



Alabama Department of Examiners of Public Accounts

Report on the **Alabama Institute for Deaf and Blind Talladega, Alabama**

October 1, 2022 through September 30, 2023

Filed: May 17, 2024

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ALABAMA STATE HOUSE

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Alabama Institute for Deaf and Blind, Talladega, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners Mistie M. Beam, Denise Clark-Owens and Haley Green. I, Mistie M. Beam, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Mistie M. Beam'.

Mistie M. Beam
Examiner of Public Accounts

rb

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Department of
Examiners of Public Accounts

SUMMARY

**Alabama Institute for Deaf and Blind
October 1, 2022 through September 30, 2023**

**Alabama Institute for Deaf and Blind Foundation, Inc.
October 1, 2022 through September 30, 2023**

Today, the Alabama Institute for Deaf and Blind (the “Institute”) is made up of five programs: Alabama School for the Deaf, Alabama School for the Blind, Helen Keller School, E. H. Gentry Facility and Alabama Industries for the Blind. The Institute also offers services through ten Regional Centers and Health and Clinical Services.

Alabama School for the Deaf provides traditional and nontraditional programs and educational experiences for children ages 3-21 who are deaf or hard of hearing as residential or day students. Alabama School for the Blind offers traditional and nontraditional programs and educational experiences for children 3-21 with vision loss as residents or day students. The schools offer advanced academic or academic diplomas. Helen Keller School of Alabama serves children with multiple disabilities. The school serves children ages 3-21 and provides individualized quality education, service and care which focus on the abilities of each student. Each program is accredited by Cognia.

E. H. Gentry Facility (EHG) is a full-service education and rehabilitation facility. EHG helps its clients achieve economic independence through employment training, college preparation classes, and independent living skills. EHG is accredited through the Commission on Accreditation of Rehabilitation Facilities.

Alabama Industries for the Blind (AIB) is a diverse manufacturing complex. Alabama Industries for the Blind provides training and employment opportunities for adults who are blind and/or deaf. AIB produces more than 100 different items.

Alabama Institute for Deaf and Blind is in the process of expanding service offerings through the new campus located in Decatur, Alabama. This 202-acre property will house numerous supplemental programs including AIDB’s partnerships through Special Projects, Alabama Freedom Center for the Blind and Decatur Regional Center.

Alabama Institute for Deaf and Blind Foundation, Inc. (the “Foundation”) was organized as a non-profit corporation exclusively for charitable, scientific and education purposes to benefit the Alabama Institute for Deaf and Blind.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Institute complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the Institute's component unit, the Foundation, which was audited by other auditors. The Institute's audit was conducted 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, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. The Foundation's audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the Institute and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal year ended September 30, 2023.

AUDIT FINDINGS

An instance of noncompliance with state laws and regulations and other matters was found during the audit as shown on the Schedule of State Compliance and Other Findings and it is summarized below:

- ◆ 2023-001: The Institute did not comply with the *Code of Alabama 1975*, Section 35-12-76, in regard to remitting unclaimed property to the State of Alabama Treasurer's Office.

Problems were found with the Institute's internal control over financial reporting (Exhibit 14) and are summarized below.

- ◆ 2023-002: The Institute did not reconcile accounts receivable or accounts payable subsidiary ledgers to the general ledger at year-end. This finding was previously reported as Finding 2022-003.
- ◆ 2023-003: The Institute did not perform monthly bank reconciliations timely nor were the bank reconciliations reviewed.

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. Dennis A. Gilliam, President and Jonathan Sherbert, Chief Financial Officer. The following individuals attended the exit conference: Dr. Dennis A. Gilliam, President; Jonathan Sherbert, Chief Financial Officer; Amanda Fuller, Executive Assistant to the President; Wanda F. Deal, Director of Purchasing; and Mariya Kenner, Director of Accounting. Frances Taylor, Board Chairman, attended virtually. Representing the Department of Examiners of Public Accounts were Annette G. Williams, Audit Manager, and Mistie Beam and Haley Green, Examiners.

*Schedule of State Compliance
and Other Findings*

Schedule of State Compliance and Other Findings
For the Year Ended September 30, 2023

Ref. No.	Finding/Noncompliance
2023-001	<p><u>Finding:</u></p> <p>The <i>Code of Alabama 1975</i>, Section 35-12-72(a) states, “Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:...(14) Wages or other compensation for personal services, one year after the compensation becomes payable...(18) All other property, three years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs.”</p> <p>The law provides for the State Treasurer to serve as the custodian of property or funds deemed abandoned under its provisions. The <i>Code of Alabama 1975</i>, Section 35-12-76(a) states, “A holder of property presumed abandoned shall make a report to the Treasurer concerning the property. The report shall be filed electronically, and the monies be remitted electronically...(c) The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year.”</p> <p>Testing revealed 75 payroll checks totaling \$15,847.09 were over one year old as of June 30, 2023, and should have been remitted to the State Treasurer’s Office as unclaimed pay. Testing also revealed that 124 vendor checks totaling \$53,424.42 were over three years old as of June 30, 2023, and should have been remitted as unclaimed property.</p> <p>The Institute does not have a policy in place for reviewing outstanding checks each year in order to determine reportable unclaimed property and remitting outstanding checks to the State Treasurer. The Institute did not submit an unclaimed property report for fiscal year 2023.</p> <p><u>Recommendation:</u></p> <p>The Institute should implement policies and procedures to review outstanding checks each year to determine reportable unclaimed property. The Institute should file a report concerning the property or funds considered abandoned in accordance with the <i>Code of Alabama 1975</i>, Section 35-12-76(a).</p>

Independent Auditor's Report

Independent Auditor's Report

Dr. Dennis A. Gilliam, President – Alabama Institute for Deaf and Blind
Talladega, Alabama 35161

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Alabama Institute for Deaf and Blind, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Alabama Institute for Deaf and Blind's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Alabama Institute for Deaf and Blind and the Alabama Institute for Deaf and Blind Foundation, Inc., as of September 30, 2023, and the respective 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.

We did not audit the financial statements of the Alabama Institute for Deaf and Blind Foundation, Inc., a discretely presented component unit, which represents 100% of the total assets, total net assets and revenues of the component unit. Those financial statements, which were prepared in accordance with the Financial Reporting Standards of the Financial Accounting Standards Board (FASB), were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Alabama Institute for Deaf and Blind Foundation, Inc., is based on the report of other auditors.

Basis for Opinions

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 (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alabama Institute for Deaf and Blind and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Alabama Institute for Deaf and Blind Foundation, Inc. were not audited in accordance with ***Government Auditing Standards***.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alabama Institute for Deaf and Blind's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and ***Government Auditing Standards*** will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and ***Government Auditing Standards***, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit 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 Alabama Institute for Deaf and Blind's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- ◆ conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alabama Institute for Deaf and Blind's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

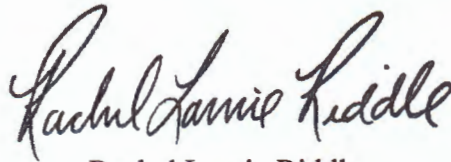
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Institute's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Institute's Contributions – Pension, the Schedule of the Institute's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the Institute's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Alabama Institute for Deaf and Blind, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 10) is presented for the purpose of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024, on our consideration of the Alabama Institute for Deaf and Blind'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 the Alabama Institute for Deaf and Blind'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 the Alabama Institute for Deaf and Blind's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 26, 2024

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*Management's Discussion and Analysis
(Required Supplementary Information)*



**Alabama Institute for Deaf & Blind
Management Discussion & Analysis
For the Year Ended September 30, 2023**

INTRODUCTION

The Alabama Institute for Deaf and Blind (the “Institute”) has served people with sensory impairments for more than 150 years. It is the world’s most comprehensive education and rehabilitation system serving more than 32,000 children and adults who are deaf, blind, deaf-blind, and multi-disabled.

Alabama School for the Deaf and Alabama School for the Blind are accredited Preschool through Grade 12 programs serving individuals from three to twenty-one years of age. The Instructional Resource Center for the Blind, located on the Alabama School for the Blind campus, provides Braille and large print books, materials and other services to all blind and visually impaired students at Alabama Institute for Deaf and Blind and in public schools in Alabama. The Helen Keller School of Alabama is also accredited and serves multi-disabled children ages three to twenty-one. Adults age 16 and over pursue rehabilitation, technology, job or college prep training at the E. H. Gentry Technical Facility. The E. H. Gentry campus is linked with Regional Centers in ten (10) locations across Alabama to provide job and skill training in local communities and provides a lifelong continuum of services for people with hearing and vision loss. The population served includes infants and toddlers to senior citizens.

Alabama Industries for the Blind provided employment and job training for 162 visually impaired adults as of September 30, 2023. Alabama Industries for the Blind manufactures or distributes many products used in the home, office, and by the military. In addition to items purchased for resale, products are manufactured in a variety of categories.

The Institute’s campus programs served a total of 32,374 individuals as of September 30, 2023, inclusive of 15,436 individuals through residential and outreach programs. Additionally, the Institute served 9,905 senior citizens with age related hearing and vision loss and a total of 7,033 children and adults through the Regional Center programs.

**Alabama Institute for Deaf and Blind
Summary Financial Statement (unaudited)
For the Year Ended September 30, 2023**

Statement of Net Position

	2023	2022	Change
Current Assets	\$ 48,615,315	\$ 48,763,096	\$ (147,781)
Current Liabilities	(11,700,687)	(10,155,470)	(1,545,217)
Net Working Capital	<u>36,914,628</u>	<u>38,607,626</u>	<u>(1,692,998)</u>
Non-current Assets	67,258,401	45,868,153	21,390,248
Deferred Outflows	52,558,153	33,114,986	19,443,167
Non-current Liabilities	(107,111,432)	(94,021,584)	(13,089,848)
Deferred Inflows	<u>(55,059,843)</u>	<u>(50,913,583)</u>	<u>(4,146,260)</u>
Net Position	<u>(5,440,093)</u>	<u>(27,344,402)</u>	<u>21,904,309</u>

**Statement of Revenues, Expenses,
and Changes in Net Position**

	2023	2022	Change
Operating Revenue	\$ 57,723,331	\$ 49,969,757	\$ 7,753,574
Operating Expense	(128,322,095)	(108,945,651)	(19,376,444)
Net Operating Expense	(70,598,764)	(58,975,894)	(11,622,870)
Net Non-Operating Revenue	79,682,325	65,767,645	13,914,680
Income Before Other Revenues	9,083,561	6,791,751	2,291,810
Other Revenues	12,743,123	3,176,751	9,566,372
Change in Net Position	21,826,684	9,968,502	11,858,182

STATEMENT OF NET POSITION

The Statement of Net Position presents the Assets, Liabilities and Net Position of the Institute as of September 30, 2023. The Statement of Net Position reflects the wealth accumulated and the debts owed by the Institute as of a point in time. It reflects the net resources available to the Institute to carry out the mission it has been assigned by the State of Alabama.

At September 30, 2023, the Institute's Total Assets of \$115,873,716 reflect an increase of \$21,242,467 from the prior year's balance of \$94,631,249.

Total Liabilities of \$118,812,120 at September 30, 2023 were higher than the previous year by \$14,635,066 with a balance of \$104,177,054.

Net Position of \$(5,440,093) at September 30, 2023 reflects an increase of \$21,904,309 from the prior year balance of \$(27,344,402).

Net working capital defined as total Current Assets less total Current Liabilities stood at \$36,914,628 and is \$1,692,998 lower than the previous year's balance of \$38,607,626. This decrease is due to the Institute's increase in accounts receivable and accrued expenses. This amount represents net resources the Institute has available for general operating purposes.

The September 30, 2023 cash balance of \$26,576,269 is the Institute's most liquid asset. This reflects a decrease in cash and cash equivalents of \$3,616,239 from the prior year's total of \$30,192,508. The decrease was attributable to an increase in capital assets.

Accounts receivable are funds due to the Institute principally for the sale of goods and services and contracts with restrictions on expenditures. The prior year's receivables due balance of \$10,788,614 increased \$1,587,854 for a September 30, 2023 total of \$12,376,468.

The September 30, 2023 inventory balance of \$8,517,380 is \$1,349,219 higher than last year's balance of \$7,168,161.

Current Liabilities, principally debts to be settled by Current Assets, amount of \$11,700,687 is \$1,545,217 higher than a year ago of \$10,155,470. This net increase is due to an increase in accounts payable and accrued liabilities.

During the fiscal year the Institute invested in a variety of capital assets financed through operations. Other capital transactions occurred in the normal course of business. The September 30, 2023 balance of \$120,539,349 is \$25,150,244 higher than last year's balance of \$95,389,105.

The Institute currently records depreciation during the fiscal year. The adoption of the straight-line depreciation method and the assignment of conservative useful lives allow operations to bear a fair share of capital cost over the estimated useful life of the asset. The half year convention is used in the year of acquisition and disposal. The accumulated depreciation as of September 30, 2022 had a balance of \$53,633,416. This amount increased by \$2,227,262 for a total at September 30, 2023 of \$55,860,678.

The Institute has a September 30, 2023 Net Position of \$(5,440,093). This reflects an increase of \$21,904,309 from the prior year's fiscal year-end balance of \$(27,344,402). The increase is largely due to the increase in fixed assets. This is also indicative of the charter of the Institute, which does not allow for the issuance of independent bond issues. Although the Institute may borrow money for capital improvements, most assets are financed from internal sources.

Net Position is divided into the three components listed below with each supporting a different aspect of the Institute.

- **Net Investment in Capital Assets** – The Institute's total investment in capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- **Restricted Net Position** – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Net Position** – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Unrestricted net position represents resources derived primarily from state appropriations, grants and contracts, and sales and services of base supply stores and instructional departments. These resources are used for transactions relating to the educational and general operations of the Institute, and used at the discretion of the governing board to meet current expenses for any purpose. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees.

As of September 30, 2023, the Unrestricted balance of \$(70,171,321) was available to support the general operations of the Institute which decreased \$1,063,976 from last year's Net Position, Unrestricted balance of \$(69,107,345).

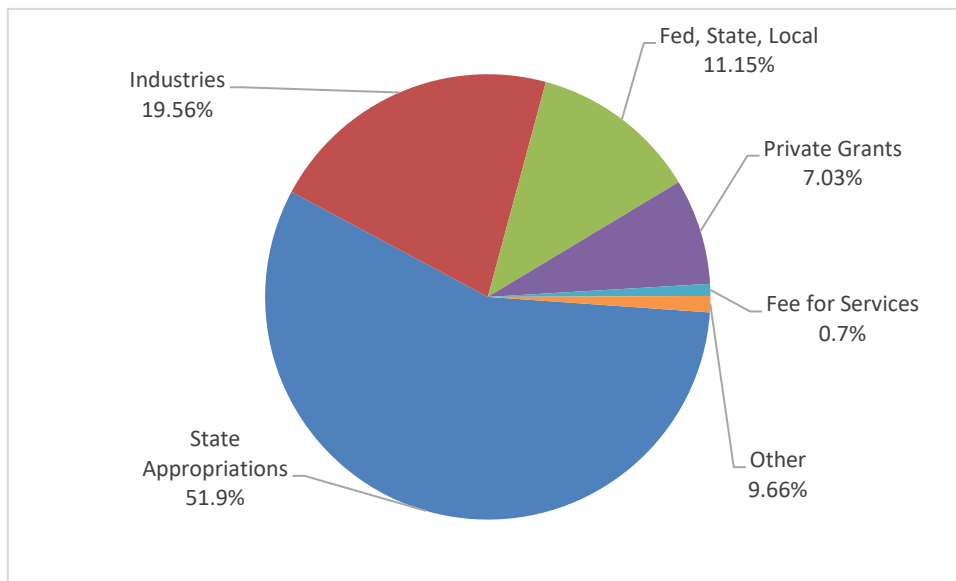
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

This statement is a comprehensive, accrual-based, statement summarizing all the transactions that affect the Institute's Net Position. The exchange transaction guidelines specified in GASB Statement #33 were applied to Revenue and Expense and these have been classified as operating and non-operating. During the fiscal year, Net Position increased by \$21,826,684.

The Institute is funded through a combination of public and private sources. As a state educational institution, the largest funding source is provided from Alabama's Education Trust Fund. During fiscal year 2023, the trust fund provided support of \$77,930,008 or 51.9% of the Institute's total revenue. Funding from the Education Trust Fund is subject to annual legislative approval and is constrained by revenue levels of the trust fund. The appropriation increased by \$13,610,155 or 21.16% higher than the prior fiscal year's appropriation of \$64,319,853.

Total funding from various sources is reflected in the following chart:

**Alabama Institute for Deaf and Blind
Revenue by Source in Percentages
For the year ended September 30, 2023**



As shown in the above chart, the State of Alabama provides approximately 52% of the funds necessary for the operation of the Institute. The remaining 48% is generated from federal or private sources or by selling products and educational services to outside interests.

Federal, State, and local grants and contracts and revenues amounted to \$16,743,609. This is an increase of \$2,355,139 or 16.37% higher than the previous fiscal year balance of \$14,388,470. These grants provide support for instructional academics in the Preschool through Grade 12 programs and the technical training programs. Additional public services are provided to citizens of all ages through the Regional Centers.

In fiscal year 2023, private grant revenues included support for regional centers in the amount of \$10,550,210. This supports state-wide programs for mentoring at-risk children and increases the number of early intervention children served.

In the normal course of business, the Institute provides care and products to students or clients which are reimbursed by insurance or direct payment from beneficiaries. These services are provided through residential educational programs and the Regional Centers. Services principally include vocational training, deaf interpreting and medical services provided to students. Payments and reimbursements for 2023 were \$534,218 and higher by \$467,274 than the revenue of \$66,945 for 2022.

Alabama Industries for the Blind operates through the Institute. The Industries is designed to provide visually impaired individuals with meaningful and substantial employment. During the fiscal year, Alabama Industries for the Blind had product sales of \$29,372,685 compared to last year's sales of \$25,965,906.

A broad range of products are manufactured and sold by Alabama Industries for the Blind. These products include mops, paper products, sewn products, screen-printed and embroidered products, and toner cartridges.

These products support employment for approximately 162 visually impaired individuals. The manufactured products generally have a higher cost than products made by companies employing only sighted individuals. Products manufactured by Alabama Industries for the Blind compete with products manufactured by sighted individuals and are generally sold at a loss.

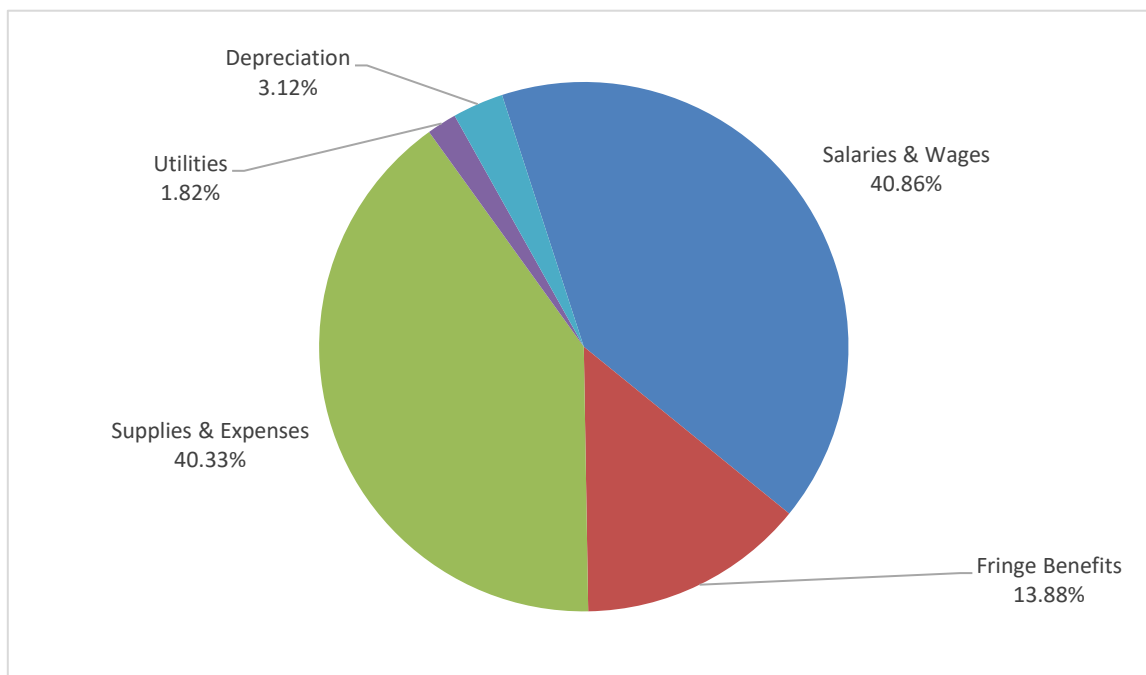
Retail operations offer a combination of manufactured and purchased products. Generally, the purchased products are sold at prices generating a 10% to 20% gross margin. Products carried in retail operations range from general office supplies to specialized military equipment.

The largest single customer of Alabama Industries for the Blind is the Federal Government. Governmental purchases are made through manufacturing contracts (sewn products) and through base supply centers. During fiscal year 2023, sales to the Federal Government amounted to \$15,032,962 or 51.18% of total sales of goods and services by sheltered workshops and base supply centers.

Total Institute operating expense for fiscal year 2023 amounted to \$128,322,095, approximately 17.79% higher than the previous fiscal year's balance of \$108,945,651.

The following chart indicates expenditures by the natural expense category:

**Alabama Institute for Deaf and Blind
Expenditure by Natural Expense Classification in Percentages
For the Year Ended September 30, 2023**



The Institute employs a wide variety of employees. These range from Classroom Aides to Teachers, Production Workers to Administrators. Personnel cost (salaries, wages and fringe benefits) is the largest single expense of the Institute. Personnel cost equals 54.73% of total operating expenses. This percentage is lower than a traditional educational institution because it includes resale and manufacturing programs at Alabama Industries for the Blind. At September 30, 2023, total Institute employment stood at 1,392 inclusive of regular, substitute, and temporary employees costing \$52,428,989 in salaries. Salary costs are 12.47% higher than the fiscal year 2022 costs of \$46,616,465 in salaries.

The State of Alabama provides a generous benefits package. These fringe benefits total 13.88% of total operating expense. The two most significant components of this benefit package are health insurance and retirement cost. Yearly fluctuations are tied to high medical inflation, demand for medical services, and increase/decline in financial markets.

The Institute operates in multiple locations. Its utility cost is impacted by local pricing, tax conditions, and weather conditions during the fiscal year. Total square footage of the buildings owned or leased by the Institute is approximately 1,179,105. During the fiscal year of 2023, the Institute paid or accrued utility costs of \$2,337,400 which was an increase of \$388,185 from the prior fiscal year's cost of \$1,949,215.

With the adoption of GASB Statement #35, the Institute began recording depreciation beginning with the presentation of the September 30, 2002 financial statements. Depreciation is a fractional period charge of asset costs spread over the estimated useful life of buildings and equipment. During the fiscal year ending 2023, the Institute recorded depreciation expense of \$3,999,992 compared to last year's depreciation of \$3,445,925.

Supplies and Operating Production Expense include supplies, repairs and maintenance, contractual services and a significant portion of Alabama Industries for the Blind's cost of sales. These expenditures are higher than reported for fiscal year 2022 and reflect an increase of \$9,134,168.

STATEMENT OF CASH FLOW

The Institute's cash and cash equivalent balance of \$26,576,269 decreased \$3,616,239 from the previous year-end balance of \$30,192,508. A variety of transactions enter into the determination of cash flow to include investments, capital purchases, and related financing activities. The Institute continues to have adequate cash flow which allows it to maintain an acceptable cash reserve.

Basic Financial Statements

Statement of Net Position
September 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 26,576,268.80
Investments	95,800.18
Accounts Receivable, Net	12,376,467.57
Prepaid Expense	1,049,398.65
Inventories	<u>8,517,380.38</u>
Total Current Assets	<u>48,615,315.58</u>

Noncurrent Assets

Investments	2,579,729.47
Capital Assets:	
Land	3,140,618.66
Land Improvements	1,727,802.51
Building Improvements	23,024,631.18
Buildings	43,984,119.28
Infrastructure	116,872.82
Leasehold Improvements	1,257,293.49
Intangibles	1,108,652.68
Equipment and Furniture	8,385,569.09
Vehicles	9,647,024.56
Lease Right-to-Use	912,573.03
Subscription Asset	478,423.57
Library Holdings	4,991,346.16
Construction in Progress	21,764,422.13
Less: Accumulated Depreciation	<u>(55,860,677.93)</u>
Total Capital Assets, Net of Depreciation	<u>64,678,671.23</u>
Total Noncurrent Assets	<u>67,258,400.70</u>
Total Assets	<u>115,873,716.28</u>

Deferred Outflow of Resources

Pension	31,923,431.56
Other Postemployment Benefits	<u>20,634,721.97</u>
Total Deferred Outflow of Resources	<u>\$ 52,558,153.53</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 10,355,375.99
Deposit Liabilities	332,029.56
Unearned Revenue	464,718.81
Leases and Subscriptions Payable	519,755.80
Compensated Absences	28,806.96
Total Current Liabilities	<u>11,700,687.12</u>

Noncurrent Liabilities

Compensated Absences	1,736,774.18
Leases and Subscriptions Payable	162,192.20
Net Pension Liability	91,266,000.00
Net OPEB Liability	13,946,466.00
Total Noncurrent Liabilities	<u>107,111,432.38</u>

Total Liabilities	<u>118,812,119.50</u>
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Deferred Inflow of Resources

Pension	2,228,000.00
Other Postemployment Benefits	52,831,843.00
Total Deferred Inflow of Resources	<u>55,059,843.00</u>

NET POSITION

Net Investment in Capital Assets	64,678,671.23
Restricted for:	
Expendable:	
Loans	52,556.69
Unrestricted	<u>(70,171,320.61)</u>
Total Net Position	<u>\$ (5,440,092.69)</u>

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***Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2023***

OPERATING REVENUES

Medical and Medicaid Services	\$ 534,218.47
Federal Grants and Contracts	12,438,395.46
State and Local Grants and Contracts	4,305,214.03
Private Grants	10,550,210.25
Sale of Goods and Services by Sheltered Workshops	29,372,685.43
Sales and Services of Educational Departments	522,607.29
Total Operating Revenues	<u>57,723,330.93</u>

OPERATING EXPENSES

Instruction	31,942,086.13
Sheltered Workshops and Base Supply Centers	34,529,186.77
Public Service	15,728,188.82
Academic Support	3,933,421.18
Student Services	18,426,807.01
Operation and Maintenance	10,516,130.82
Institutional Support	9,246,282.46
Depreciation	3,999,992.08
Total Operating Expenses	<u>128,322,095.27</u>
Operating Income (Loss)	<u>(70,598,764.34)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	77,930,008.00
Noncapital Donation	747.00
Interest on Related Debt	(14,506.65)
Interest Income	549,774.98
Tuition and Fees	142,062.00
Sale of Property	17,617.15
Other Nonoperating Revenues	1,056,622.88
Net Nonoperating Revenues	<u>79,682,325.36</u>
Income Before Other Revenues, Expenses, Gains or Losses	9,083,561.02
Capital Grants and Gifts	12,743,123.35
Changes in Net Position	21,826,684.37
Total Net Position - Beginning of Year, as Restated (See Note 14)	<u>(27,266,777.06)</u>
Total Net Position - End of Year	<u>\$ (5,440,092.69)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
For the Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Medical and Medicaid Services	\$ 585,869.51
Grants and Contracts	26,145,107.94
Sales and Services of Educational Departments	505,785.96
Sales and Services of Sheltered Workshops	27,439,086.75
Payments to Suppliers	(51,911,617.56)
Payments to Employees	(51,345,723.63)
Utilities	(2,337,399.85)
Payments for Benefits	(19,876,900.40)
Other Receipts (Payments)	(1,184.04)
Net Cash Provided (Used) by Operating Activities	<u>(70,796,975.32)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	77,930,008.00
Gifts and Grants Received for Other Than Capital Purposes	747.00
Tuition and Fees	142,062.00
Other Nonoperating Revenues	1,056,622.88
Deposit Liabilities	29,881.52
Net Cash Provided (Used) by Noncapital Financing Activities	<u>79,159,321.40</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(26,457,039.01)
Capital Grants and Gifts	12,743,123.35
Sale of Property	17,617.15
Principal Paid on Capital Debt and Leases	(334,856.81)
Interest Paid on Capital Debt and Leases	(29,567.20)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,060,722.52)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	549,774.98
Sale of Investments	1,532,362.23
Net Cash Provided (Used) by Investing Activities	<u>2,082,137.21</u>

Net Increase (Decrease) in Cash and Cash Equivalents	(3,616,239.23)
Cash and Cash Equivalents - Beginning of Year	30,192,508.03
Cash and Cash Equivalents - End of Year	<u>\$ 26,576,268.80</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss) \$ (70,598,764.34)

Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Depreciation Expense 3,999,992.08
Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:
(Increase)/Decrease in Receivables, Net (1,587,853.52)
(Increase)/Decrease in Inventories (1,349,219.61)
(Increase)/Decrease in Prepaid Expenses (531,013.02)
(Increase)/Decrease in Deferred Outflows (19,443,167.86)
Increase/(Decrease) in Accounts Payable 1,700,229.06
Increase/(Decrease) in Compensated Absences 166,545.57
Increase/(Decrease) in Unearned Revenue (111,591.68)
Increase/(Decrease) in Pension Liability 36,647,000.00
Increase/(Decrease) in OPEB Liability (23,835,392.00)
Increase/(Decrease) in Deferred Inflows 4,146,260.00

Net Cash Provided (Used) by Operating Activities \$ (70,796,975.32)

Consolidated Statement of Financial Position
Alabama Institute for Deaf and Blind Foundation, Inc.
As of September 30, 2023
With Comparative Totals for the Year Ended September 30, 2022

	September 30,	
	2023	2022
<u>Assets</u>		
Cash	\$ 1,905,665	\$ 1,682,035
Contributions Receivable, Net of Allowance	5,000	184,404
Other Assets	3,453	5,634
Investments Held at Fair Value	9,838,507	8,437,354
Investments Held at Net Asset Value	2,055,381	2,122,210
Investments Held at Cost	238,224	238,224
Property and Equipment, Net	188,441	663,651
Interest in Perpetual Trust Held by Others	1,007,766	1,018,156
Total Assets	<u>15,242,437</u>	<u>14,351,668</u>
<u>Liabilities</u>		
Accounts Payable	13,321	18,957
Total Liabilities	<u>13,321</u>	<u>18,957</u>
<u>Net Assets</u>		
Without Donor Restriction	5,629,855	6,229,296
With Donor Restriction	9,599,261	8,103,415
Total Net Assets	<u>15,229,116</u>	<u>14,332,711</u>
Total Liabilities and Net Assets	<u>\$ 15,242,437</u>	<u>\$ 14,351,668</u>

See accompanying notes to financial statements.

Consolidated Statement of Activities
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023
With Comparative Totals for the Year Ended September 30, 2022

	Without Donor Restriction	With Donor Restriction	<u>For the Years Ended September 30,</u>	
			2023	2022
Revenue and Support				
Contributions	\$ 382,138	\$ 910,211	\$ 1,292,349	\$ 1,050,854
Investment Income	506,371	609,673	1,116,044	(1,235,389)
(Loss) on Interest in Perpetual Trust Held by Others	-	(12,942)	(12,942)	(190,675)
Other Income	-	110	110	53,112
Contributions of Nonfinancial Assets	65,469	30,252	95,721	55,655
Net Assets Released from Restrictions	41,458	(41,458)	-	-
Total Revenue and Support	<u>995,436</u>	<u>1,495,846</u>	<u>2,491,282</u>	<u>(266,443)</u>
Expenses				
Program Services	1,381,044	-	1,381,044	801,588
Management and General	184,415	-	184,415	111,130
Fundraising	29,418	-	29,418	30,750
Total Expenses	<u>1,594,877</u>	<u>-</u>	<u>1,594,877</u>	<u>943,468</u>
Change in Net Assets	(599,441)	1,495,846	896,405	(1,209,911)
Net Assets - Beginning of Year	<u>6,229,296</u>	<u>8,103,415</u>	<u>14,332,711</u>	<u>15,542,622</u>
Net Assets - End of Year	<u>\$ 5,629,855</u>	<u>\$ 9,599,261</u>	<u>\$ 15,229,116</u>	<u>\$ 14,332,711</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Alabama Institute for Deaf and Blind (the “Institute”) 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 the Institute are described below.

A. Reporting Entity

The Institute is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints the Institute’s Board of Trustees. In addition, the Institute receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the Institute is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Component Unit

The Alabama Institute for Deaf and Blind Foundation, Inc. (the “Foundation”) is organized exclusively for charitable, scientific and educational purposes for the benefit of the Institute. Because of the significance of the relationship between the Institute and the Foundation, the Foundation is considered a component unit of the Institute. The Foundation’s financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements for these differences.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

The financial statements of the Institute 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 Institute to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as sale of goods and services by sheltered workshops, result from exchange transactions associated with the principal activities of the Institute. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the Institute's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

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

1. Cash, Cash Equivalents 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 Institute 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 reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

Notes to the Financial Statements

For the Year Ended September 30, 2023

2. Receivables

Accounts receivable relate to amounts due from federal grants, state grants and contracts, customer sales, and private agencies. The receivables are shown net of allowance for doubtful accounts.

3. Inventories

The inventories are comprised of (1) raw materials, (2) work in process, (3) finished goods and (4) consumable supplies. Raw material inventories are valued using the FIFO method while manufactured inventories are valued at market. Market is calculated as selling prices less twenty-one percent, which represents a management estimate of the cost of disposition. Consumable supplies are valued using the first in/first out (FIFO) method.

4. Capital Assets

Capital assets, other than intangibles, 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. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price). Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction period is expensed.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2023

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

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	40 years
Building Improvements	Straight-Line	10 years
Infrastructure	Straight-Line	20 years
Intangible Assets:	Straight-Line	
Capitalized Software		10 years
Internally Generated Computer Software		10 years
Easements and Land Use Rights		20 years
Patents, Trademarks and Copyrights		20 years
Equipment:	Straight-Line	
ADP, Light Duty Office Equipment, Miscellaneous Equipment		3 years
Delivery Trucks		4 years
Communication Equipment		5 years
Heavy Duty Appliances, Medical Equipment and Heavy Duty Trucks		6 years
Buses, Athletic Equipment, Heavy Motorized Machinery and Heavy AIB Machinery		9 years
Communication Equipment Systems (Phone, Radio, Camera)		10 years
Land Improvements	Straight-Line	40 years
Leasehold Improvements	Straight-Line	25 years
Lease Right to Use	Amortized	Over life of the lease or asset, whichever is shorter
Library Materials	Straight-Line	5 years

Notes to the Financial Statements

For the Year Ended September 30, 2023

5. 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 assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

7. Compensated Absences

The Board of Trustees determines annual and sick leave policies for the Institute's employees. The annual and sick leave policies adopted by the Institute are as follows:

No liability is recorded for sick leave. Substantially all full-time employees of the Institute 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 Institute twelve-month employees earn one-day annual leave per month with accumulation limited to 60 days. Institute instructional employees do not earn annual leave. ADRS-Managed Alabama Institute for Deaf and Blind Joint Services Employees earn annual leave at a rate that varies from 13 to 29 days per year depending on duration of employment, with accumulation limited to 60 days. Payment is made to employees for unused leave at termination or retirement.

8. 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 assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

9. Unearned Revenues

Revenues received but related to the period after September 30, 2023, have been disclosed as unearned revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted:**
 - ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the Institute. Such assets include the Institute’s permanent endowment funds.

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

- ◆ **Unrestricted** – Net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Board of Trustees.

11. Federal Financial Assistance Programs

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (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 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 the 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 Annual Comprehensive Financial Report.

13. Postemployment Benefits Other than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (the "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.

14. Implementation of New Accounting Standard

In the fiscal year ended September 30, 2023, the Institute adopted GASB Statement Number 96, ***Subscription-Based Information Technology Arrangements***. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 2 – Deposits and Investments

A. Deposits

The Institute’s deposits 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.

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 Institute may invest its funds in securities and investments authorized by 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 Institute 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 Institute’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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

The Statement of Net Position investment classification consists of non-negotiable certificates of deposit in the amount of \$2,675,529.65. Certificates of deposit are not subject to risk categorization because they are considered deposits for the purpose of this note.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Institute does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the 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 Institute does not have a policy for custodial risk.

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 Institute does not have a policy for concentration of credit risk.

Note 3 – Receivables

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$ 1,546,064.24
State	2,195,880.13
Medical	96,619.47
Customers	5,267,642.62
Private Agencies	3,518,892.10
Less: Allowance for Doubtful Accounts	(248,630.99)
Total Accounts Receivable, Net	<u>\$12,376,467.57</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 4 – Inventories

Consumable supplies are reported for Children and Youth cafeteria food, Huntsville Regional Center, Shoals Regional Center, Mobile Regional Center, HCS Audiology, and the Adult programs at E. H. Gentry. Industry inventories represent the majority of the inventories, which consist of raw materials, work in process and finished goods.

<u>Adult Programs:</u>	
Raw Material	\$ 20,611.00
Finished Goods	12,031.77
<u>Industries for the Blind:</u>	
Raw Materials	1,967,272.40
Work-In-Process	510,500.88
Finished Goods	5,866,383.70
<u>Children and Youth</u>	
Food	130,388.05
Huntsville Regional Center	4,830.59
Shoals Regional Center	1,973.18
Mobile Regional Center	1,864.81
Audiology	1,524.00
Total All Divisions	<u>\$8,517,380.38</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Reclassification and Adjustments	Additions	Deductions	Ending Balance
Land	\$ 2,511,116.58	\$	\$ 629,502.08	\$	\$ 3,140,618.66
Land Improvements	1,544,602.51		183,200.00		1,727,802.51
Lease Hold Improvements	653,552.18		603,741.31		1,257,293.49
Building Improvements	21,901,802.10	1,122,829.08			23,024,631.18
Buildings	41,443,125.82	2,501,482.11	39,511.35		43,984,119.28
Equipment and Furniture	7,669,756.46		784,621.60	(68,808.97)	8,385,569.09
Vehicles	7,447,420.48		2,424,096.89	(224,492.81)	9,647,024.56
Construction in Progress	4,959,643.10	(3,672,926.82)	20,477,705.85		21,764,422.13
Infrastructure	116,872.82				116,872.82
Library Collections	5,265,740.13		1,344,093.63	(1,618,487.60)	4,991,346.16
Lease Right to Use	766,819.67		145,753.36		912,573.03
Subscription Asset			478,423.57		478,423.57
Intangibles	1,108,652.68				1,108,652.68
Total	95,389,104.53	(48,615.63)	27,110,649.64	(1,911,789.38)	120,539,349.16
Less: Accumulated Depreciation:					
Land Improvements	441,161.55		40,905.06		482,066.61
Lease Hold Improvements	300,634.04		38,216.92		338,850.96
Building Improvements	15,892,021.86	(0.01)	903,838.52		16,795,860.37
Buildings	21,951,069.94		851,520.04		22,802,589.98
Equipment and Furniture	5,353,560.67	3,988.34	577,001.12	(68,808.97)	5,865,741.16
Vehicles	5,017,504.45		1,086,114.08	(224,492.81)	5,879,125.72
Infrastructure	49,670.94		5,843.64		55,514.58
Library Collections	3,741,570.26			(1,618,487.60)	2,123,082.66
Lease Right to Use	165,598.15		381,699.08		547,297.23
Subscriptions			139,059.14		139,059.14
Intangibles	720,624.25		110,865.27		831,489.52
Total Accumulated Depreciation	53,633,416.11	3,988.33	4,135,062.87	(1,911,789.38)	55,860,677.93
Capital Assets, Net	\$41,755,688.42	\$ (52,603.96)	\$22,975,586.77	\$	\$ 64,678,671.23

Note 6 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "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 TRS Board of Control 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) 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, 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 formula method. 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 up to 80% of their average final compensation. Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Notes to the Financial Statements

For the Year Ended September 30, 2023

C. Contributions

Covered Tier 1 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.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.44% 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 Institute were \$5,960,431.46 for the year ended September 30, 2023.

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

At September 30, 2023, the Institute reported a liability of \$91,266,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2021. The Institute'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, 2022, the Institute's proportion was 0.587265%, which was an increase of 0.007464% from its proportion measured as of September 30, 2021.

Notes to the Financial Statements
For the Year Ended September 30, 2023

For the year ended September 30, 2023, the Institute recognized pension expense of \$11,760,413.80. At September 30, 2023, the Institute 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	\$ 2,006,000	\$2,215,000
Changes of assumptions	4,141,000	
Net difference between projected and actual earnings on pension plan investments	18,314,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,350,000	13,000
Employer contributions subsequent to the measurement date	5,960,431	
Total	\$31,771,431	\$2,228,000

The \$5,960,431.00 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2024	\$7,025,000
2025	\$5,343,000
2026	\$3,779,000
2027	\$7,436,000
2028	\$ 0
Thereafter	\$ 0

Notes to the Financial Statements

For the Year Ended September 30, 2023

E. Actuarial Assumptions

The total pension liability as of September 30, 2022, was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return (*)	7.45%

(*) Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, 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, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality rates for TRS were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree – Below Median	Male: +2, Female: +2	Male: 108% ages <63, 96% ages > 67; Phasing down 63-67 Female: 112% ages <69, 98% > age 74; Phasing down 69-74
Beneficiaries	Contingent Survivor – Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

Notes to the Financial Statements

For the Year Ended September 30, 2023

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	2.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.00%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.45%. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

G. Sensitivity of the Institute’s Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the Institute’s proportionate share of the collective net pension liability calculated using the discount rate of 7.45%, as well as what the Institute’s proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Institute’s proportionate share of collective net pension liability	\$118,094,000	\$91,266,000	\$68,668,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2022. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB Statement Number 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Alabama Retired Education Employees’ Health Care Trust (the “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 (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees’ Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the “State”) and is included in the State’s Annual Comprehensive Financial Report.

Notes to the Financial Statements

For the Year Ended September 30, 2023

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) 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 PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB 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 Trust 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.

B. 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, eyeglasses, and contact lens prescriptions.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 retired members and covered dependents are eligible to enroll in 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. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) plan is fully insured by UHC 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. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. 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.

C. Contributions

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB 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 PEEHIB 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 PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB 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.

Notes to the Financial Statements
For the Year Ended September 30, 2023

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB 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 PEEHIB 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 PEEHIB 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 PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

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

At September 30, 2023, the Institute reported a liability of \$13,946,466.00 for its proportionate share of the collective Net OPEB liability. The collective Net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Institute's proportion of the collective Net OPEB liability was based on the Institute's share of contributions to the OPEB plan relative to the total employer contributions of all participating employers. At September 30, 2022, the Institute's proportion was 0.80039470%, which was an increase of 0.06915370% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Institute recognized OPEB expense (benefit) of (\$7,163,873.00) with no special funding situations. At September 30, 2023, the Institute 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	\$ 639,641	\$28,198,610
Changes of assumptions	11,312,489	20,299,921
Net difference between projected and actual earnings on OPEB plan investments	1,753,901	
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,813,237	4,333,312
Employer contributions subsequent to the measurement date	1,115,454	
Total	\$20,634,722	\$52,831,843

Notes to the Financial Statements

For the Year Ended September 30, 2023

The \$1,115,454.00 reported as deferred outflows of resources related to OPEB resulting from the Institute's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ending September 30, 2024.

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

Year Ending:	
September 30, 2024	\$(8,438,844)
2025	\$(8,793,333)
2026	\$(4,164,843)
2027	\$(3,743,180)
2028	\$(5,089,685)
Thereafter	\$(3,082,690)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027
(1) Includes 2.75% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2025.	

Notes to the Financial Statements

For the Year Ended September 30, 2023

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages <63, 96% ages >67, Phasing down 63-67 Female: 112% ages <69, 98% ages >74, Phasing down 69-74
Disables Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

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, 2021 valuation.

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.

Notes to the Financial Statements
For the Year Ended September 30, 2023

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Real 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	100.00%	

(*) Geometric mean, includes 2.5% inflation.

F. Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the PEEHIB 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. Currently, the monthly employer rate is \$800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. 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. Projected future benefit payments for all current plan members are projected through 2120.

Notes to the Financial Statements
For the Year Ended September 30, 2023

G. Sensitivity of the Institute’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease (5.50% Decreasing to 3.50% for Pre-Medicare and Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare and Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare and Known Decreasing to 5.50% for Medicare Eligible)
Institute’s proportionate share of collective net OPEB liability	\$10,575,634	\$13,946,466	\$18,080,475

H. Sensitivity of the Institute’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following table presents the Institute’s proportionate share of the collective Net OPEB liability of the Trust calculated using the discount rate of 7.00%, as well as what the collective Net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Institute’s proportionate share of collective net OPEB liability	\$17,242,746	\$13,946,466	\$11,179,338

I. 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, 2022. The supporting actuarial information is included in the GASB Statement Number. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

Notes to the Financial Statements
For the Year Ended September 30, 2023

Note 8 – Construction and Other Significant Commitments

The Institute has several construction projects, as shown on the table below, which were not completed or final payment made as of September 30, 2023.

Project	Estimated Construction Costs	Current Expenditures
AIB Birmingham Plant	\$ 2,500,000.00	\$ 256,863.07
EH Gentry Roofing	2,100,000.00	1,958,751.25
Decatur – PSCA	28,519,992.00	15,709,176.38
ADRS Building – Decatur	6,215,000.00	71,750.00
Birmingham Regional Center	3,200,000.00	54,372.50
ASD Jemison Renovation	350,000.00	5,000.00
Construction Management – Decatur	1,500,000.00	1,000,105.62
CRAFT Building – Decatur	3,000,000.00	2,708,403.31
Total	\$47,384,992.00	\$21,764,422.13

Note 9 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2023, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$ 3,877,610.39
Benefits	1,010,080.46
Supplies	5,467,685.14
Total	\$10,355,375.99

Note 10 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-Term Debt	\$ 45,000.00	\$	\$ (45,000.00)	\$	\$
Leases and Subscriptions Payable	598,554.48	612,609.42	(529,215.90)	681,948.00	519,755.80
Compensated Absences	1,599,035.57	166,545.57		1,765,581.14	28,806.96
Net Pension Liability	54,619,000.00	36,647,000.00		91,266,000.00	
Net OPEB Liability	37,781,858.00		(23,835,392.00)	13,946,466.00	
Total Long-Term Liabilities	\$94,643,448.05	\$37,426,154.99	\$(24,409,607.90)	\$107,659,995.14	\$548,562.76

Notes to the Financial Statements

For the Year Ended September 30, 2023

Leases and Subscriptions Payable include the following:

Hutcheson Investment

In August 2022, the Institute entered into a lease agreement with Hutcheson Investments, Inc. to become a tenant for general office space of 7,384 square feet located at 4092 Memorial Parkway South to house the Huntsville Regional Center. The lease term is for 3 years and 2 months with the first two months payment free and then the base payment of \$11,284.00 beginning on November 1, 2022. The bank prime loan rate of 6.25% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$263,863.13. The net leased asset value is \$184,769.50 which includes accumulated amortization of \$184,769.51.

Year Ending	Principal	Interest	Total
September 30, 2024	\$122,382.86	\$13,025.14	\$135,408.00
2025	130,254.74	5,153.26	135,408.00
2026	11,225.53	58.47	11,284.00
Total	\$263,863.13	\$18,236.87	\$282,100.00

Landmarks Foundation of Montgomery, Inc.

In January 2022, the Institute entered into a lease agreement with Landmarks Foundation of Montgomery, Inc. to become a tenant for the Noble House Building located at 432 East Jefferson Street to house the Montgomery Regional Center. The lease term is for 12 months with an option to extend for an additional 12 months and the base payment of \$2,150.00 beginning on November 1, 2022. The bank prime loan rate of 5.73% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$6,388.90. The net leased asset value is \$12,218.96 which includes accumulated amortization of \$36,656.89.

Year Ending	Principal	Interest	Total
September 30, 2024	\$6,388.90	\$61.10	\$6,450.00
Total	\$6,388.90	\$61.10	\$6,450.00

Notes to the Financial Statements
For the Year Ended September 30, 2023

Weil 34th Street

In April 2022, the Institute entered into a lease agreement with Weil 34th Street, LLC. to become a tenant for general office space of 14,000 square feet located at 3420 3rd Avenue South to house the Birmingham Regional Center. The lease term is for 2 years and the base payment of \$11,000.00 beginning on April 15, 2022. The bank prime loan rate of 5.73% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$70,230.49. The net leased asset value is \$62,367.08 which includes accumulated amortization of \$187,101.24.

Year Ending	Principal	Interest	Total
September 30, 2024	\$70,230.49	\$1,269.51	\$71,500.00
Total	<u>\$70,230.49</u>	<u>\$1,269.51</u>	<u>\$71,500.00</u>

Artisan's Alley, LLC

In December 2021, the Institute entered into a lease agreement with Artisan's Alley, LLC. to become a tenant for commercial spaces located in 100, 101 and 104 North Street East in the Coleman Building. The lease term is for 2 years and 1 month with a \$60,000 down payment and the first month payment free. Then a quarterly base payment of \$12,500.00 begins on January 1, 2022. The bank prime loan rate of 5.73% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$12,323.47. The net leased asset value is \$38,798.56 which includes accumulated amortization of \$116,395.68.

Year Ending	Principal	Interest	Total
September 30, 2024	\$12,323.47	\$176.53	\$12,500.00
Total	<u>\$12,323.47</u>	<u>\$176.53</u>	<u>\$12,500.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

228 1st Avenue North

In July 2023, the Institute entered into a lease agreement with Community Property Investments, Inc. to become a tenant for general office and warehouse space of 12,400 square feet located at 228 and 208 1st Avenue North, Birmingham, Alabama 35204 to house the AIB Birmingham operations. The lease term is for 12 months with an option to extend for an additional 6 months and the base payment of \$5,115.00 per month beginning on August 1, 2023. Monthly payment increases to \$5,270.00 effective August 1, 2024. The bank prime loan rate of 8.50% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$80,063.13. The net leased asset value is \$67,121.71 which includes accumulated amortization of \$22,373.90.

Year Ending	Principal	Interest	Total
September 30, 2024	\$59,351.20	\$2,338.80	\$61,690.00
2025	20,711.93	368.07	21,080.00
Total	<u>\$80,063.13</u>	<u>\$2,706.87</u>	<u>\$82,770.00</u>

Brolly

In July 2023, the Institute entered into a subscription agreement with Brolly for tracking student progress and data on Individual Educational Plans (IEPs). The subscription term is for 12 months with an option to extend for an additional 12 months at the base payment of \$13,870.00 per year beginning on July 1, 2023. Annual payment increases to \$15,420.00 effective July 1, 2024. The bank prime loan rate of 8.25% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$14,244.80. The net subscription asset value is \$29,850.45 which includes accumulated amortization of \$4,264.35.

Year Ending	Principal	Interest	Total
September 30, 2024	\$14,244.80	\$979.34	\$15,224.14
Total	<u>\$14,244.80</u>	<u>\$979.34</u>	<u>\$15,224.14</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

Powerschool Group

In March 2023, the Institute entered into a subscription agreement with Powerschool Group, LLC. for online registration software for K-12 students. The subscription term is for 3 years at a base payment of \$8,700.00 per year beginning on March 10, 2023. The bank prime loan rate of 7.75% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$15,567.75. The net subscription asset value is \$24,033.95 which includes accumulated amortization of \$5,801.30.

Year Ending	Principal	Interest	Total
September 30, 2024	\$ 7,493.52	\$ 916.14	\$ 8,409.66
2025	8,074.23	312.87	8,387.10
Total	<u>\$15,567.75</u>	<u>\$1,229.01</u>	<u>\$16,796.76</u>

SAP S/4 Hana Cloud

In December 2022, the Institute entered into a subscription agreement with Phoenix Business Consulting for SAP S/4 Hana Cloud ERP software. The subscription term is for 3 years at a base payment of \$94,860.00 per year beginning on December 31, 2022. The bank prime loan rate of 7.50% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$170,327.31. The net subscription asset value is \$191,524.17 which includes accumulated amortization of \$73,663.14.

Year Ending	Principal	Interest	Total
September 30, 2024	\$ 82,085.40	\$8,157.24	\$ 90,242.64
2025	88,241.91	1,654.50	89,896.41
Total	<u>\$170,327.31</u>	<u>\$9,811.74</u>	<u>\$180,139.05</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

IXL Learning

In August 2022, the Institute entered into a subscription agreement with IXL Learning, Inc. for English Language Arts and ACT Prep software. The subscription term is for 3 years at a base payment of \$77,625.00 per year beginning on September 4, 2022. Base payment for years 2 and 3 is \$38,813.00 per year. The bank prime loan rate of 5.50% was used to calculate current value. As of September 30, 2023, the lease liability outstanding is \$36,789.61. The net subscription asset value is \$95,377.30 which includes accumulated amortization of \$53,908.91.

Year Ending	Principal	Interest	Total
September 30, 2024	\$36,789.61	\$2,023.39	\$38,813.00
Total	<u>\$36,789.61</u>	<u>\$2,023.39</u>	<u>\$38,813.00</u>

Note 11 – Risk Management

The Institute 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 Institute 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 Institute pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$1 million Perils per occurrence (except \$10 million Wind) and is self-insured up to a maximum of \$25 million All Perils (plus an additional \$20 million All Wind) in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$1 million Perils (except \$10 million Wind). The Institute purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the Institute has fidelity bonds on the Institute’s Chief Financial Officer as well as on all other Institute 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 Institute 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Settled claims resulting from these risks have not exceeded the Institute’s coverage in any of the past three fiscal years.

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 Institute.

Note 12 – Component Units

During the year ended September 30, 2023, the Alabama Institute for Deaf and Blind Foundation, Inc. distributed approximately \$202,222.65 to the Institute for both restricted and unrestricted purposes.

Note 13 – Related Parties

National Industries for the Blind (NIB)

National Industries for the Blind (NIB) awards federal contracts to its affiliate agencies. The Alabama Industries for the Blind is one of those affiliate agencies. NIB awards contracts based on the affiliate agency’s ability to comply with specific requirements of individual contracts. The cost of NIB central operations is borne by affiliated agencies via 4 to 10 percent commission on specific sales. During 2023, Alabama Industries for the Blind paid commissions totaling \$206,119.55.

Note 14 – Net Position Restatement

Prior period adjustments have been made as outlined below:

Beginning Net Position, September 30, 2022	\$(27,344,402.06)
Prior Period Adjustments:	
To Correct Assets	77,625.00
Total Adjustments	77,625.00
Net Position, October 1, 2022, as Restated	\$(27,266,777.06)

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Note 1 – Description of Organization and Significant Accounting Policies

Reporting Entity – The consolidated financial statements include the accounts of Alabama Institute for Deaf and Blind Foundation, Inc. (the Foundation), the Marianna Greene Henry Foundation (MGH) and the Ralph Lee Hill Charitable Trust (see Note 6). The Foundation is a nonprofit organization whose support and revenue are derived primarily from voluntary contributions from the general public and through special fundraising events. The Marianna Greene Henry Foundation is a nonprofit organization which receives donations from the general public and through special fundraising events to provide a special equestrian program for Alabama Institute for Deaf and Blind. The Marianna Greene Henry Foundation is consolidated since the Foundation has an economic interest in and exercises control over the Marianna Greene Henry Foundation.

Basis of Accounting – The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation – The Foundation reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction are resources available to support operations. The only limits on the use of net assets without donor restriction are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered in the course of its operations.

Net assets with donor restriction are resources that are restricted by a donor for use for a particular purpose or in a particular future period or whose use is limited by donor-imposed restriction that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Foundation's unspent contributions are reported in this class if the donor limited his/her use, as are promised contributions that are not yet due. The unspent appreciation of the Foundation's donor-restricted endowment funds is also reported as net assets with donor restriction.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restriction if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Foundation considers the restriction met when the assets are placed in service.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restriction to net assets without donor restriction.

The portion of the Foundation's donor-restricted endowment funds that the Foundation is committed to maintaining in perpetuity are classified in this net asset class, as is the Foundation's beneficial interest in a perpetual charitable trust held by a bank as trustee.

Comparative Financial Information – The financial statements include certain prior year comparative totals, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with *Generally Accepted Accounting Principles*. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2022, from which the comparative totals were derived.

Cash and Cash Equivalents – For purposes of the Consolidated Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment or endowment.

Contributions – The Foundation accounts for contributions are in accordance with the recommendations of the Financial Accounting Standards Board *Accounting Standards Codification* Section 958-605-25. In accordance with ASC 958-605-25, contributions received are recorded as increases in net assets with or without donor restriction, depending on the existence or nature of any donor restriction.

All donor-restricted contributions are reported as increases in net assets with donor restriction depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Consolidated Statement of Activities as net assets released from restrictions.

Promises to Give – Unconditional promises to give are recognized as contribution revenue in the period received as assets, decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year, and at net present value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. At September 30, 2023, the Foundation had a pledge receivable balance of \$5,000 with all promises to give expected to be collected in the next year.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Allowance for Doubtful Accounts – Promises to give are stated net of an allowance for doubtful accounts. The allowance is estimated based on an analysis of specific donors, taking into consideration the age of the past due amounts, and an assessment of the donor’s ability to pay. At September 30, 2023, an allowance for doubtful accounts has not been recorded as management expects uncollectible promises to be insignificant.

Property and Equipment – All acquisitions of property and equipment in excess of \$3,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Tax Status – The Foundation is exempt from income taxes under IRS Code Section 501(c)(3) and further classified as a supporting organization under Code Section 509(a)(3).

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

As of September 30, 2023, the Foundation had no uncertain tax positions that qualify for disclosure in the financial statements. The Foundation files an annual Form 990 with the Internal Revenue Service and its tax returns for the year 2020 and subsequent years remain subject to examination by tax authorities.

Contributed Assets and Services – Contributions of noncash assets are recorded at their fair values in the period received. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Contributions of services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. The total contributed assets and services recognized as revenue during 2023 was \$95,721.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 2 – Cash

The Foundation maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. At September 30, 2023, \$1,687,499 in cash was uninsured. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents. At September 30, 2023, restricted cash balances were \$39,086.

Note 3 – Investments

Investments in debt and equity securities with readily determinable fair values are carried at fair value. Investments in private partnerships, totaling \$2,055,381, are valued at the net asset value (NAV) of shares held by the Foundation at year end. One cost-based investment consist of a bank-issued certificate of deposit, held with First National Bank Talladega totaling \$238,224, and is scheduled to mature on October 12, 2023, bearing interest at 2.15%. The total cost of the Foundation’s investments in these partnerships and certificate of deposit is \$2,293,605.

Investment income was composed of the following at September 30, 2023:

Interest and Dividends	\$ 186,271
Realized Gain	251,730
Unrealized Gain on Marketable Securities	678,043
Total	<u>\$1,116,044</u>

Assets in investment accounts are protected from custodial credit risk by SIPC up to \$500,000 of which \$250,000 may be cash. At September 30, 2023, investments in the amount of \$11,166,264 were uninsured.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Note 4 – Fair Value Measurements

FASB ASC 820-10-50 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- ◆ Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- ◆ Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- ◆ Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of assets measured on a recurring basis at September 30, 2023, were as follows:

Assets	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash/Money Market	\$ 902,786	\$ 902,786	\$ -	\$ -
Certificates of Deposit	475,268	-	475,268	-
U.S. Notes/Bonds	643,066	-	643,066	-
Corporate Bonds	2,050,895	-	2,050,895	-
Equity Securities	5,288,629	5,288,629	-	-
Bond Mutual Funds	477,863	477,863	-	-
Total Assets at Fair Value	9,838,507	\$6,669,278	\$3,169,229	\$ -
Investments at Net Asset Value Private Partnerships	2,055,381			
Total Investments at Estimated Fair Value	\$11,893,888			

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Note 5 – Property and Equipment

Property and equipment consisted of the following at September 30, 2023:

Land	\$ 53,860
Buildings and Improvements	713,510
Furnishings and Equipment	187,918
Vehicles	160,193
Total	<u>1,115,481</u>
Less: Accumulated Depreciation	<u>(927,040)</u>
Total	<u>\$ 188,441</u>

Depreciation expense for 2023 totaled \$69,928.

During the year, the Foundation transferred all Marianna Green Henry fixed assets to Alabama Institute for Deaf and Blind (AIDB), a related party. The net book value of fixed assets transferred to AIDB totaled \$405,281, which has been reported in property and equipment purchases on the statement of functional expenses for the year ended September 30, 2023. See Note 8 for related party disclosure.

Note 6 – Interests in Perpetual Trusts

The Foundation is the beneficiary of certain irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Foundation has the irrevocable right to receive the income earned on trust assets in perpetuity. The fair value of the beneficial interest in the trusts is recognized as an asset and as a restricted contribution at the date the trusts were established. The Foundation's estimate of fair value is based on fair value information received from trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to control or direction by the Foundation. Distributions of income from the trust are reported as investment income. Gains and losses, which are not distributed by the trusts, are reflected as the change in value of perpetual trusts held by others in the Consolidated Statement of Activities.

The Foundation is the sole beneficiary of the Ralph Lee Hill Charitable Trust held. The fair value of the trust was \$267,588 at September 30, 2023.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Additionally, the Foundation has been named a beneficiary of the Guilford Houston Smith, Jr. Charitable Trust. Under the terms of the will, the Foundation is to perpetually receive 23.5% of the income from the trust in annual payments. The trust was not granted variance power; therefore, the beneficial interest has been combined in these financial statements. The income is unrestricted as to its use; unexpended amounts have been included as net assets without donor restriction and the income from the trust is included as an increase in net assets without donor restriction. Due to the uncertainties regarding the amounts to be received in the future, the beneficial interest has been valued using the Foundation's percentage of the fair value of the pool of assets.

Changes in the fair value have been included in net assets with donor restriction. At September 30, 2023, the fair value of the Foundation's beneficial interest was valued at \$740,178.

The fair values of interests and perpetual trusts measured on a recurring basis at September 30, 2023, were as follows:

Assets	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash/Money Market	\$ 15,404	\$ 15,404	\$ -	\$ -
U. S. Notes/Bonds	725,635	-	725,635	-
Bond Mutual Funds	101,278	101,278	-	-
Equity Mutual Funds	165,449	165,449	-	-
Total	\$1,007,766	\$282,131	\$725,635	\$ -

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Note 7 – Endowments

The Foundation's endowments consist of multiple individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as net assets with donor restriction (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies – The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also 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. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy – In an effort to ensure future growth in endowment principal sufficient to accommodate the effects of inflation, and to provide a steady source of income to Alabama Institute for Deaf and Blind (AIDB) programs, the AIDB Foundation Board of Directors has adopted an investment and spending policy.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

The annual allocation of endowment income to the appropriate spending accounts shall be made on a total return basis. The goal of AIDB Foundation Investment and Spending Policy is to achieve a distribution to endowment spending accounts of 5% of the market value of the pooled endowment and allocation of 1% of the market value to the endowment “rainy day” fund. The market value will be determined on a five-year rolling average of return at the end of each fiscal year. When circumstances regarding market performance warrant, the Investment Committee may recommend that the five-year rolling average be temporarily adjusted in keeping with the policy objectives.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Endowment net asset composition by type of fund as of September 30, 2023 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Net Endowment Assets
Donor – Restricted Endowment Funds	\$ -	\$6,342,689	\$6,342,689
Board – Designated Endowment Funds	3,125,487	-	3,125,487
Total	<u>\$3,125,487</u>	<u>\$6,342,689</u>	<u>\$9,468,176</u>

Changes in endowment net assets as of September 30, 2023 are as follows:

	Without Donor Restriction	With Donor Restriction	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$2,726,817	\$5,544,725	\$8,271,542
Contributions	-	192,945	192,945
Amounts Appropriated for Expenditures	-	-	-
Investment Return, Net	398,670	605,019	1,003,689
Endowment Net Assets, End of Year	<u>\$3,125,487</u>	<u>\$6,342,689</u>	<u>\$9,468,176</u>

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Note 8 – Related Party Transactions

Alabama Institute for Deaf and Blind provides services and facilities to the Foundation. The following is a brief description of the transactions in which the Foundation engages Alabama Institute for Deaf and Blind:

- ◆ Alabama Institute for Deaf and Blind provides personnel support to the Foundation on a contract basis. The amount paid to Alabama Institute for Deaf and Blind for personnel support was \$118,729.
- ◆ Accounts payable includes \$13,883 at September 30, 2023, payable to Alabama Institute for Deaf and Blind primarily for outside contract services and institutional research.
- ◆ Accrued expenses includes \$1,679 of compensated absences at September 30, 2023, payable to Alabama Institute for Deaf and Blind for accrued sick pay and personal time of employees.
- ◆ Alabama Institute for Deaf and Blind entered into an agreement with a current board member. The agreement is for the lease of land owned by the current board member to the school for the amount of \$1 per year.

The purpose of the Foundation is to provide support for Alabama Institute for Deaf and Blind programs. The following is a brief description of the transactions in which Alabama Institute for Deaf and Blind engages the Foundation:

- ◆ Program expenses for the fiscal year ended September 30, 2023, amounted to \$1,370,228. Included in these expenses is \$178,240 for property and equipment purchases which have been transferred to AIDB. Additionally, program expenses include a transfer of fixed assets from MGH with a net book value of \$405,281 (see Note 5).

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Note 9 – Net Assets With Donor Restriction

Net assets with donor restrictions are available for the following purposes at September 30, 2023:

Unexpended Funds Received for Restricted Purposes in Support of Various Programs	\$2,243,806
Contributions Receivable	5,000
Endowments	6,342,689
Gilford Houston Trust	740,178
Ralph Hill Trust	267,588
Total	\$9,599,261

Note 10 – Liquidity and Availability of Resources

The following reflects the Foundation’s financial assets available within one year of the Consolidated Statement of Financial Position date, reduced by amounts not available for general use because of contractual restrictions within one year of the Statement of Financial Position date. Amounts not available include amounts restricted by donors with time or purpose restrictions.

Cash	\$ 1,905,665
Contributions Receivable	5,000
Investments	12,132,112
Financial Assets, Available Within One Year	14,042,777
Less Those Unavailable for General Expenditures Within One Year Due to:	
Contractual or Donor-Imposed Restrictions:	
Restricted by Donor with Time or Purpose Restrictions	(9,599,261)
Board Designations:	
Subject to Appropriation	(3,125,487)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,318,029

The accounts receivable is subject to implied time restrictions but are expected to be collected within one year. The Foundation structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Notes to the Consolidated Financial Statements
Alabama Institute for Deaf and Blind Foundation, Inc.
For the Year Ended September 30, 2023

Note 11 – Gifts-In-Kind

The Foundation received gifts-in-kind for the year ended September 30, 2023:

Fundraising Supplies	\$ 3,296
Program Supplies	<u>92,425</u>
Total Gifts-in-Kind	<u>\$95,721</u>

The Foundation’s policy related to gifts-in-kind is to utilize the assets given to carry out the Foundation’s activities.

The Foundation received donated fundraising and program supplies with a combined estimated fair market value of \$95,721 for operations of their programs and fundraising events.

Note 12 – Subsequent Events

The Foundation’s management has evaluated subsequent events as of April 24, 2024, the date the financial statements were available to be issued.

Required Supplementary Information

Schedule of the Institute's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Institute's proportion of the collective net pension liability	0.587265%	0.579801%	0.573146%	0.573469%	0.561330%	0.558237%	0.544599%	0.547225%	0.543527%
Institute's proportionate share of the collective net pension liability	\$ 91,266	\$ 54,619	\$ 70,896	\$ 63,408	\$ 55,811	\$ 54,866	\$ 58,958	\$ 57,271	\$ 49,377
Institute's covered payroll during the measurement period (*)	\$ 47,054	\$ 42,828	\$ 42,250	\$ 39,495	\$ 38,225	\$ 38,318	\$ 36,981	\$ 34,667	\$ 34,517
Institute's proportionate share of the collective net pension liability as a percentage of its covered payroll	193.96%	127.53%	167.80%	160.55%	146.01%	143.19%	159.43%	165.20%	143.05%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Institute's covered payroll during the measurement period is the total covered payroll (see GASB Statement Number 82).
For fiscal year 2023, the measurement period for covered payroll is October 1, 2021 through September 30, 2022.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Institute's Contributions - Pension
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 5,960	\$ 5,468	\$ 5,057	\$ 4,953	\$ 4,772	\$ 4,504	\$ 4,386	\$ 4,095	\$ 4,036
Contributions in relation to the contractually required contribution	\$ 5,960	\$ 5,468	\$ 5,057	\$ 4,953	\$ 4,772	\$ 4,504	\$ 4,386	\$ 4,095	\$ 4,036
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Institute's covered payroll	\$ 51,149	\$ 47,054	\$ 42,828	\$ 42,250	\$ 39,495	\$ 38,225	\$ 38,318	\$ 36,981	\$ 34,667
Contributions as a percentage of covered payroll	11.65%	11.62%	11.81%	11.72%	12.08%	11.78%	11.45%	11.07%	11.64%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Institute's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018
Institute's proportion of the collective net OPEB liability	0.800395%	0.731241%	0.723398%	0.822706%	0.791026%	0.777140%
Institute's proportionate share of the collective net OPEB liability (asset)	\$ 13,946	\$ 37,782	\$ 46,948	\$ 31,039	\$ 65,012	\$ 57,722
Institute's covered-employee payroll during the measurement period (*)	\$ 42,885	\$ 42,828	\$ 41,312	\$ 40,000	\$ 37,852	\$ 37,550
Institute's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	32.52%	88.22%	113.64%	77.60%	171.75%	153.72%
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

(*) Institute's covered-employee payroll during the measurement period is the total covered-employee payroll.
For fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Institute's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2023
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 1,115	\$ 1,524	\$ 1,276	\$ 1,425	\$ 2,343	\$ 1,962
Contributions in relation to the contractually required contribution	\$ 1,115	\$ 1,524	\$ 1,276	\$ 1,425	\$ 2,343	\$ 1,962
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Institute's covered-employee payroll	\$ 49,923	\$ 42,885	\$ 42,828	\$ 41,312	\$ 40,000	\$ 37,852
Contributions as a percentage of covered-employee payroll	2.23%	3.55%	2.98%	3.45%	5.86%	5.18%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2023***

Changes in Actuarial Assumptions

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

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

Recent Plan Changes

Beginning in plan year 2021, the Medicare Advantage Plan with Prescription Drug Coverage (MAPD) plan premium rates exclude the 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.

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2023***

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of the Institute’s Contributions – Other Postemployment Benefits (OPEB) were calculated as of September 30, 2019, 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	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(*)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

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

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>Research and Development Cluster</u>				
<u>U. S. Department of Health and Human Services</u>				
<u>Passed Through the University of Alabama at Birmingham</u>				
Vision Research	93.867	000522217-SC001		\$ 88,183.99
<u>Special Education Cluster (IDEA)</u>				
<u>U. S. Department of Education</u>				
<u>Passed Through Alabama State Department of Education</u>				
Special Education - Grants to States	84.027	X230296		365,705.64
<u>Child Nutrition Cluster</u>				
<u>U. S. Department of Agriculture</u>				
<u>Passed Through Alabama State Department of Education</u>				
School Breakfast Program	10.553	A2Q-0000		113,670.21
National School Lunch Program	10.555	A2Q-0000		206,743.10
Total Child Nutrition Cluster				<u>320,413.31</u>
<u>Aging Cluster</u>				
<u>U. S. Department of Health and Human Services</u>				
<u>Passed Through East Alabama Regional Planning and Development Commission</u>				
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	09-30-23-36		28,771.89
<u>Food Distribution Cluster</u>				
<u>U. S. Department of Agriculture</u>				
<u>Passed Through Alabama State Department of Education</u>				
Commodity Supplemental Food Program (N)	10.565	A2Q-0000		7,575.84
<u>Other Federal Awards</u>				
<u>U. S. Department of Education</u>				
<u>Direct Program</u>				
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326			91,978.73
<u>Passed Through Alabama Department of Rehabilitation Services</u>				
Special Education-Grants for Infants and Families	84.181	AE3087E113		1,045,416.00
COVID-19 - Special Education - Grants for Infants and Families	84.181	AE3087E153		145,732.95
Total Special Education-Grants for Infants and Families				<u>\$ 1,191,148.95</u>

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>Passed Through Alabama State Department of Education</u>				
Supporting Effective Instruction State Grants	84.367	N.A.	\$	27,120.62
Career and Technical Education - Basic Grants to States	84.048	N.A.		15,177.34
COVID-19 - Governor's Emergency Education Relief (GEER) Fund	84.425C	N.A.		896,608.53
<u>Passed Through Alabama Community College System</u>				
Adult Education - Basic Grants to States	84.002	0923AE111		68,739.08
<u>U. S. Department of Health and Human Services</u>				
<u>Passed Through East Alabama Regional Planning and Development Commission</u>				
Special Programs for the Aging-Title III, Part D, Disease Prevention and Health Promotion Services	93.043	09-30-23-36		11,735.86
<u>Passed Through Alabama Department of Public Health</u>				
COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	GC-22-069 C20115041		164,085.35
<u>Passed Through Auburn University</u>				
Developmental Disabilities Basic Support and Advocacy Grants	93.630	21-ACES-376594-AIDB		836.23
Total Expenditures of Federal Awards			\$	<u>3,278,081.36</u>

(N) = Non-Cash Assistance

N.A. = Not Applicable

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

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2023***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Alabama Institute for Deaf and Blind, under programs of the federal government for the year ended September 30, 2023. 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 Alabama Institute for Deaf and Blind, it is not intended to and does not present the financial position, changes in net position or cash flows of the Alabama Institute for Deaf and Blind.

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.

Note 3 – Indirect Cost Rate

The Alabama Institute for Deaf and Blind has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

Additional Information

Board Members and Official
October 1, 2022 through September 30, 2023

Board of Trustees Members		Term Expires
Hon. Phillip Brown	District 7	2026
Hon. William P. Dobbs III	At Large	2028
Hon. Terry Dunn	District 4	2024
Hon. Ronald Garrett	District 3	2026
Hon. M.P. Greene, Jr.	District 3	2024
Hon. Clarence Haynes	District 3	2028
Hon. Joseph H. Johnson, Jr.	District 2	2028
Hon. Robert Kelly, Jr. (Until July 24, 2023)	At Large	2023
Hon. Barbara Manuel (Beginning July 28, 2023)	At Large	2024
Hon. Richard M. Kemmer, Jr.	District 6	2024
Hon. Jackie Smith	At Large	2026
Hon. Frances E. Taylor	District 5	2026
Hon. Coleman M. Wallace, Sr.	District 1	2028

Board Members and Official
October 1, 2022 through September 30, 2023

Board of Trustees Members

Members by Virtue of Office

Hon. Kay Ivey	Governor
Hon. Eric Mackey	State Superintendent of Education

Non-Member Officers

Jonathan Sherbert	Chief Financial Officer/Board Treasurer
Amanda Fuller	Executive Assistant to the President/ Board Secretary

Officials

Dr. John Mascia (Until August 31, 2023)	President
Dr. Dennis A. Gilliam (Beginning September 1, 2023)	President

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***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***

Independent Auditor's Report

Dr. Dennis A. Gilliam, President – Alabama Institute for Deaf and Blind
Talladega, Alabama 35161

We have audited, 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 (***Government Auditing Standards***), the financial statements of the Alabama Institute for Deaf and Blind, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Alabama Institute for Deaf and Blind's basic financial statements, and have issued our report thereon dated April 26, 2024. Our report includes a reference to other auditors who audited the financial statements of the Alabama Institute for Deaf and Blind Foundation, Inc. as described in our report on the Alabama Institute for Deaf and Blind's financial statements. The financial statements of the Alabama Institute for Deaf and Blind Foundation, Inc., were not audited in accordance with ***Government Auditing Standards***.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Alabama Institute for Deaf and Blind'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alabama Institute for Deaf and Blind's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alabama Institute for Deaf and Blind'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.

***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***

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2023-002 and 2023-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alabama Institute for Deaf and Blind'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***. We noted a certain matter that we reported to management of the Alabama Institute for Deaf and Blind in the Schedule of State Compliance and Other Findings.

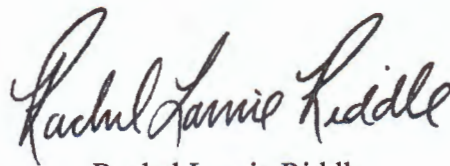
Alabama Institute for Deaf and Blind's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Alabama Institute for Deaf and Blind's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The Alabama Institute for Deaf and Blind's response to the findings identified in our audit are described in the accompanying Auditee Response/Corrective Action Plan. The Alabama Institute for Deaf and Blind's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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***

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.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

April 26, 2024

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

Independent Auditor's Report

Dr. Dennis A Gilliam, President – Alabama Institute for Deaf and Blind
Talladega, Alabama 35161

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Alabama Institute for Deaf and Blind’s, a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Alabama Institute for Deaf and Blind’s major federal programs for the year ended September 30, 2023. The Alabama Institute for Deaf and Blind’s major federal programs are identified in the Summary of Examiner’s Results Section of the accompanying Schedule of Findings and Questioned Costs. The financial statements of the Alabama Institute for Deaf and Blind Foundation, Inc. were not audited in accordance with the *Uniform Guidance*, and accordingly, this report does not extend to the Alabama Institute for Deaf and Blind Foundation, Inc.

In our opinion, the Alabama Institute for Deaf and Blind complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States (***Government Auditing Standards***); 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*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Alabama Institute for Deaf and Blind and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Alabama Institute for Deaf and Blind’s compliance with the compliance requirements referred to above.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Alabama Institute for Deaf and Blind's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Alabama Institute for Deaf and Blind's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Alabama Institute for Deaf and Blind's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, ***Government Auditing Standards***, and the *Uniform Guidance*, we

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Alabama Institute for Deaf and Blind's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ obtain an understanding of the Alabama Institute for Deaf and Blind's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Alabama Institute for Deaf and Blind's internal control over compliance. Accordingly, no such opinion is expressed.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance


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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

***Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on 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.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

April 26, 2024

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal 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 federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

 Yes X No

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.181	Special Education – Grants for Infants and Families
84.181	COVID-19 – Special Education – Grants for Infants and Families
84.425C	COVID-19 – Governor's Emergency Education Relief (GEER) Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

 Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2023-002
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: 2022-003

The Institute did not reconcile accounts receivable nor accounts payable subsidiary ledgers to the general ledger at year-end.

Finding

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records; underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings; any adjustments made to the financial records to be adequately documented; and accurate financial statements to be prepared. Adequate internal controls to help ensure accurate financial statements are prepared would include reconciling subsidiary listings to the general ledger prior to the preparation of financial statements. The Institute failed to prepare reconciliations of subsidiary ledgers to the general ledger for the following Statement of Net Position accounts: accounts receivable and accounts payable. Failure to prepare accurate reconciliations in a timely manner could lead to the financial statements being materially misstated.

Recommendation

The Institute should ensure that year-end internal control processes, including the reconciliation of subsidiary ledgers to the general ledger, are accurately completed in a timely manner prior to preparing financial statements.

Views of Responsible Officials of the Auditee

Management agrees with the finding and will take corrective action.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section II – Financial Statement Findings (GAGAS)

Reference Number: 2023-003
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None

The Institute did not perform monthly bank reconciliations timely nor were the bank reconciliations reviewed.

Finding

An adequate system of internal controls includes establishing policies and procedures for performing bank reconciliations. The performance of timely reconciliations, which includes review and approval by an individual other than the preparer, helps the Institute to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected. Bank reconciliations were requested for all bank accounts for the months of June, July and September 2023. The bank reconciliations were not prepared timely noting dates between November 16, 2023, and January 27, 2024. None of the reconciliations had signatures noting there was review or approval performed. The Institute did not have procedures in place to ensure accurate bank reconciliations were prepared and reviewed in a timely manner. As a result, errors may occur in the accounting records and not be detected in a timely manner.

Recommendation

The Institute should design and implement procedures that require bank reconciliations to be prepared and reviewed in a timely manner.

Views of Responsible Officials of the Auditee

Management agrees with the finding and will take corrective action.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.

Summary Schedule of Prior Audit Findings



Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2023

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Alabama Institute for Deaf and Blind has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2023.

Finding Ref. No.	Status of Prior Audit Finding
2022-002	<p>Finding</p> <p>The Codification of Governmental Accounting and Reporting Standards, Section 1600.130, states, "Proprietary fund statements of net position and revenues, expenses, and changes in net position should be presented using the economic resources measurement focus and the accrual basis of accounting." Accrual accounting records a transaction in the period that the transaction occurred rather than when the cash was received or paid.</p> <p>The Institute failed to properly accrue accounts payable at year-end. The Institute back dated checks, issued in the subsequent fiscal year, that should have been accrued as an accounts payable at September 30, 2022. As a result, cash and accounts payable were understated \$4,710,785.39 on the financial statements. The Institute adjusted the final financial statements for the error.</p> <p>Recommendation</p> <p>The Institute should comply with the Codification of Governmental Accounting and Reporting Standards, Section 1600.130, by requiring accrual accounting for year-end payable transactions.</p> <p>Status of Prior Year Audit Finding</p> <p>Corrective action was taken.</p>
2022-003	<p>Finding</p> <p>Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records; underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings; any adjustments made to the financial records to be adequately documented; and accurate financial statements to be prepared. Adequate internal controls to help ensure accurate financial statements are prepared would include reconciling subsidiary listings to the general ledger prior to the preparation of financial statements. The Institute failed to prepare reconciliations of subsidiary ledgers to the general ledger for the following Statement of Net Position accounts: accounts receivable, capital assets, inventory, and accounts payable. Failure to prepare accurate reconciliations in a timely manner could lead to the financial statements being materially misstated.</p>

Recommendation

The Institute should ensure that year-end internal control processes, including the reconciliation of subsidiary ledgers to the general ledger, are accurately completed in a timely manner prior to preparing financial statements.

Status of Prior Year Audit Finding

Corrective action will be taken by September 30, 2024.

2022-004

Finding

An adequate system of internal controls includes having policies and procedures in place that restrict access to the administrative software system. Restricting access prevents unauthorized changes from being made to master files without proper approval and minimizes the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected.

Due to a lack of policies and procedures, a review revealed numerous employees had access to the payroll and vendor master files without the function necessary for their position. This resulted in a lack of segregation of duties among the following departments: payroll, human resources, purchasing and accounts payable. Additionally, any changes made to the payroll and vendor files by employees were not reviewed or approved for accuracy.

Recommendation

The Institute should have policies and procedures in place that restrict access to applications in the administrative software system that are vital for the employee to perform their job functions while segregating duties. Any changes made in the administrative software system, such as master files changes, should be properly documented and reviewed and approved.

Status of Prior Year Audit Finding

Corrective action was taken. While the system itself does not allow for detailed access control, all system master file changes are supported by reviewed and approved documentation for the change.

2022-005

Finding

Institute policies authorize the President of the Institute to set the hours of employment, holiday schedules, and the salaries of employees in accordance with the established salary ranges and schedules for the various classifications of personnel at the appropriate levels. Therefore, to fulfill this responsibility, it is incumbent upon management to establish, implement and maintain procedures that ensure payroll is properly calculated and paid.

Established timekeeping procedures include supervisory review of time and attendance electronically using the payroll software Attendance on Demand (AOD) for all hourly (non-exempt) employees or manually authorized timesheets for submissions for substitutes, part-time employees, employees working a secondary position and Alabama Department of Rehabilitation Services (ADRS) employees.

Timekeeping, timesheets, and review of payroll calculations have an important role in the payroll process to ensure accuracy of payments to employees based on time worked or leave taken. Twenty-five (25) employees were selected for payroll testing. Due to a lack of properly designed or implemented internal controls, payroll calculations were not reviewed to ensure they were based on time worked or leave taken. As a result, four employees tested had errors in the calculation of payroll for multiple pay periods during the year.

Recommendation

The Institute should design and implement internal controls to ensure payroll for employees is properly calculated and paid according to time worked and leave taken.

Status of Prior Year Audit Finding

Corrective action was taken.

2022-006

Finding

Title 2 of the Code of Federal Regulations, Section 200.303, requires that a non-Federal entity establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Effective internal controls would include controls that ensure compliance with approved budget amounts.


The Institute's budget for the GEER program included approved hourly wages for employees who would be conducting a summer camp. Three employees from a population of seventeen were selected for review, and it was determined that the pay rates paid to the summer camp employees were not in accordance with the approved budget. All three employees held other positions at the Institute, and due to a lack of properly designed and implemented internal controls, these employees were paid at the rate of pay for the other position. As a result, all three employees were overpaid for the duties performed under the summer camp position.

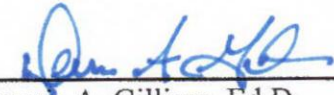
Recommendation

The Institute should design and implement internal controls to ensure that employees paid with Federal funds are paid in accordance with approved budgets.

Status of Prior Year Audit Finding

Corrective action was taken.


Jonathan Sherbert
Chief Financial Officer


Dennis A. Gilliam, Ed.D.
President

Auditee Response/Corrective Action Plan



Response/Corrective Action Plan For the Year Ended September 30, 2023

As required by the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200.511(c), the Alabama Institute for Deaf and Blind prepared and hereby submits the following Corrective Action Plan for the findings included in section two of the Schedule of Findings and Questioned Costs for the year ended September 30, 2023.

Section II - Financial Statement Findings (GAGAS)

Reference Number: 2023-002
Type of Finding: Internal Control
Internal Control Impact: Material Weakness
Compliance Impact: None
Repeat of Prior Year Finding: 2022-003

The Institute did not reconcile accounts receivable nor accounts payable subsidiary ledgers to the general ledger at year-end.

Finding:

Generally Accepted Accounting Principles (GAAP) require all financial activity to be properly recorded in the accounting records; underlying accounting records to be maintained to support amounts in the general ledger and subsidiary listings; any adjustments made to the financial records to be adequately documented; and accurate financial statements to be prepared. Adequate internal controls to help ensure accurate financial statements are prepared would include reconciling subsidiary listings to the general ledger prior to the preparation of financial statements. The Institute failed to prepare reconciliations of subsidiary ledgers to the general ledger for the following Statement of Net Position accounts: accounts receivable and accounts payable. Failure to prepare accurate reconciliations in a timely manner could lead to the financial statements being materially misstated.

Recommendation:

The Institute should ensure that year-end internal control processes, including the reconciliation of subsidiary ledgers to the general ledger, are accurately completed in a timely manner prior to preparing financial statements.

Views of Responsible Officials of the Auditee

Management agrees with the finding and will take corrective actions.

Corrective Action Plan

The Institute will ensure that the reconciliation of subsidiary ledgers to the general ledger, are accurately completed in a timely manner prior to preparing financial statements.

Anticipated Completion Date:

September 30, 2024

Contact Person(s):

Jonathan Sherbert, CFO

Reference Number:	2023-003
Type of Finding:	Internal Control
Internal Control Impact:	Material Weakness
Compliance Impact:	None

The Institute did not perform monthly bank reconciliations timely nor were the bank reconciliations reviewed.

Finding:

An adequate system of internal controls includes establishing policies and procedures for performing bank reconciliations. The performance of timely reconciliations, which includes review and approval by an individual other than the preparer, helps the Institute to maintain accountability for cash and to minimize the possibility that errors or irregularities, including misappropriations and fraud, could occur and not be detected. Bank reconciliations were requested for all bank accounts for the months of June, July and September 2023. The bank reconciliations were not prepared timely noting dates between November 16, 2023, and January 27, 2024. None of the reconciliations had signatures noting there was review or approval performed. The Institute did not have procedures in place to ensure accurate bank reconciliations were prepared and reviewed in a timely manner. As a result, errors may occur in the accounting records and not be detected in a timely manner.

Recommendation:

The Institute should design and implement procedures that require bank reconciliations to be prepared and reviewed in a timely manner.

Views of Responsible Officials of the Auditee

Management agrees with the finding and will take corrective actions.

Corrective Action Plan

The Institute will design and implement procedures that require bank reconciliations to be prepared and reviewed in a timely manner.

Anticipated Completion Date:

September 30, 2024

Contact Person(s):

Jonathan Sherbert, CFO

The Alabama Institute for Deaf and Blind prepared and hereby submits the following Corrective Action Plan for the findings included in the Schedule of State Compliance and Other Findings for the year ended September 30, 2023.

Finding 2023-001:

Finding:

The *Code of Alabama 1975*, Section 35-12-72(a) states, "Property is presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular property:...(14) Wages or other compensation for personal services, one year after the compensation becomes payable...(18) All other property, three years after the owner's right to demand the property or after the obligation to pay or distribute the property arises, whichever first occurs."

The law provides for the State Treasurer to serve as the custodian of property or funds deemed abandoned under its provisions. The *Code of Alabama 1975*, Section 35-12-76(a) states, "A holder of property presumed abandoned shall make a report to the Treasurer concerning the property. The report shall be filed electronically, and the monies be remitted electronically...(c) The report shall be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year."

Testing revealed 75 payroll checks totaling \$15,847.09 were over one year old as of June 30, 2023, and should have been remitted to the State Treasurer's Office as unclaimed pay. Testing also revealed that 124 vendor checks totaling \$53,424.42 were over three years old as of June 30, 2023, and should have been remitted as unclaimed property.

The Institute does not have a policy in place for reviewing outstanding checks each year in order to determine reportable unclaimed property and remitting outstanding checks to the State Treasurer. The Institute did not submit an unclaimed property report for fiscal year 2023.

Recommendation:

The Institute should implement policies and procedures to review outstanding checks each year to determine reportable unclaimed property. The Institute should file a report concerning the property or funds considered abandoned in accordance with the *Code of Alabama 1975*, Section 35-12-76(a).

Views of Responsible Officials of the Auditee

Management agrees with the finding and will take corrective actions.

Corrective Action Plan

The Institute will implement policies and procedures to review outstanding checks each year to determine reportable unclaimed property, and if necessary, will file a report concerning the property or funds considered abandoned in accordance with the Code of Alabama 1975, Section 35-12-76(a).

Anticipated Completion Date:

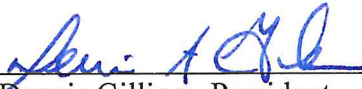
September 30, 2024

Contact Person(s):

Jonathan Sherbert, CFO



Jonathan Sherbert, CFO
Alabama Institute for Deaf and Blind



Dr. Dennis Gilliam, President
Alabama Institute for Deaf and Blind