

**Athens State University
Financial Statements
September 30, 2021**

FINANCIAL REPORT 2020-2021



Athens State University

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September 30, 2021

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PART I

FINANCIAL STATEMENTS



Independent Auditor's Report

To the Board of Trustees
Athens State University

Report on the Financial Statements

We have audited the accompanying financial statements of Athens State University ("ASU" or "the University"), a component unit of the State of Alabama, and its discretely presented component unit as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise ASU's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit, Athens State University Foundation, Inc. ("ASUF" or "the Foundation"), were not audited in accordance with *Governmental Auditing Standards*.

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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ASU and its discretely presented component unit as of September 30, 2021, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15, the schedule of Athens State University's proportionate share of the net pension liability and OPEB liability on pages 57 and 59, respectively, and the schedule of Athens State University's pension and OPEB contributions on pages 58 and 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

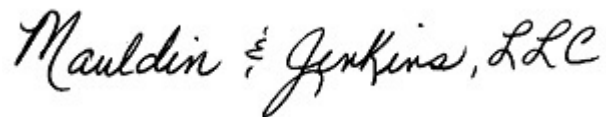
Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Listing of University Officials on page 62 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022 on our consideration of Athens State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ASU's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Athens State University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Athens, Alabama
March 18, 2022

Introduction

The objective of Management's Discussion and Analysis is to help the readers of Athens State University's financial statements to better understand the financial condition and activities that have occurred during the fiscal year ended September 30, 2021. This document has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements.

Athens State University's financial report consists of the following statements:

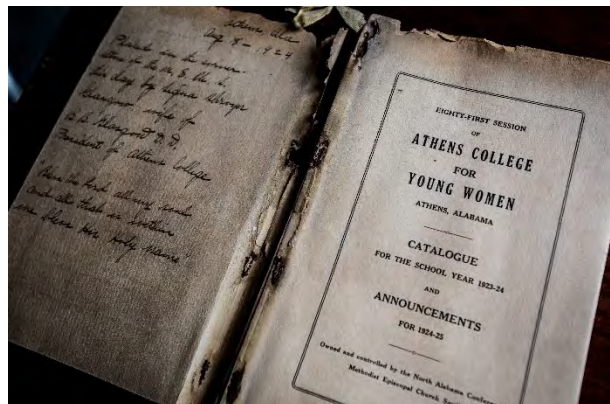
- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

These statements are intended to present the financial position, operating activities and cash flows of the University. The Notes to the Financial Statements provide additional information that is needed to fully understand the financial statements.



Athens State University baccalaureate and master's degree granting upper-division, non-residential, co-educational, is an open-admissions institution located in the northernmost part of the state in the City of Athens, Alabama. It can be classified as both the oldest and youngest institution of higher education in Alabama and is the only institution of its kind in the State of Alabama. The institution was founded in 1822, by local citizens who purchased five acres of land,

erected a building, and began Athens Female Academy. Ownership of the school was transferred in 1842 to the Tennessee Conference of the Methodist Church. With the birth of the North Alabama Conference of the Methodist Church in 1870, the institution came under the jurisdiction of that body. The University remained a female institution until it became co-educational in 1931, with a name change to Athens College.



On May 1, 1974, the Board of Trustees met to discuss requesting permission from the North Alabama Conference of the United Methodist Church that the institution seek affiliation with the State of Alabama. The Conference, at its annual meeting in June 1974, gave the Board of Trustees this permission and authorized the potential transfer of the institution to the State of Alabama. Following a lengthy period of negotiations, the institution was accepted by the Alabama State

Athens State University

Management's Discussion and Analysis

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Board of Education on November 24, 1975 and charged to serve the graduates of state junior, community, and technical colleges/institutes.

It is the only upper division school in the state. The Alabama Legislature and the State Board of Education worked together to appropriate funds for continued operation with the goal of serving the graduates of the states' many two-year colleges. The University underwent another name change to Athens State University in 1998.

Athens State University is considered the youngest institution because it became an autonomous university in 2012. This occurred when, by act of the Alabama Legislature, Athens State University withdrew from governance under the Alabama State Board of Education and the Department of Postsecondary Education and from membership in the statewide community college system. On October 1, 2012, the University officially became an autonomous public institution governed by a Board of Trustees.



Enrollment is approximately 3,000 students and ninety-six (96) percent of our students are Alabama residents, located in 54 counties or eighty (80) percent of the 67 counties in the state. Sixty-eight (68) percent of students are female, average age of 30 years, gainfully employed, and most with children at home. Fifty-eight (58) percent of students attend school on a part-time basis, and ninety (90) percent are employed either full-time (63%) or part-time (27%). The racial composition of the student body is seventy-five (75) percent White and twenty-two (22) percent minority (3% not reported). Sixty-one (61) percent of students receive some form of financial assistance that may include federal, state, and/or institutional funding sources

(Source: Fall 2020 Fact Book).

The Athens State University mission statement stresses the institution's emphasis on teaching, service, research and other creative activities to empower its students to make valuable contributions in their professional, civic, educational, and economic endeavors. The institution strives to provide appropriate learning resources and a variety of course formats and options that support quality teaching, learning, and the advancement of knowledge and actively promotes diversity and lifelong learning. Through affiliations with a variety of organizations, Athens State University provides resources that support continuing education for students and the community at large. The institution also sponsors and supports programs that stimulate cultural and intellectual enrichment in the community. As of Fall 2020, the University employed 230 full-time employees including 84 faculty members and 132 part-time employees which includes 87 part-time faculty.

The University offers 34 undergraduate degree programs and 3 graduate degree programs for its students to choose from and continues to explore the latest technology in the delivery of these majors. In addition, the University offers 57 minors and 17 certificates. To better meet the needs of our students, the University provides 12 undergraduate and 3 graduate programs completely online through a distance learning format. A brief paragraph about each of the University's three Colleges and the University Centers follows.

College of Education – The College of Education is the state leader in producing high quality teacher candidates. The College of Education faculty has established programs based on the conceptual framework's theme "Reflective Practitioners." The conceptual framework has four goals which describe the teacher candidates who complete the program at Athens State University. These four program goals are: Student Centered Learning, Disciplinary Knowledge, Professional and Pedagogical Knowledge, and Socially Responsible Citizens. Specifically, Athens State teacher candidates graduate with a strong foundation in disciplinary, professional, and pedagogical knowledge and the ability to create student centered learning opportunities and practice socially responsible citizenship. Graduates are prepared for the classroom and are attractive to school systems in North Alabama and across the state. Courses are offered in traditional, blended, and online formats to meet the needs of students. The College of Education is accredited by NCATE, the National Council for Accreditation of Teacher Education. The U.S. Department of Education and the Council for Higher Education Accreditation recognize NCATE as an accrediting body for schools, colleges and departments of education. NCATE is currently collaborating with the Teacher Education Accreditation Council (TEAC) to form a new national accrediting body called the Council for Accreditation of Educator Programs (CAEP).

College of Arts and Sciences – The College of Arts and Sciences curricula are designed to prepare students for entry into the job market, or for continuing education in graduate or professional school. Through its course offerings, the college seeks to engage the intelligence, excite the imagination, and improve the scholarship of its students. Through engaged learning experiences the College of Arts and Sciences seeks to assist its students to develop competencies in written and oral communications; appreciation of our cultural heritage and understanding of our world; a knowledge base conducive to self-growth and enriched life experiences; and, fundamental knowledge, research skills and computer literacy essential to lifelong learning. The College of Arts and Sciences launched its first graduate degree program, a Master of Arts in Religious Studies, in the Fall 2016.

College of Business – The mission of the College of Business at Athens State University is to offer programs of study to prepare students for positions in business, finance, and government; to enhance the professional development of those already employed, and to provide an academic framework for graduate study leading to professional positions. The purpose of the College of Business is to provide quality education for all students, teaching them to think critically, to use technology efficiently, to be effective leaders, decision makers, and communicators, to maintain ethical standards, and to understand the global economy. The College of Business offers seven undergraduate degree programs and one graduate degree program entirely online in addition to the traditional offerings. The online format enables the University to reach students across the state, the nation, and internationally. Additionally, the College of Business is accredited by the Association of Collegiate Business Schools and Programs (ACBSP), one of the leading specialized accreditation associations for business education.

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University Centers – Athens State University has 6 off-campus instructional sites located in various areas of North Alabama with the goal of expanding the opportunities for traditional and non-traditional students to pursue degrees or certifications at locations where education might otherwise be limited. Each Center is staffed with a Center Manager to provide student support services in admissions, registration, academic advising, financial aid, and more. The University has Centers located on the campus of Wallace State Community College-Hanceville, Northeast Alabama Community College, and Redstone Arsenal. These Centers serve as recruiting and advising facilities as well as offer onsite and distance learning classes. The University also has Centers on the campuses of Snead State Community College and Northwest Shoals Community College. These Centers also serve as recruiting and advising facilities and offer only distance learning classes.

Through a collaborative partnership between Athens State University, Calhoun Community College, the City of Decatur, and Morgan County, the Alabama Center for the Arts opened in January 2013 in Decatur, Alabama. This location serves as a venue for college art instruction, community education, and cultural events.



Financial Highlights

Athens State University had another successful year financially. For the fifteenth-consecutive year, the University increased its overall financial position. The University's total assets and deferred outflows at the conclusion of the fiscal year ended September 30, 2021 were \$92.73 million and liabilities and deferred inflows were \$70.98 million. This resulted in a significant increase (\$4.84 million) in the University's net position which ended the year at \$21.75 million.

Financial Statements

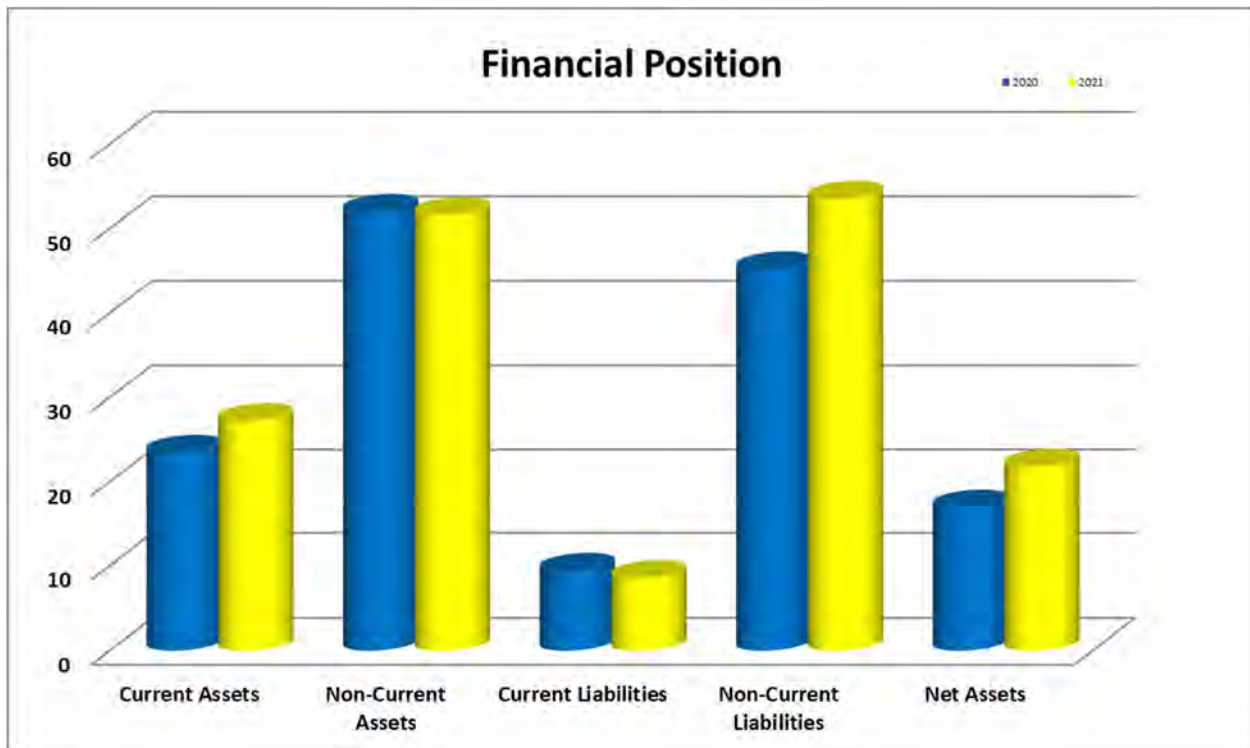
As stated in the previous paragraphs, the University's annual financial reports include the following three statements:

- The Statement of Net Position,
- The Statement of Revenues, Expenses, and Changes in Net Position,
- The Statement of Cash Flows

The financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) requirements and guidelines. These financial statements are followed by Notes to the Financial Statements, which are intended to supplement the financial statements and to provide more detailed information thereto.

The University's Financial Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year. It displays all of the University's assets, deferred outflows, liabilities, and deferred inflows. The difference between the assets, deferred outflows, liabilities, and deferred inflows represents the net position of the University. Net position is the measure of net worth, the current financial position of the University at September 30, 2021. The below chart reflects assets and liabilities as compared to last fiscal year adjusted to account for the change in accounting principle. The chart reflects an increase in net position of \$4.84 million.



Net position is divided into three major categories. (a) The first category, invested in capital assets, net of debt, provides the University's equity in property, plant and equipment owned by Athens State University. (b) The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The nonexpendable restricted resources are only available for investment purposes. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The University did not have any nonexpendable net position at September 30, 2021. (c) The final category is unrestricted net position. Unrestricted net position is available to the University for any appropriate purpose.

Summary: Statement of Net Position

	<u>2021</u>	<u>2020</u>
Assets:		
Current Assets	\$ 27,172,754	\$ 23,399,544
Capital Assets, Net	42,625,402	43,238,501
Other Assets	8,975,893	8,715,517
Total Assets	<u>78,774,049</u>	<u>75,353,562</u>
Deferred Outflows of Resources	<u>13,952,118</u>	<u>6,935,866</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 92,726,167</u>	<u>\$ 82,289,428</u>
Liabilities:		
Current Liabilities	\$ 8,523,790	\$ 9,371,895
Non-Current Liabilities	53,524,497	45,143,770
Total Liabilities	<u>62,048,287</u>	<u>54,515,665</u>
Deferred Inflows of Resources	<u>8,927,877</u>	<u>10,866,241</u>
Net Position:		
Invested in Capital, Net of Debt	33,430,402	32,484,392
Restricted - Expendable	994,617	586,121
Restricted - Endowments	200,000	100,000
Unrestricted	<u>(12,875,016)</u>	<u>(16,262,991)</u>
Total Net Position	<u>21,750,003</u>	<u>16,907,522</u>
Total Liabilities, Deferred Inflows of Resources, Net Position	<u>\$ 92,726,167</u>	<u>\$ 82,289,428</u>

The University's Results of Operations

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues received by the University, both operating and non-operating, and the expenses paid by the University, both operating and non-operating, and any other revenues, expenses, gains or losses received, or spent by the University. The changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position.

The Operating revenues are those revenues received from students (tuition and fees) and various outside tuition assistance programs. Operating expenses are those expenses incurred while carrying out the service programs offered by the University. Non-operating revenues are revenues received for which services are not provided (example, Athens State University's State Appropriation).

Summary: Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Operating Revenues	\$ 24,615,814	\$ 20,860,681	\$ 3,755,133
Operating Expenses	42,410,272	38,411,730	3,998,542
Operating Loss	(17,794,458)	(17,551,049)	(243,409)
Non-Operating Revenues and Expenses	22,636,969	22,270,764	366,205
Increase in Net Position	4,842,511	4,719,715	122,796
Net Position - Beginning of Year	<u>16,907,522</u>	<u>12,187,807</u>	4,719,715
Net Position - End of Year	<u>\$ 21,750,033</u>	<u>\$ 16,907,522</u>	<u>\$ 4,842,511</u>

The Statement of Revenues, Expenses, and Changes in Net Position reflects operating revenues of \$24,615,814, which is an increase of \$3,755,133 from the prior year. This is a result of an increase from Federal Grants and Contracts of \$4,278,714. The operating expenses increased by 10.4% due to an increase in operational budgets for the Education Stabilization Fund related to the ongoing COVID-19 pandemic and salary and employee benefit budgets.

The following chart provides a picture of what the University's Unrestricted and Total Net Position would be before the Pension Liability and Other Postemployment Benefits Liability are applied to the Financial Statements.

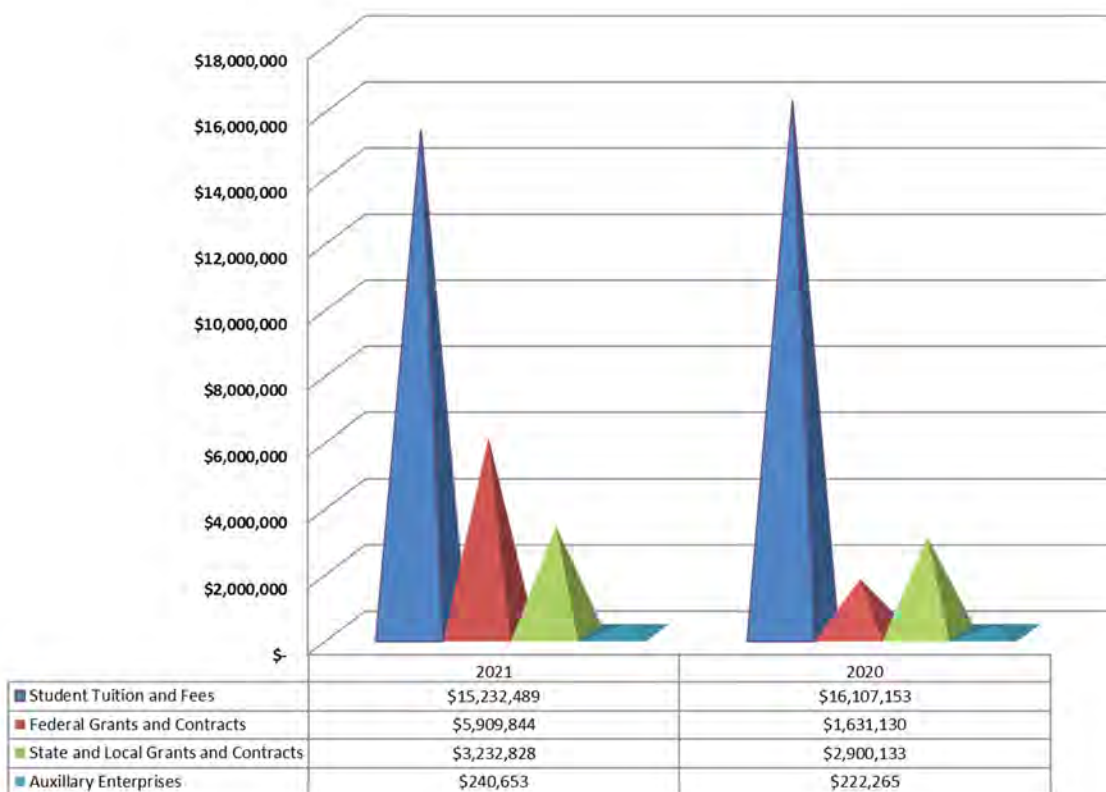
	<u>2021</u>	<u>2020</u>
Unrestricted Net Position per Audited Financial Statements	\$ (12,875,016)	\$ (16,262,991)
Cumulative Effects of the:		
Pension Liability	25,667,570	24,192,260
Other Postemployment Benefits Liability	<u>14,275,604</u>	<u>14,964,901</u>
Unrestricted Net Position, net of Pension and OPEB Liabilities	27,068,158	22,894,170
Invested in Capital Assets, Net of Related Debt	33,430,401	32,484,392
Restricted:		
Expendable	994,617	586,121
Capital Projects	-	-
Endowments	<u>200,000</u>	<u>100,000</u>
Total Net Position, net of Pension and OPEB Liabilities	<u>\$ 61,693,176</u>	<u>\$ 56,064,683</u>

Athens State University
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The chart below displays the operating revenues by type and their relationship to one another as discussed in the previous paragraph. The largest source of funds for fiscal year 2021 is Student Tuition and Fees. State and Local Grants and Contracts make up the next largest source of funds. Federal Grants and Contracts consist of Federal Financial Assistance to students in the form of Pell Grants, FSEOG, SMART Grants, TEACH Grants, and Federal Work Study Funds.

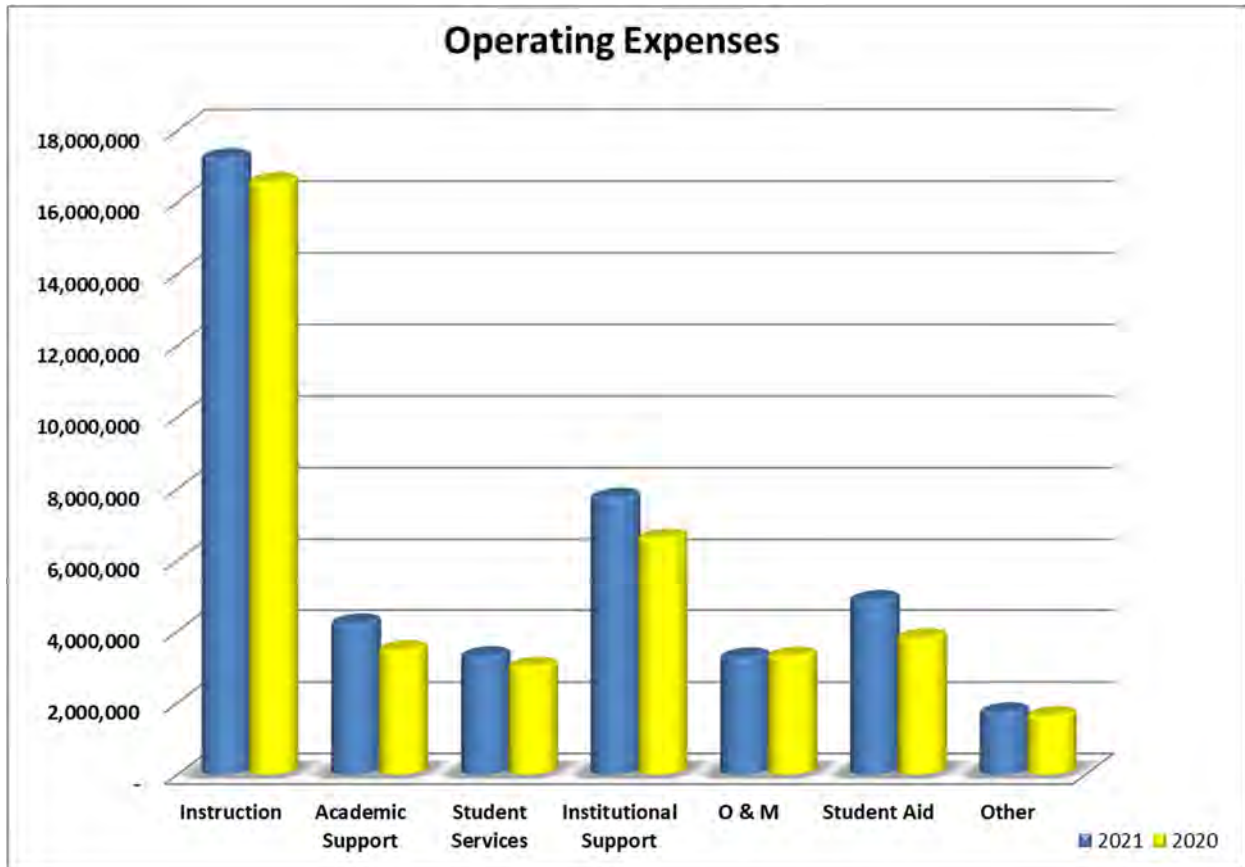
The largest source of non-operating revenues is State Appropriations. Athens State University annually receives a State Appropriation as a separate line item in the state of Alabama Education Trust Fund budget. The 2021 and 2020 fiscal year State Appropriation allocated for the Operations and Maintenance and Program Support of the University totaled \$15,055,494 and \$14,655,494 for each year respectively.

Operating Revenues



Operating Expenses

The operating expenses by function are displayed in the following exhibit:



The chart above allows the reader to visualize each functional expenditure category and how each functional category of expenditures compares to the other.

Operating Expenses by Natural Classification

	2021	2020	Change	% Change
Salaries	\$ 20,595,609	\$ 20,351,752	\$ 243,857	1.20%
Benefits	7,402,091	6,096,831	1,305,260	21.41%
Supplies and Others	7,665,020	6,260,547	1,404,473	22.43%
Utilities	590,124	622,766	(32,642)	-5.24%
Financial Aid	4,876,768	3,808,661	1,068,107	28.04%
Depreciation	1,280,660	1,271,173	9,487	0.75%
	<u>\$ 42,410,272</u>	<u>\$ 38,411,730</u>	<u>\$ 3,998,542</u>	<u>10.41%</u>

The University's Cash Flows

The Statement of Cash Flows is the final statement presented by Athens State University. It presents detailed information about the cash activity of the institution during the year.

The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used for the operating activities of the University. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash Flows for the Years Ended September 30:

	<u>2021</u>	<u>2020</u>
Cash provided (used) by:		
Operating activities	\$ (17,364,659)	\$ (16,294,945)
Non-capital financing activities	23,079,744	22,607,112
Investing activities	238,896	282,519
Capital and related financing activities	<u>(2,891,423)</u>	<u>(2,425,630)</u>
Net Change in Cash	3,062,558	4,169,056
Cash - Beginning of Year	20,080,898	15,911,842
Cash - End of Year	\$ 23,143,456	\$ 20,080,898

The above cash flow comparison reflects an increase in cash of \$3,062,558 as compared to ending cash the previous year.

Looking Forward

Act. No. 2012-497 removed Athens State University from the jurisdiction, supervision, and control of the State Board of Education and Department of Postsecondary Education effective October 1, 2012. This legislation enabled the creation of the Board of Trustees of Athens State University which is to provide governance of the university. Athens State University, as the only upper division institution in the State of Alabama, strives to serve the graduates of the state's community college system. The University has been successful in reaching out to the graduates of the Alabama Community College System. By offering several on-line degree programs, the University has been able to offer courses to students in the underserved areas of the state. In doing so, Athens State University is taking a lead role in enhancing the education opportunities of our citizens and improving the overall education level in the State of Alabama.

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Athens State, under the supervision of its Board of Trustees, continues to be the most affordable higher education option in the State of Alabama and in the Southeast. The University will continue to monitor enrollment and reach out to students in underserved areas of the state, while continuing to provide the quality of education our students have become accustomed. The University is currently expanding our Liberal Arts program in Decatur with a joint agreement with Calhoun Community College. The University continues to develop new majors and programs in response to demand in the job market.

The University's overall enrollment remains fairly stable and we continue to look for ways to increase enrollment and better serve our student population.

Student Fall Enrollment Data - Head Count																		
	*2021	%	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%	2013	%
Undergraduate	2,559	92%	2,688	94%	2,778	94%	2,886	95%	2,969	95%	3,027	99%	3,042	100%	3,129	100%	3,175	100%
Graduate	235	8%	179	6%	167	6%	159	5%	147	5%	38	1%	-	0%	-	0%	-	0%
Total	2,794		2,867		2,945		3,045		3,116		3,065		3,042		3,129		3,175	
Breakdown																		
Graduate	233	8%	177	6%	166	6%	156	5%	145	5%	37	1%	-	0%	-	0%	-	0%
Senior	1,575	56%	1,660	58%	1,641	56%	1,584	52%	1,681	54%	1,782	58%	1,776	58%	1,871	60%	1,909	60%
Junior	936	34%	962	34%	1,037	35%	1,150	38%	1,120	36%	1,106	36%	1,128	37%	1,120	36%	1,090	34%
Other	50	2%	68	2%	101	3%	155	5%	170	5%	140	5%	138	5%	138	4%	176	6%
Female	1,931	69%	1,970	69%	2,011	68%	2,083	68%	2,071	66%	2,009	66%	1,979	65%	2,046	65%	2,066	65%
Male	863	31%	897	31%	934	32%	962	32%	1,045	34%	1,056	34%	1,063	35%	1,083	35%	1,109	35%
In-State	2,644	95%	2,725	95%	2,816	96%	2,900	95%	2,973	95%	2,923	95%	2,902	95%	2,991	96%	3,046	96%
Out-of-State	150	5%	142	5%	129	4%	145	5%	143	5%	142	5%	140	5%	138	4%	129	4%
Student Fall Enrollment Data - Credit Hour Production																		
Undergraduate	24,894	94%	26,560	96%	26,727	96%	27,287	97%	27,624	97%	28,314	99%	28,582	100%	29,757	100%	30,076	100%
Graduate	1,467	6%	1,194	4%	1,071	4%	969	3%	924	3%	233	1%						
Total	26,361		27,754		27,798		28,256		28,548		28,547		28,582		29,757		30,076	

*Preliminary Enrollment Data
Source: University Fact Book

Athens Forever Capital Campaign and Bicentennial Celebration

The impact of the support provided by our alumni, faculty and staff, and friends can be seen and felt daily on the Athens State University campus. Our facilities, curriculum, mission, and goals are all dependent on the generosity of all those touched by what has happened, what is happening, or what will happen here.

Our students begin their success stories at Athens State due to our ability to provide an outstanding education by an exceptional faculty at an affordable price. The benevolence of the supporters of the Athens State University Foundation provides scholarships and infrastructure to give each student a successful start.



As we approach our bicentennial, we are reminded of our rich history and the many inspiring people who have passed through our historic columns. This occasion represents a significant milestone; despite epidemics, wars, and economic downturns, the institution has not only endured but has grown into a highly respected university. The foundation that was laid in 1822 continues to support an institution that has grown strong both in students and facilities.

On August 4, 2017, the silent phase of the \$20 million *Athens Forever* capital campaign was launched. On February 29, 2020 we announced the public phase of the campaign having raised over \$19.02 million of the goal as of September 30, 2021. The campaign will end in 2022 to coincide with the Bicentennial Celebration. We believe this will provide a foundation for the continuance of the rich history and academic excellence that Athens State University personifies.

Contacting the University's Financial Management

This Financial Report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the University's finances and to show the University's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact Jonathan Craft, CPA, Assistant Vice President for Financial Affairs, by mail at Athens State University, 300 North Beaty Street, Athens, Alabama 35611, by email at jonathan.craft@athens.edu or by calling (256) 216-3310.

Athens State University
Statement of Net Position
For the Year Ended September 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 23,143,456
Short-Term Investments	118,100
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$568,650	1,740,229
Inventories	28,803
Deposit with Bond Trustee	106,122
Prepaid Expenses and Unearned Scholarships	<u>2,036,044</u>

Total Current Assets 27,172,754

Non-Current Assets

Long-Term Investments	8,975,893
Capital Assets:	
Land	2,593,856
Improvements Other Than Buildings	2,633,789
Buildings	52,970,590
Equipment and Furniture	3,138,140
Library Holdings	767,358
Construction in Progress	592,698
Less: Accumulated Depreciation	<u>(20,071,029)</u>
Total Capital Assets, Net of Depreciation	<u>42,625,402</u>

Total Non-Current Assets 51,601,295

Total Assets \$ 78,774,049

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Debt	\$ 235,267
Deferred Outflows of Resources Related to Pensions and OPEB	<u>13,716,851</u>

Total Deferred Outflows of Resources \$ 13,952,118

The accompanying notes are an integral part of these financial statements.

Athens State University
Statement of Net Position
For the Year Ended September 30, 2021

LIABILITIES

Current Liabilities

Deposits	\$ 351,268
Accounts Payable and Accrued Liabilities	1,073,870
Unearned Revenue	5,549,668
Compensated Absences	98,984
Bonds Payable	<u>1,450,000</u>

Total Current Liabilities 8,523,790

Non-Current Liabilities

Bonds Payable	7,745,000
Net Pension Liability	32,950,000
Net OPEB Liability	11,782,148
Compensated Absences	<u>1,047,349</u>

Total Non-Current Liabilities 53,524,497

Total Liabilities \$ 62,048,287

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources Related to Pensions and OPEB	<u>\$ 8,927,877</u>
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NET POSITION

Net Position

Net Investment in Capital Assets	33,430,402
Restricted:	
Expendable	994,617
Nonexpendable- Endowments	200,000
Unrestricted	<u>(12,875,016)</u>

Total Net Position \$ 21,750,003

The accompanying notes are an integral part of these financial statements.

Athens State University Foundation
Discretely Presented Component Unit
Statement of Financial Position
For the Year Ended September 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 725,951
Pledges Receivable - Current	51,734
Accounts Receivable - Current	26,641
Prepaid Expenses	<u>117,756</u>

Total Current Assets 922,082

Long-Term Cash and Investments

Restricted Certificate of Deposit for Long Term Investments	202,695
Restricted Cash	163,621
Investments	<u>5,701,551</u>

Total Long-Term Cash and Investments 6,067,867

Other Assets

Donated Assets	3,692
Pledges Receivable - Non-Current	109,041
Contributions Receivable - Non-Current	<u>8,715</u>

Total Other Assets 121,448

Total Assets \$ 7,111,397

The accompanying notes are an integral part of these financial statements.

Athens State University Foundation
Discretely Presented Component Unit
Statement of Financial Position
For the Year Ended September 30, 2021

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 15,465
Deferred Revenue	<u>51,602</u>

Total Current Liabilities 67,067

Total Liabilities 67,067

Net Assets

Without Donor Restrictions	747,653
With Donor Restrictions	<u>6,296,677</u>

Total Net Assets 7,044,330

Total Liabilities and Net Assets \$ 7,111,397

The accompanying notes are an integral part of these financial statements.

Athens State University
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2021

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$3,736,714)	\$ 15,232,489
Federal Grants and Contracts	5,909,844
State and Local Grants and Contracts	3,232,828
Auxiliary Enterprises:	
Bookstore	56,492
Student Activities	10,787
Vending	1,838
Other	171,536
Total Operating Revenues	<u>24,615,814</u>

OPERATING EXPENSES

Instruction	17,230,729
Academic Support	4,222,485
Student Services	3,307,665
Institutional Support	7,757,854
Operation and Maintenance	3,272,555
Scholarships and Financial Aid	4,876,768
Depreciation	1,280,660
Auxiliary Enterprises	461,556
Total Operating Expenses	<u>42,410,272</u>

Operating Loss (17,794,458)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	17,199,091
Federal Grants	5,346,740
Investment Income	288,699
Unrealized Gain	95,781
Other Nonoperating Revenue	445,051
Interest on Debt	(285,210)
Loss on Disposal of Capital Assets	(453,213)
Net Nonoperating Revenues	<u>22,636,939</u>

Change In Net Position 4,842,481

Total Net Position - Beginning of Year 16,907,522

Total Net Position - End of Year \$ 21,750,003

The accompanying notes are an integral part of these financial statements

Athens State University Foundation
Discretely Presented Component Unit
Statement of Activities
For the Year Ended September 30, 2021

	<u>Without</u> <u>Donor Restrictions</u>	<u>With</u> <u>Donor Restrictions</u>	<u>Total</u>
Operating Activities			
<u>Revenue and Support:</u>			
Contributions	\$ 44,094	\$ 428,866	\$ 472,960
In-Kind Donations	139,245	-	139,245
Special Events Income	39,037	65,960	104,997
Other Income	55	-	55
Net Assets Released from Restrictions	<u>367,175</u>	<u>(367,175)</u>	<u>-</u>
 Total Support and Revenue	 <u>589,606</u>	 <u>127,651</u>	 <u>717,257</u>
 <u>Expenses:</u>			
Program Services	318,510	-	318,510
Management and General	160,921	-	160,921
Fundraising Expenses	<u>80,653</u>	<u>-</u>	<u>80,653</u>
 Total Expenses	 <u>560,084</u>	 <u>-</u>	 <u>560,084</u>
 Change in Net Assets from Operating Activities	 <u>29,522</u>	 <u>127,651</u>	 <u>157,173</u>
 Nonoperating Activities			
Interest Income	723	142,454	143,177
Investment Return, Net of Fees	<u>-</u>	<u>618,294</u>	<u>618,294</u>
 Change in Net Assets from Nonoperating Activities	 <u>723</u>	 <u>760,748</u>	 <u>761,471</u>
 Change in Net Assets	 <u>30,245</u>	 <u>888,399</u>	 <u>918,644</u>
 Net Assets at Beginning of Year	 <u>717,408</u>	 <u>5,408,278</u>	 <u>6,125,686</u>
 Net Assets at End of Year	 <u>\$ 747,653</u>	 <u>\$ 6,296,677</u>	 <u>\$ 7,044,330</u>

The accompanying notes are an integral part of these financial statements.

Athens State University
Statement of Cash Flows
For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 14,681,634
Grants and Contracts	7,763,404
Payments to Suppliers	(7,480,913)
Payments for Utilities	(590,123)
Payments for Employees	(20,593,490)
Payments for Benefits	(6,535,417)
Payments for Scholarships	(4,836,102)
Auxiliary Enterprises	<u>226,348</u>
Net Cash Used in Operating Activities	<u>(17,364,659)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State and Local Appropriations	17,199,091
Federal Grants	5,346,740
Federal Direct Loan Receipts	11,805,372
Federal Direct Loan Disbursements	(11,805,372)
Deposit Held for Others	53,003
Other Nonoperating Revenues (Expenses), Net	<u>480,910</u>
Net Cash Provided by Noncapital Financing Activities	<u>23,079,744</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets and Construction	(1,538,127)
Principal Paid on Capital Debt	(1,559,109)
Interest Paid on Capital Debt	(211,540)
Proceeds from Sale of Capital Assets	<u>417,353</u>
Net Cash Used in Capital and Related Financing Activities	<u>(2,891,423)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale/Maturity of Investments	442,292
Purchase of Investments	(520,597)
Interest on Investments	288,699
Realized Gain/(Loss) on Investments	<u>28,502</u>
Net Cash Provided by Investing Activities	<u>238,896</u>
Net Increase in Cash and Cash Equivalents	3,062,558
Cash and Cash Equivalents - Beginning of Year	<u>20,080,898</u>
Cash and Cash Equivalents - End of Year	<u>\$ 23,143,456</u>

The accompanying notes are an integral part of these financial statements.

Athens State University
Statement of Cash Flows
For the Year Ended September 30, 2021

Reconciliation of Net Operating Loss to Net	
Cash Used in Operating Activities	
Operating Loss	\$ (17,794,458)
Adjustments to Reconcile Net Operating Loss to Net	
Cash Used in Operating Activities	
Depreciation Expense	1,280,660
Pension Expense	3,784,740
Employer Pension Contributions	(2,309,430)
OPEB Expense	(370,018)
Employer OPEB Contributions	(319,280)
Capital Expenditures from Operating	(154,715)
Changes in Assets and Liabilities:	
Increase in Receivables	(776,964)
Decrease in Inventory	8,768
Decrease in Other Assets	19,250
Increase in Accounts Payable	354,566
Increase in Compensated Absences	79,685
Decrease in Unearned Revenue	<u>(1,167,463)</u>
Net Cash Used in Operating Activities	<u>\$ (17,364,659)</u>

Noncash Investing, Capital, and Financing Activities:

The University held investments with a fair value of \$9,093,993 at September 30, 2021. During the year ended September 30, 2021, unrealized gains on these securities were \$95,781.

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Athens State University (the “University” or “ASU”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Athens State University are described below.

A. Reporting Entity

Act. No. 2012-497 removed Athens State University from under the jurisdiction, supervision, and control of the State Board of Education and Department of Postsecondary Education effective October 1, 2012. This legislation enabled the creation of the Board of Trustees of Athens State University which governs the University. The Board of Trustees has the authority and responsibility for the operation, management, supervision and regulation of Athens State University. Athens State University continues to be 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. Component units can also be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading. According to GASB Statement 14, “*The Financial Reporting Entity*,” a primary government is financially accountable for an organization if it appoints a voting majority of the organization’s governing board and (a) is able to impose its will on the organization; or (b) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based upon these criteria, the University is considered to be a component unit of the State of Alabama.

B. Component Units

Athens State University Foundation (the “Foundation” or “ASUF”) is a legally separate, tax-exempt organization that is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and the Foundation, the Foundation is considered a component unit of the University. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Although the University does not control the timing or amount of receipts from ASUF, the majority of resources, or income thereon that ASUF holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by ASUF can only be used by, or for the benefit of, the University, ASUF is discretely presented as a component unit of the University. ASUF is reported in its original format on separate financial statements because of the difference in its reporting model as further described below. Complete financial statements for ASUF are available from the Foundation's director upon request.

The Foundation is a not-for-profit organization that reports its financial results under the Financial Accounting Standard Board (FASB) Statements. Most significant to the Foundation's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences; however, significant note disclosures (see Note 11) to the Foundation's financial statements have been incorporated into the University's notes to the financial statements. During the year ended September 30, 2021, Athens State University Foundation, Inc. distributed \$409,561 to Athens State University for both restricted and unrestricted purposes.

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

Athens State University follows all applicable GASB pronouncements. The financial statements of Athens State University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the University to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net position are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and non-operating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Non-operating revenues arise from exchange transactions not associated with the University's principal activities, such as investment income and from all non-exchange transactions, such as state appropriations.

D. Accounting 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the University to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period.

2. Receivables

Accounts receivable relate to tuition and fees charged to students, amounts due from federal grants, state grants and third party tuition, net of an allowance for doubtful accounts.

3. Inventories

The inventories are comprised of consumable supplies. Inventories are valued at the lower of cost or market. Inventories are valued using the first in/first out (FIFO) method.

4. Capital Assets

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land, construction in progress, and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

Major outlays for capital assets and improvements are capitalized as projects are constructed. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation and useful lives of the capital assets are as follows:

<u>Assets</u>	<u>Depreciation Method</u>	<u>Useful Lives</u>
Buildings and Improvements	Straight-Line	50 years
Improvements other than Buildings	Composite	25 years
Equipment	Composite	1 - 10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks, and Copyrights	Straight-Line	20 years

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums and discounts, if any, are deferred and amortized over the life of the bonds.

6. Compensated Absences

No liability is recorded for sick leave. Substantially all employees of the University earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

7. Unearned Revenue

Unearned revenue consists primarily of amounts received for fall student tuition and fees that are not earned until the next fiscal year. Unearned revenue also includes amounts received from grant and contract sponsors that have not yet been earned.

8. Pensions

The Teachers' Retirement System of Alabama ("TRS" or "the Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

9. Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by 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, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

10. Net Position

Net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Any significant unspent related debt proceeds at year-end related to capital assets are not included in this calculation.

Restricted:

Nonexpendable - Net position subject to externally imposed stipulations that it be maintained permanently by the University. Such assets would include permanent endowment funds.

Expendable - Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.

Unrestricted - Net positions that are not subject to externally imposed stipulations. These may be designated for specific purposes by action of management.

11. Federal Financial Assistance Programs

The University participates in various federal programs. Federal programs are audited in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

12. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student. The University uses the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO) in their Advisory Report (2000-05) to determine the amount of scholarship allowances and discounts.

13. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

14. Deferred Inflows of Resources

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

15. Subsequent Events

In preparing these financial statements, the University has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.

16. Prepaid Expenses and Unearned Scholarships

Prepaid expenses are composed predominantly of prepaid insurance. Unearned scholarship expense results from the Fall academic term spanning across the fiscal year end. The University prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The University's deposits in banks at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. At September 30, 2021, funds held by financial institutions participating in the SAFE program totaled \$23,795,640.

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. Investments

The University invests its funds in securities and investments in accordance with the *Code of Alabama 1975*, Section 16-13-2, Sections 27-1-8 and 27-1-9, and Sections 27-41-1 through 27-41-41. These laws provide that the University may invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof of the United States of America that meet specified criteria. The University's investment policy permits investments in the following: 1) U.S. Treasury bills, notes, bonds, and stripped Treasuries; 2) U.S. Agency notes, bonds, debentures, discount notes and certificates; 3) certificates of deposit (CDs), checking and money market accounts of savings and loan associations, mutual savings banks, or commercial banks whose accounts are insured by FDIC/FSLIC, and who are designated a Qualified Public Depository (QPD) under the SAFE Program; 4) mortgage backed securities (MBSs); 5) mortgage-related securities including collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMIC) securities; 6) repurchase agreements; and 7) stocks and bonds which have been donated to the institution.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the Statement of Net Position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments' fair value measurements are as follows at September 30, 2021:

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Bond Funds	\$9,093,993	\$9,093,993	\$ -	\$ -
Total Investments	\$9,093,993	\$9,093,993	\$ -	\$ -

At September 30, 2021, ASU had a significant amount invested in short and long term investments, primarily tax free bonds. During the year ended September 30, 2021, the University had no realized losses from the disposal of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University had unrealized gain during the year ended September 30, 2021 of \$95,781.

Interest Rate Risk – This risk pertains to changes in interest rates that adversely affect the fair value of an investment. While there is an active market for the below investments, generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to interest rate risk. At year end, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		1-5	6-10	Thereafter
Bond Funds	\$9,093,993	\$530,900	\$1,521,751	\$7,041,342

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University does not have a formal investment policy that specifically addresses its investment choices related to this risk.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

At September 30, 2021, the allocation of credit ratings of the University's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Bond Funds	AAA	13.70%
Bond Funds	AA	41.84%
Bond Funds	A	22.81%
Bond Funds	BBB	16.28%
Bond Funds	BB	1.43%
Bond Funds	B	0.57%
Bond Funds	NR	<u>3.37%</u>
		<u>100.00%</u>

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of a counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have an investment policy that limits the amount of securities that can be held by counterparties.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal investment policy that places limits on the amount the University may invest in any one issuer.

NOTE 3 - RECEIVABLES

Receivables are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$ 53,288
Pell Grants	3,248
State	934,987
Third Party	303,209
Returned Checks	1,716
Due from related party	15,104
Other	<u>52,518</u>
Total Accounts Receivable	<u>1,364,070</u>
 <u>Student Receivables:</u>	
Tuition & Fees	<u>944,809</u>
Total Receivables	<u>2,308,879</u>
Less: Allowance for Doubtful Accounts	<u>(568,650)</u>
Total Receivables, Net	<u>\$ 1,740,229</u>

Athens State University
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NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Deductions	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land	\$ 2,593,856	\$ -	\$ -	\$ -	\$ 2,593,856
Construction in Progress	510,238	1,305,989	(71,358)	(1,152,171)	592,698
Total Capital Assets Not Being Depreciated:	3,104,094	1,305,989	(71,358)	(1,152,171)	3,186,554
Capital Assets Being Depreciated:					
Improvements Other than Buildings	2,633,789	-	-	-	2,633,789
Buildings	52,823,502	-	(1,005,083)	1,152,171	52,970,590
Equipment	3,028,710	174,446	(65,016)	-	3,138,140
Library Holdings	715,056	57,692	(5,390)	-	767,358
Total Capital Assets Being Depreciated:	59,201,057	232,138	(1,075,489)	1,152,171	59,509,877
Less Accumulated Depreciation:					
Improvements Other than Buildings	1,174,155	77,650	-	-	1,251,805
Buildings	15,030,918	1,022,745	(205,875)	-	15,847,788
Equipment	2,485,240	145,291	(65,016)	-	2,565,515
Library Holdings	376,337	34,974	(5,390)	-	405,921
Total Accumulated Depreciation:	19,066,650	1,280,660	(276,281)	-	20,071,029
Total Capital Assets, Net	\$ 43,238,501	\$ 257,467	\$ (870,566)	\$ -	\$ 42,625,402

NOTE 5 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (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 which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

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Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were \$2,309,430 for the year ended September 30, 2021.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021 the University reported a liability of \$32,950,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2021 the University's proportion was .2664%, which was a decrease of .0180% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2021, the University recognized pension expense of \$3,768,000. At September 30, 2021 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,631,000	\$ 571,000
Changes of assumptions	343,000	-
Net difference between projected and actual earnings on pension plan investments	2,447,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,753,000	630,000
Employer contributions subsequent to the measurement date	<u>2,309,430</u>	<u>-</u>
	<u>\$ 8,483,430</u>	<u>\$ 1,201,000</u>

\$2,309,430 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022.

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For the Year Ended September 30, 2021

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:

2022	\$ 1,106,000
2023	1,428,000
2024	1,456,000
2025	<u>983,000</u>
Total	<u>\$ 4,973,000</u>

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2019, with a measurement date of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return*	7.70%
Projected salary increases	3.25% - 5.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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.

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Notes to the Financial Statements
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The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	<u>3.00%</u>	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%.

F. 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 plan 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.

G. Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease <u>(6.70%)</u>	Current Rate <u>(7.70%)</u>	1% Increases <u>(8.70%)</u>
University's proportionate share of collective net pension liability	\$ 43,962,000	\$ 32,950,000	\$ 23,632,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 16, 2021, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. 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. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455)* to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

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.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eye glasses, and contact lens prescriptions.

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).

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. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members 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.

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Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the Board with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

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.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2021, the Athens State University reported a liability of \$11,782,148 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Athens State University proportion of the net OPEB liability was based on a projection of the Athens State University long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2021, the Athens State University proportion was 0.181547% percent, which was a decrease of 0.016549% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the System recognized an OPEB benefit of \$377,824, with no special funding situations.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 298,787	\$ 4,235,964
Changes of assumptions	4,115,412	2,187,837
Net difference between projected and actual earnings on OPEB plan investments	-	497
Changes in proportion and differences between Employer contributions and proportionate share of contributions	499,942	1,302,579
Employer contributions subsequent to the measurement date	319,280	-
Total	<u>\$ 5,233,421</u>	<u>\$ 7,726,877</u>

\$319,280 reported as deferred outflows of resources related to OPEB resulting from the Athens State 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 expense as follows:

Year ended September 30:

2022	\$ (985,669)
2023	(967,721)
2024	(688,532)
2025	(754,901)
2026	298,454
Thereafter	<u>285,633</u>
	<u>\$ (2,812,736)</u>

Athens State University
Notes to the Financial Statements
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Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases*	3.25% - 5.00%
Long-Term Investment Rate of Return**	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	***
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

*Includes 3.00% wage inflation.

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

***Initial Medicare claims are set based on scheduled increases through plan year 2022.

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2019 valuation, however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

Athens State University
Notes to the Financial Statements
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The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class.

These ranges should be 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 then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of 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 is summarized below:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	30.00%	4.40%
U.S. Large Stocks	38.00%	8.00%
U.S. Mid Stocks	8.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

**Includes assumed rate of inflation of 2.50%.*

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2020 was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows 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 school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020 and it is assumed that the amount will increase by 1.00% per year and continue into the future. 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.

Athens State University
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The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

Sensitivity of the Athens State University’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following table presents the Athens State University’s proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% decreasing to 3.75% for pre- Medicare and known decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre- Medicare and known decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.75% for pre- Medicare and known decreasing to 5.75% for Medicare Eligible)
Net OPEB Liability	\$ 9,313,826	\$ 11,782,148	\$ 14,995,063

The following table presents the Athens State University’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Net OPEB Liability	\$ 14,451,415	\$ 11,782,148	\$ 9,662,171

OPEB plan fiduciary net position

Detailed information about the OPEB plan’s fiduciary net position is located in the 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.

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NOTE 7 - ACCOUNTS PAYABLE

Accounts payable and accrued liabilities represent amounts due at September 30, 2021, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 573,380
Other	<u>500,490</u>
Total	<u>\$ 1,073,870</u>

NOTE 8 - LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2010 Revenue Bonds	\$ 3,200,000	\$ -	\$ 3,200,000	\$ -	\$ -
2015 Revenue Bonds	5,285,000	-	5,285,000	-	-
ACA Phase II	2,269,109	-	2,269,109	-	-
2021 Revenue Bonds	-	10,595,000	1,400,000	9,195,000	1,450,000
Other Liabilities:					
Compensated Absences	1,066,648	79,685	-	1,146,333	98,984
	<u>\$11,820,757</u>	<u>\$ 10,674,685</u>	<u>\$ 12,154,109</u>	<u>\$ 10,341,333</u>	<u>\$ 1,548,984</u>

Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		
	Principal	Interest	Totals
2021-2022	\$ 1,450,000	\$ 149,320	\$ 1,599,320
2022-2023	1,476,000	123,745	1,599,745
2023-2024	1,502,000	97,698	1,599,698
2024-2025	1,528,000	71,208	1,599,208
2025-2026	600,000	51,870	651,870
2026-2027	600,000	41,370	641,370
2027-2028	606,000	30,796	636,796
2028-2029	606,000	20,243	626,243
2029-2030	617,000	9,549	626,549
2030-2031	210,000	769	210,769
	<u>\$ 9,195,000</u>	<u>\$ 596,568</u>	<u>\$ 9,791,568</u>

Athens State University
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For the Year Ended September 30, 2021

Pledged Revenues

The University issued Athens State University Tuition and General Fees Revenue Bond, Series 2021, in February 2021, to refinance the 2010, 2015 and ACA Phase II revenue bonds in full. The bond was authorized in the original amount of \$10,595,000. The 2021 general fee revenue bond has an interest rate of 1.75% and a maturity date of January 2031. These bonds were secured by a pledge of revenue from certain fees payable by students. This transaction met the requirements of a defeasance of the Series 2010, Series 2015 and ACA Phase II revenue bonds.

Future revenues in the approximate amount of \$9,791,568 are pledged to repay principal and interest for the 2021 bond. During the 2021 fiscal year, pledged tuition and fee revenue in the amount of \$15,232,489 were received with \$1,770,650 or 11.62% of pledged revenues, being used to pay principal and interest.

NOTE 9 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties.

The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The University purchases commercial insurance for its automobile coverage, general liability, legal liability, cyber risk coverage and professional liability. In addition, the University has fidelity bonds on the University's President, Vice-President of Financial Affairs, as well as on all other University personnel who handle funds.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The University contributes a specified amount monthly to the PEEHIF for each employee and this amount is applied against the employee's premiums for the coverage selected and the employee pays any remaining premium. Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

NOTE 10 – UNCERTAINTIES

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the University and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the University operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

NOTE 11 – ATHENS STATE UNIVERSITY FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Athens State University Foundation (the Foundation) was established to provide support for the private fundraising efforts of the Athens State University (the University) and to manage privately donated funds. The Foundation is a nonprofit corporation organized in accordance with the laws of the State of Alabama and governed by a volunteer Board of Directors (Board). The Foundation is a component unit of the University.

The private fundraising efforts of the University and the Foundation result in the Foundation receiving contributions for the benefit of the University. Contributions are either available to be used currently or restricted as an endowment to be invested in perpetuity and provide support from investment returns for student scholarships, faculty and research support, other operational support, and for facilities and equipment. Fundraising efforts also result in the creation of charitable trusts and gift annuities. When the trusts and annuities mature, the remainder interests are available for the designated purposes as current-use or endowment gifts. The Foundation is the trustee for substantially all of the charitable remainder trusts. The Foundation also receives unrestricted contributions that can be used for Foundation activities. The Foundation devotes all its income and profits, after paying its expenses, for the benefit of the University.

Contributions may be received in cash, marketable securities, real property, tangible personal property, gifts-in-kind, life insurance policies, and various deferred giving vehicles. Contributions received in forms other than cash, except gifts-in-kind and life insurance policies, are generally liquidated. The proceeds, together with cash gifts, are placed in investment pools or other investments consistent with the purpose of the gift or the requirements of the trust agreement.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

The Foundation employs investment professionals to manage its investment pools and certain trust investments.

The Foundation provides financial support for the University's private fundraising efforts, maintains donor records, issues reports to donors, and provides certain direct University support at the request of the University.

Mission Statement

The Athens State University Foundation Inc., an incorporated non-profit organization, is dedicated to the financial support of Athens State University through the identification of prospective donors, the solicitation of gifts, and the administration and management of those resources for the betterment of the University, its faculty, staff and students.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Foundation and changes therein are classified as follows:

- *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.
- *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets released from restrictions represent expenses incurred during the year that satisfy the restricted purpose. Of the restricted balances at September 30, 2021, \$5,343,338 is restricted for scholarship purposes while \$953,339 is restricted for program support services.

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

The composition of net assets released from restrictions for the year ended September 30, 2021 is as follows:

	<u>With Donor Restrictions</u>
Program Services	\$ 121,466
Scholarships	<u>245,709</u>
Total	<u>\$ 367,175</u>

Use of Estimates in the Preparation of Financial Statements

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

Allowance for Doubtful Accounts

The Foundation estimates the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. On a continuing basis, the Foundation analyzes delinquent receivables, and once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account. The Foundation considers all receivables at September 30, 2021 to be collectible.

Fixed Assets

Donated artifacts and collectibles are recorded at cost if purchased or, if donated, at estimated fair value at the time of donation. The Foundation does not recognize depreciation on artifacts and collectibles. Collections are preserved and held for public exhibition, education and research. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items or for the direct care of existing collections. In addition, the Foundation utilizes certain facilities owned by the University. Such facilities are not recorded on the books of the Foundation.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Special Events

The Foundation receives income from various special fund raising events. Gross income is reported as revenues in the financial statements and expenses are reported separately. The Foundation recognizes revenues from these special fund raising events when the special event occurs. For special events in which income is received in one period, but the event occurs in a subsequent period, the Foundation recognizes the income as deferred revenue until the event takes place.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), collectively ASC 606, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). In June 2020, FASB issued ASU 2020-05, Revenue from Contract with Customers (Topic 606) and Leases (Topic 842), permitting the deferral of the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2019. The Foundation adopted Topic 606 effective October 1, 2020, using the modified retrospective method. Adoption of this standard did not result in an adjustment to net assets.

Income Taxes

The Foundation is exempt from paying tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Foundation had no unrelated business activities that are subject to taxes. The Foundation's federal Exempt Organization Business Income Tax Returns for 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Uncertainties

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

The extent of the impact of COVID-19 on the Foundation and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Foundation operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through the date of the auditor's report, which was the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

At September 30, 2021, the Foundation had \$366,340 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$339,699 and accounts receivable of \$26,641.

NOTE 3 – CASH AND CERTIFICATES OF DEPOSITS

The Foundation considers all time deposits, certificates of deposit and highly liquid instruments with an initial maturity of three months or less to be cash equivalents, except for investments purchased with endowment assets, which are classified as long-term investments. The Foundation maintains its cash balances with one financial institution. At September 30, 2021, the Foundation's cash balance exceeds FDIC insurable limits by \$767,904.

NOTE 4 – INVESTMENTS

The primary purpose of the Athens State University Foundation is to receive and hold by gift, bequest, or purchase any real or personal property and to manage, invest, and reinvest the same and to use and to dispose of the same for scientific, literary and educational purposes, all for the purpose of Athens State University. Specifically, the Foundation is accountable for protecting the corpus of each scholarship endowment and responsible for properly investing each scholarship endowment to produce an annual scholarship. The investment objectives are to generate sufficient income that will be used to fund full or partial student scholarships. The endowment should include an element of growth to protect the endowment from the effects of inflation. The principal shall remain a protected corpus.

Investment Reporting

Security transactions are recorded on a trade date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date. Investment income includes interest and dividends; realized/unrealized gains and losses are reported as investment return. Investment income attributable to amounts held for the benefit of the University is reported in net assets with donor restrictions.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

When the activities occur, the amounts are transferred from net assets with donor restrictions to net assets without donor restrictions and the disbursements are reported as decreases in net assets without donor restrictions. Investment income attributable to amounts held for the benefit of the Foundation is reported in net assets without donor restrictions.

Investment Return Objective Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of five percent, while growing the funds if possible. Actual returns in any given year may vary from this amount.

Spending Policy

The Foundation Executive Committee, based on the recommendation of the Foundation Investment Committee and the Investment Fund Manager, will determine annually the amount/percent of scholarship funds to be awarded through the Endowed Scholarship Fund. The annual return on investment and preservation of the invested corpus are factors that may be used to determine disbursements for endowed scholarships. A maximum rate of five percent may be distributed from the Foundation's Endowed Scholarship Fund. The annual recommended rate will be forwarded to the University Scholarship Committee.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration due to unfavorable market fluctuations. When this is the case, any such deficiencies are monitored for future results. At September 30, 2021, there were no funds with deficiencies.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

Changes in endowment net assets as of September 30, 2021:

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Endowment net assets – 10/1/2020	\$ 186,445	\$ 4,613,743	\$ 4,800,188
Contributions, net	-	418,963	418,963
Investment income (loss), net of fees	-	618,294	618,294
Amounts appropriated for expenditure	<u>-</u>	<u>(307,662)</u>	<u>(307,662)</u>
Endowment net assets – 9/30/2021	<u>\$ 186,445</u>	<u>\$ 5,343,338</u>	<u>\$ 5,529,783</u>

For the year ending September 30, 2021, investment management fees were \$43,227.

Investments by Group

	<u>General</u> <u>Investment</u> <u>Pool</u>
Certificate of Deposits	\$ 202,695
Marketable Mutual Funds	<u>5,701,551</u>
Total	<u>\$ 5,904,246</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

Investment Valuation

Investments are reported at estimated fair value as determined by the Foundation, based upon a fair value hierarchy that prioritizes the input techniques used to measure fair value in accordance with Accounting Standards Update (ASU) No. 2015-07, Fair Value Measurement (Topic 820): *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. The ASU removed the requirement to categorize by level within the fair value hierarchy all investments with fair value measured using net asset value as a practical expedient and removed all other disclosure requirements.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data;
- Level 3: Significant unobservable inputs for assets or liabilities.

A financial instrument's level within this fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. All transfers between fair value hierarchy levels are recognized at the beginning of each reporting period. The fair value hierarchy does not correspond to a financial instrument's relative liquidity in the market or to its level of risk.

In determining the reasonableness of the fair value measurement methodology, management, with the oversight of the Investment Committee, evaluates a variety of factors including review of existing contracts, economic conditions, and industry and market developments. Certain unobservable inputs are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

Level 1 investments are typically investments in debt and equity marketable securities but may also include money market funds, certificates of deposit, and other highly liquid investments with maturities of 90 days or less with high credit quality entities. All level 1 investments are reported at fair value.

The following table set forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value on a recurring basis as of September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposits	\$ 202,695	\$ -	\$ -	\$ 202,695
Money Market	50,146	-	-	50,146
Mutual Fund	892,830	-	-	892,830
Asset Backed Securities	185,974	-	-	185,974
Close End Funds & Exchange				
Traded Products	812,699	-	-	812,699
Common Stocks	1,698,975	-	-	1,698,975
Government Securities	997,704	-	-	997,704
PACE Equities	264,219	-	-	264,219
PACE Fixed Income	178,554	-	-	178,554
Corporate Bonds and Notes	<u>620,450</u>	<u>-</u>	<u>-</u>	<u>620,450</u>
	<u>\$ 5,904,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,904,246</u>

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 6 – PLEDGE RECEIVABLES

Pledge receivables, which are unconditional promises to give, are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. For pledges, the discount rates used to determine present values are based on U.S. Treasury note rates for comparable maturities at the date of the pledge. These average to approximately 1.2%.

Total pledge receivables discounted to present value at September 30, 2021, are as follows:

	Less Than One Year	One to Five Years	More Than Five Years	Total
Pledges	\$ 51,734	\$ 98,000	\$ 31,000	\$ 180,734
Discount	-	(18,278)	(1,681)	(19,959)
	<u>\$ 51,734</u>	<u>\$ 79,722</u>	<u>\$ 29,319</u>	<u>\$ 160,775</u>

NOTE 7 - CONTRIBUTION RECEIVABLE

The Foundation was named the beneficiary of a gift annuity contract during the year-ended September 30, 2018. The Foundation is not obligated under this contribution and is expected to receive the contribution in more than five years per the estimated life expectancy of the donor. The Foundation has recorded the contribution as the estimated remaining market value at the expected payment date of \$8,715 at September 30, 2021.

NOTE 8 - RELATED PARTY

University Support

The Athens State University Foundation exists to assist the University. Due to the nature of this relationship, there are numerous transactions between the two entities and their representatives for program services and scholarship purposes. During the year ended September 30, 2021, the Foundation expended \$409,561 in support of the University’s programs and scholarships. At September 30, 2021, the Foundation had no payables due to or pledge receivables from the University.

Personnel Costs and Facilities

The Foundation uses office space owned by the University without paying rent for the facilities. The value of the donated facilities was \$45,271 for the year ending September 30, 2021. Furthermore, the Foundation employees are paid by the University. The salaries and benefits for year ending September 30, 2021, were \$92,557. The value of donated facilities and services were recognized as revenue and related expense in the statement of activities.

Athens State University
Notes to the Financial Statements
For the Year Ended September 30, 2021

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

Certain costs have been allocated among the programs and supporting services benefited based on estimates of time and effort, and usage of assets. For 2021, natural expense accounts were allocated as follows:

	Year Ending September 30, 2021				
	Program Services	Supporting Services			Total
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	
Scholarships Awarded	\$ 245,709	\$ -	\$ -	\$ -	\$ 245,709
Academic Program Support	476	-	-	-	476
Kares Program Support	7,208	-	-	-	7,208
Student and Faculty Support	2,000	-	-	-	2,000
Other Program Support	63,117	-	-	-	63,117
Legal & Accounting	-	700	-	700	700
Marketing	-	1,579	-	1,579	1,579
Insurance	-	1,155	-	1,155	1,155
Fundraiser & Volunteer	-	-	80,653	80,653	80,653
General Support	-	157,487	-	157,487	157,487
Total	\$ 318,510	\$ 160,921	\$ 80,653	\$ 241,574	\$ 560,084

Required Supplementary Information

Athens State University
Schedule of Athens State University's Proportionate Share of the Net Pension Liability
Teachers' Retirement Plan of Alabama

	For the measurement period ended September 30,						
	2020	2019	2018	2017	2016	2015	2014
ASU's proportion of the net pension liability	0.2664%	0.2483%	0.2587%	0.2587%	0.2501%	0.2444%	0.2477%
ASU's proportionate share of the net pension liability	\$32,950,000	\$27,459,000	\$25,648,000	\$25,426,000	\$27,086,000	\$25,582,000	\$22,501,727
ASU's covered-employee payroll	\$18,988,005	\$18,864,277	\$17,202,826	\$17,067,750	\$15,880,787	\$15,451,952	\$15,709,007
ASU's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.53%	145.56%	149.09%	148.97%	170.56%	165.56%	143.24%
Plan fiduciary net position as a percentage of the total pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Notes to the Schedule of Athens State University's Proportionate Share of the Net Pension Liability

This schedule presents only seven years of information, rather than ten years, as only seven years of trend information is available at September 30, 2021.

Athens State University
Schedule of Athens State University's Pension Contributions
Teachers' Retirement Plan of Alabama

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$2,309,430	\$2,313,740	\$2,159,058	\$2,070,740	\$2,024,910	\$1,880,030	\$1,748,180
Contributions in relation to the contractually required contribution	2,309,430	2,313,740	2,159,058	2,070,740	2,024,910	1,880,030	1,748,180
Contribution deficiency (excess)	-	-	-	-	-	-	-
System's covered-employee payroll	\$19,163,535	\$18,988,005	\$17,708,036	\$17,202,826	\$17,067,750	\$15,880,787	\$15,451,952
Contributions as a percentage of covered-employee payroll	12.05%	12.19%	12.19%	12.04%	11.86%	11.84%	11.30%

Notes to the Schedule of ASU Pension Contributions

This schedule presents only seven years of information, rather than ten years, as only seven years of trend information is available at September 30, 2021.

Athens State University

Schedule of Athens State University's Proportionate Share of the Net OPEB Liability

Alabama Retired Education Employees' Health Care Trust

	For the measurement period ended September 30,			
	2020	2019	2018	2017
Athens State University's proportion of the net OPEB liability	0.181547%	0.198096%	0.190996%	0.188843%
Athens State University's proportionate share of the net OPEB liability	11,782,148	7,473,702	15,697,619	14,026,179
Athens State University's covered-employee payroll	19,163,535	18,988,005	17,708,036	17,202,826
Athens State University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	61.48%	39.36%	88.64%	81.53%
Plan fiduciary net position as a percentage of the total OPEB liability	19.80%	28.14%	14.81%	15.37%

Notes to the Schedule of Athens State University's Proportionate Share of the Net OPEB Liability

This schedule presents only four years of information, rather than ten years, as only four years of trend information is available at September 30, 2021.

Athens State University
Schedule of Athens State University's OPEB Contributions
Alabama Retired Education Employees' Health Care Trust

	2021	2020	2019	2018
Contractually required contribution	\$ 359,489	\$ 563,409	\$ 468,981	\$ 1,447,743
Contributions in relation to the contractually required	(359,489)	(563,409)	(468,981)	(1,447,743)
Contribution deficiency (excess)	-	-	-	-
Athens State University covered-employee payroll	19,163,535	18,988,005	17,708,036	17,202,826
Contributions as a percentage of covered-employee payroll	1.88%	2.97%	2.65%	8.42%

Notes to the Schedule of ASU OPEB Contributions

This schedule presents only four years of information, rather than ten years, as only four years of trend information is available at September 30, 2021.

Athens State University
Schedule of Athens State University's Contributions
Notes to Required Supplementary Information

Changes in actuarial assumptions

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes

Beginning in plan year 2021, the UnitedHealthcare Medicare Advantage Plan with Prescription Drug Coverage (MAPD) plan premium rates exclude Affordable Care Act (ACA) Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2016, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible*	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

*Initial Medicare claims are set based on scheduled increases through plan year 2019.

Additional Information

Athens State University
Listing of University Officials
October 1, 2020 through September 30, 2021

<u>Officials</u>	<u>Position</u>
Dr. Philip Way	President
Mr. Mike McCoy	Vice President of Financial Affairs
Ms. Sarah McAbee	Vice President for Enrollment & Student Services

PART II

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees
Athens State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Athens State University (the University) as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2022. The financial statements of Athens State University Foundation, a discretely presented component unit of Athens State University, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Athens State University Foundation.

Internal Control Over Financial Reporting

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

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

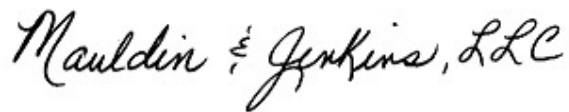
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Athens, Alabama

March 18, 2022



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the *Uniform Guidance***

To the Board of Trustees
Athens State University

Report on Compliance for Each Major Federal Program

We have audited Athens State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Athens State University's major federal programs for the year ended September 30, 2021. Athens State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The financial statements of Athens State Foundation were not audited in accordance with the Uniform Guidance, and accordingly, this report does not extend to Athens State University Foundation.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Athens State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

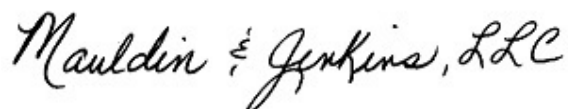
Report on Internal Control Over Compliance

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

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

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

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



Athens, Alabama
March 18, 2022

PART III

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Athens State University
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
MAJOR PROGRAMS				
<u>Student Financial Assistance Cluster</u>				
<u>U.S. Department of Education Direct Programs</u>				
Federal Pell Grant Program	84.063	N.A.	\$ -	\$ 5,238,455
Federal Direct Student Loans	84.268	N.A.	-	11,805,372
Federal Work-Study Program	84.033	N.A.	-	115,000
Federal Supplemental Education Opportunity Grants	84.007	N.A.	-	132,049
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	N.A.	-	143,238
Total Student Financial Assistance Cluster			-	17,434,114
<u>U.S. Department of Education Direct Programs</u>				
Education Stabilization Fund	84.425C	N.A.	-	1,037,769
Education Stabilization Fund	84.425E	N.A.	-	1,188,936
Education Stabilization Fund	84.425F	N.A.	-	2,406,128
Education Stabilization Fund	84.425M	N.A.	-	104,873
Education Stabilization Fund	84.425P	N.A.	-	171,104
Total Education Stabilization Fund			-	4,908,810
Total Major Programs			\$ -	\$ 22,342,924

Athens State University
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
NON-MAJOR PROGRAMS				
<u>Office of Postsecondary Education</u>				
Title III Part A Programs – Strengthening Institutions	84.031A	N.A.	\$ -	\$ 463,679
<u>National Science Foundation Direct Program</u>				
Education and Human Resources	47.076	N.A.	-	64,984
<u>U. S. Department of Education Passed Through Alabama Commission on Higher Education</u>				
Improving Teacher Quality State Grants	84.367	N.A.	-	82,083
Total Non-Major Programs			-	610,746
Total Federal Awards			\$ -	\$ <u>22,953,670</u>

N.A. = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Athens State University
Notes to the Expenditures of Federal Awards
For the Year Ended September 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Athens State University (the “University”) under programs of the federal government for the year ended September 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position or cash flows of the University.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The awards are classified into Type A and Type B categories in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Programs classified as Type A are as follows:

Student Financial Assistance Programs

Education Stabilization Fund

Assistance Listing Numbers

Assistance Listing (formerly Catalog of Federal Domestic Assistance, CFDA) numbers are assigned to contracts and grants on the basis of program type. Assistance Listing numbers and pass-through numbers are provided when available.

NOTE 3 – FEDERAL DIRECT STUDENT LOAN PROGRAM (Assistance Listing Number 84.268)

The Direct Loan program enables an eligible student or parent to obtain a loan to pay for the student’s cost of attendance directly through the University rather than through private lenders. As a university qualified to originate loans, the University is responsible for handling the complete loan origination process, including funds management and promissory note functions. During the program year, the University processed approximately \$12 million of student loans under the Direct Loan program.

Athens State University
Notes to the Expenditures of Federal Awards
For the Year Ended September 30, 2021

**NOTE 4 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

The following schedule is a reconciliation of total federal expenditures as shown on the Schedule of Expenditures of Federal Awards to the revenue items shown on the Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2021.

Federal Grants and Contracts– Operating Revenue	\$ 5,909,844
Federal Grants – Nonoperating Revenue	5,346,740
Fall 2021 Deferred Pell Grant Revenue	1,209,072
Fall 2020 Deferred Pell Grant Revenue	(1,317,358)
Federal Direct Student Loans	<u>11,805,372</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 22,953,670</u>

PART IV

SCHEDULES OF FINDINGS AND QUESTIONED COSTS

Athens State University
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ___ yes x no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	<u>Student Financial Assistance Cluster</u>
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
84.425	Education Stabilization Fund

Threshold used to determine Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes ___ no

Section II – Financial Statement Findings

The audit did not disclose any financial statement findings required to be reported.

Athens State University
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section III – Federal Award Findings and Questioned Costs

The audit did not disclose any federal award findings or questioned costs required to be reported.



OFFICE OF FINANCIAL AFFAIRS
Founders Hall

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted in the prior year.