u>	<u>\$ 11,662,679</u>	<u>\$ 41,465,300</u>	<u>\$ 53,127,979</u>

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

**NOTE 17 - COMPONENT UNITS (CONT'D)**

Details of the Foundation's revenues, expenses and changes in net position at September 30, 2021 and 2020 and the Trust's revenues, expenses, and changes in net position at July 31, 2020 and 2019 are as follows:

	<b>2021</b>			<b>2020</b>		
	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>	<b>Foundation</b>	<b>Trust</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>						
Net rental revenue/other	\$ 180,682	\$ -	\$ 180,682	\$ 449,166	\$ -	\$ 449,166
Contributions	59	-	59	585,105	-	585,105
Investment income	198,134	364,692	562,826	82,493	816,560	899,053
Realized and unrealized gain (loss) on investments	<u>703,801</u>	<u>5,063,027</u>	<u>5,766,828</u>	<u>(169,328)</u>	<u>(2,627,298)</u>	<u>(2,796,626)</u>
Total revenues	<u>1,082,676</u>	<u>5,427,719</u>	<u>6,510,395</u>	<u>947,436</u>	<u>(1,810,738)</u>	<u>(863,302)</u>
<b>OPERATING EXPENSES</b>						
<b>Educational and general:</b>						
Scholarships	549,162	-	549,162	1,004,452	1,000,046	2,004,498
Program administration	1,020,782	-	1,020,782	734,699	-	734,699
Investment fees	20,021	363,608	383,629	18,635	338,309	356,944
Depreciation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,302</u>	<u>-</u>	<u>70,302</u>
Total expenses	<u>1,589,965</u>	<u>363,608</u>	<u>1,953,573</u>	<u>1,828,088</u>	<u>1,338,355</u>	<u>3,166,443</u>
<b>CHANGE IN NET POSITION</b>						
Increase (decrease) in net position	(507,289)	5,064,111	4,556,822	(880,652)	(3,149,093)	(4,029,745)
Total net position, beginning of the year	<u>7,353,869</u>	<u>40,731,582</u>	<u>48,085,451</u>	<u>8,234,521</u>	<u>44,614,394</u>	<u>52,848,915</u>
Total net position, end of the year	<u>\$ 6,846,580</u>	<u>\$ 45,795,693</u>	<u>\$ 52,642,273</u>	<u>\$ 7,353,869</u>	<u>\$ 41,465,301</u>	<u>\$ 48,819,170</u>

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

**NOTE 18 - RESTATEMENT OF PRIOR YEARS FINANCIAL STATEMENTS**

The prior years financial statements have been restated to correct amounts reported in 2020 for the Statement of net position and the Statement of revenues, expenses and changes in net position. The affect of the restatement is as follows:

	<b>Balance 9/30/2020</b>	<b>Increase (Decrease)</b>	<b>Restated Balance 9/30/2020</b>
Accounts Receivable - Other net	\$ 21,979,451	(9,402,630)	\$ 12,576,821
Accounts Payable and Accrued Exp	14,304,661	(4,765,896)	9,538,765
Unearned Revenues	55,922,296	(18,822,481)	37,099,815

As a result of the corrections, the restated beginning net position for 2020 is as follows:

	<b>Amount</b>
Ending net position as originally reported at 9/30/2020	\$ 2,972,297
Items identified during the current fiscal year requiring restatement of PY ending net position	
Accounts receivable - other	(9,402,630)
Accounts payable	4,765,896
Unearned revenue	<u>18,822,481</u>
Subtotal	<u>14,185,747</u>
Beginning net position at 9/30/2020, as restated	\$17,158,049

**NOTE 19 - 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**

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**NOTE 19 - 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**

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**NOTE 19 - 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**

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**NOTE 19 - 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)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Measurement Period, 12 months ended</b>	<b>9/30/19</b>	<b>9/30/18</b>	<b>9/30/17</b>	<b>9/30/16</b>	<b>9/30/15</b>
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 %
<b>University's Contributions to Pension Plan:</b>					
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)**

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Measurement Period, 12 months ended</b>	<b>9/30/19</b>	<b>9/30/18</b>	<b>9/30/17</b>
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 %
<b>University's Contributions to OPEB Plan:</b>			
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 %