



Alabama Department of Examiners of Public Accounts

Report on the **University of West Alabama** **Livingston, Alabama**

October 1, 2022 through September 30, 2023

Filed: May 31, 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 University of West Alabama, Livingston, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners Zachary Pugh and Brooke O'Rear. I, Zachary Pugh, 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 'Zachary Pugh'. The signature is written in a cursive style.

Zachary Pugh
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**University of West Alabama
October 1, 2022 through September 30, 2023**

**University of West Alabama Foundation
October 1, 2022 through September 30, 2023**

The University of West Alabama (the “University”) is a comprehensive, regional, state-supported public institution of higher education accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate, baccalaureate, master’s, education specialist and doctoral degrees in liberal arts, natural sciences and mathematics, nursing, technology, business and education. The University is managed by a Board of Trustees appointed by the Governor.

The University was chartered in 1835 as a church-related female academy and admitted its first students in 1839. In 1995 the school at Livingston changed its name to the University of West Alabama in recognition of its broader mission as a regional university serving the education needs of citizens of the area.

The University of West Alabama Foundation (the “Foundation”) was organized as a non-profit corporation under the laws of the State of Alabama. The Foundation was organized exclusively for educational, scientific, research, and athletic purposes of the University of West Alabama.

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 University 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 University’s component unit, the Foundation, which was audited by other auditors. The University’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 University and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of its 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 University did not obtain residency certifications in accordance with *Code of Alabama 1975*, Section 16-64-3.

Problems were found with the University’s internal controls over compliance for its federal financial assistance programs (Exhibit 14) and are summarized below.

- ◆ 2023-002: The University failed to properly calculate Title IV disbursements.
- ◆ 2023-003: The University failed to properly reconcile the Pell Grant program.

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the results of this audit: Dr. Ken Tucker, President; Clete Beard, Vice-President of Financial Affairs; and Barbara Ethridge, Comptroller. The following individuals attended the exit conference: Clete Beard, Vice-President of Financial Affairs and Barbara Etheridge, Comptroller. Representing the Department of Examiners of Public Accounts were Peter Fisher, Audit Manager and Zachary Pugh and Brooke O’Rear, 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>, Chapter 64, provides guidance for nonresident tuition rates and the requirements for qualification as a resident student including a certification of residency. The <i>Code of Alabama 1975</i>, Section 16-64-3 states, "An individual claiming to be a resident for purposes of this chapter shall certify by a signed statement each of the following: (1) A specific address or location within the State of Alabama as his or her residence. (2) An intention to remain at this address indefinitely. (3) Possession of more substantial connections with the State of Alabama than with any other state..." The <i>Code of Alabama 1975</i>, Section 16-64-4 states, "(a) Each Alabama public institution of higher education shall charge each undergraduate student who is registered as a nonresident a minimum of two times the resident tuition rate charged by that institution."</p> <p>From a sample of 40 students selected for residency testing, 35 students received resident tuition rates. Testing revealed the University did not obtain a certification of residency for any of the students that received resident tuition rates. Failure to obtain a certification of residency from students who are charged resident tuition rates could result in the University undercharging tuition for a nonresident student since nonresident students should be charged twice the resident tuition rate.</p> <p>The University does not have a process in place to ensure residency certifications are obtained for students receiving resident tuition rates. As a result, the University is not in compliance with the <i>Code of Alabama 1975</i>, Section 16-64-3.</p> <p><u>Recommendation:</u></p> <p>The University should implement policies and procedures to ensure residency certifications are obtained for resident students in accordance with the <i>Code of Alabama 1975</i>, Section 16-64-3.</p>

Independent Auditor's Report

Independent Auditor's Report

Dr. Ken Tucker, President – University of West Alabama
Livingston, Alabama 35470

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the University of West Alabama, 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 University of West Alabama'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 University of West Alabama and the University of West Alabama Foundation, 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 University of West Alabama Foundation, 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 University of West Alabama Foundation, 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 University of West Alabama 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 University of West Alabama Foundation were not audited in accordance with **Government Auditing Standards**.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University of West Alabama's basic financial statements for the year ended September 30, 2023, reflect the provisions of the Governmental Accounting Standards Board's (GASB) Statement Number 96, ***Subscription-Based Information Technology Arrangements***. The University of West Alabama implemented the requirements of GASB Statement Number 96 during the fiscal year. Our opinion on the basic financial statements is not modified with respect to this matter.

Other Matter

The financial statements of the University of West Alabama for the year ended September 30, 2022, were audited by a predecessor auditor, whose reported dated June 29, 2023, expressed an unmodified opinion on those statements. The predecessor auditor's report included an emphasis-of-matter paragraph in relation to the implementation of Governmental Accounting Standards Board (GASB) Statement Number 87, ***Leases***. The predecessor's opinion was not modified with respect to that matter.

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 University of West Alabama'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 University of West Alabama'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 University of West Alabama'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

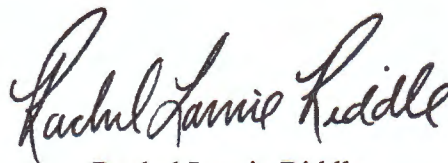
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the University's Proportionate Share of the Collective Net Pension Liability, the Schedule of the University's Contributions – Pension, the Schedule of the University's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the University'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 University of West Alabama, 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 May 13, 2024, on our consideration of the University of West Alabama'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 University of West Alabama'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 University of West Alabama's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 13, 2024

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

The discussion and analysis of the University of West Alabama's financial statements provides an overview of the University's financial activities for the fiscal year ended September 30, 2023. The emphasis of this discussion will be on current year data. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement. The purpose of the Statement of Net Position is to present a fiscal snapshot of the University of West Alabama. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Position (Assets minus Liabilities). The difference between current and noncurrent assets will be discussed in the financial statement disclosures.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, employees and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and their availability for expenditure by the institution.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant and equipment owned by the institution. The next category is restricted net position. Permanently non-expendable restricted net position is available to the institution but must be spent for the purpose as determined by donors and/or external entities that placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the institution for any appropriate purpose of the institution.

Statement of Net Position
(thousands of dollars)

	<u>2023</u>	<u>2022</u>
Assets:		
Current Assets	\$ 73,589	\$ 59,463
Capital Assets, net	65,795	59,639
Other Noncurrent Assets	<u>1,699</u>	<u>3,719</u>
Total Assets	<u>\$141,083</u>	<u>\$122,821</u>
Deferred Outflows of Resources:		
Deferred Outflow - Pensions	\$ 17,988	\$ 8,796
Deferred Outflow – OPEB	\$ 11,331	15,035
Loss on Refinancing Bond	<u>\$ 468</u>	<u>\$ 495</u>
Total Deferred Outflows	<u>\$ 29,787</u>	<u>\$ 24,326</u>
Liabilities:		
Current Liabilities	\$ 20,753	\$ 22,250
Noncurrent Liabilities	<u>114,150</u>	104,561
Total Liabilities	<u>\$134,903</u>	<u>\$126,811</u>
Deferred Inflows of Resources:		
Deferred Inflows – Pensions	\$ 2,842	\$ 10,483
Deferred Inflows - OPEB	<u>\$ 21,853</u>	<u>\$ 17,094</u>
Total Deferred Inflows	<u>\$ 24,695</u>	<u>\$ 27,577</u>
Net Position		
Net Investment in Capital Assets	\$10,512	\$6,682
Restricted:		
Nonexpendable:		
Scholarships and Fellowships	420	429
Expendable:		
Loans	47	52
Capital Projects	14,116	2,667
Unrestricted	<u>(13,824)</u>	<u>(17,071)</u>
Total Net Position	<u>\$11,271</u>	<u>(\$ 7,241)</u>

The total net position of the institution increased this year. A review of the Statement of Net Position will reveal that the increase in assets is due to construction and renovations. These projects are being funded by the Alabama Public School and College Authority (PSCA) bond as well as supplemental appropriations from the Education Trust Fund. In fiscal year 2023, the University received approximately 11 million dollars in supplemental appropriations which were designated for deferred maintenance, renovations, or expenses associated with ongoing capital projects.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, both operating and non-operating, and any other revenues, expenses, gains, and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution.

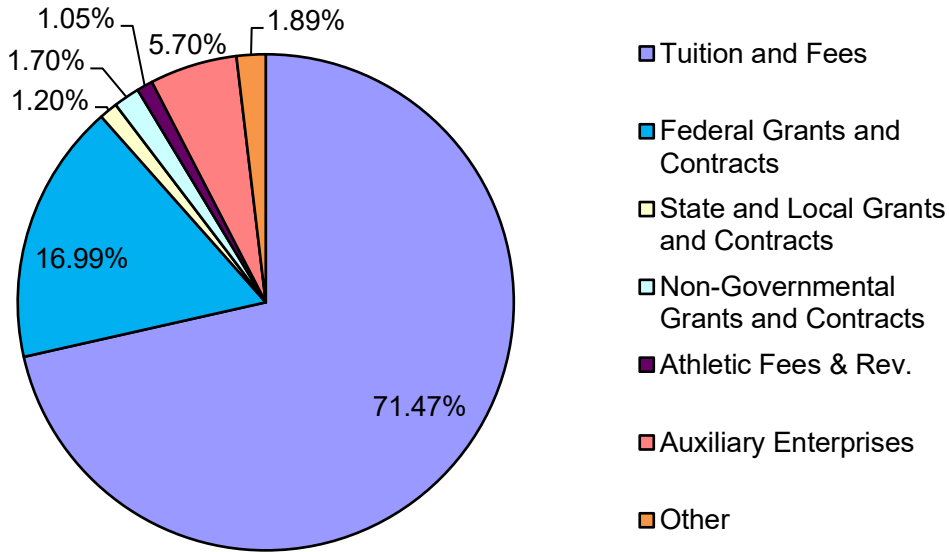
Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating revenue because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Statement of Revenues, Expenses and Changes in Net Position
(thousands of dollars)

	<u>2023</u>	<u>2022</u>
Operating Revenues	\$56,343	\$ 58,255
Operating Expenses	<u>85,435</u>	<u>82,221</u>
Operating Loss	(29,092)	(23,966)
Non-Operating Revenues and Expenses	<u>47,604</u>	<u>32,478</u>
Income before Other Revenues, Expenses, Gains, or Losses	18,512	8,512
Other Revenues, Expenses, Gains or Losses	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	18,512	8,512
Net Position at Beginning of Year	<u>(7,241)</u>	<u>(15,753)</u>
Net Position at End of Year	<u>\$ 11,271</u>	<u>\$ (7,241)</u>

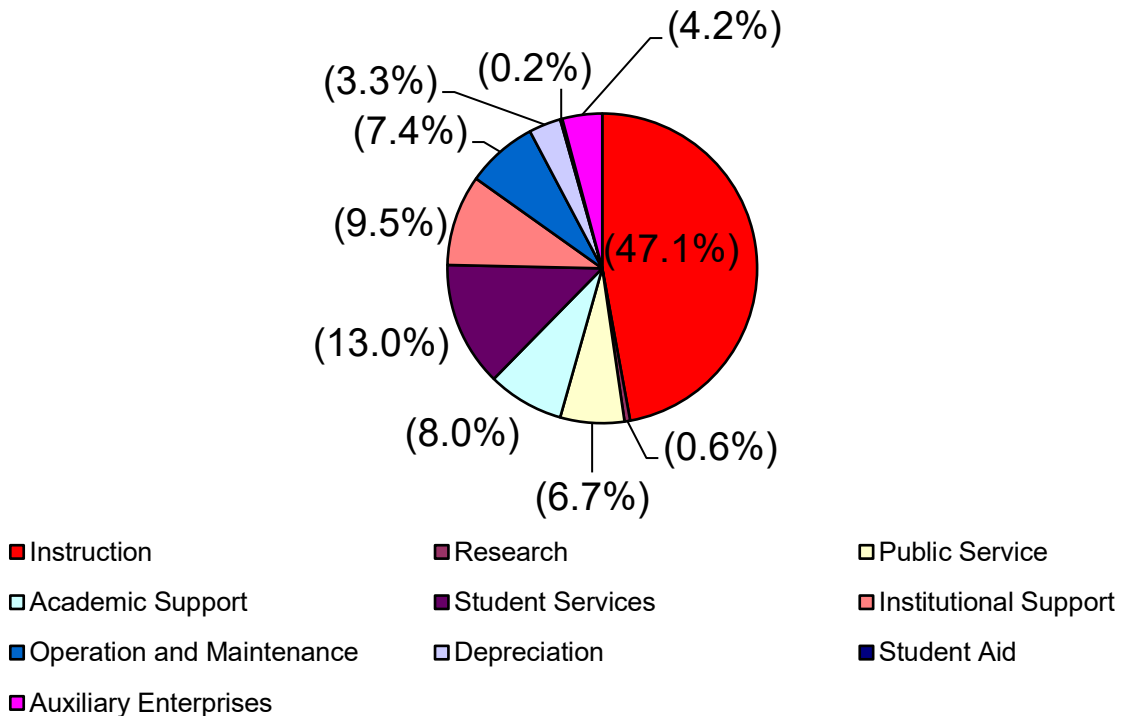
The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position for the year. An analysis of revenues and expenses for the fiscal year shows a decline in operating revenues generated from tuition and fees and an increase in operating expenses. While operating results declined, non-operating revenues exceeded non-operating expenses as a result of increased state appropriations, and PSCA bond funds. The increase in non-operating revenues led to the positive change in the institutions net position for the year.

Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Position are the following:



Some highlights of the operating expenses shown on the Statement of Revenues, Expenses, and Changes in Net Position are illustrated below:

Operating Expenses (In Thousands of Dollars)



Statement of Cash Flows

The final statement presented by The University of West Alabama is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used for the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section reflects cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital projects and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash Flows for the year ended September 30 (thousands of dollars)

	<u>2023</u>	<u>2022</u>
Cash Provided (Used) by:		
Operating Activities	\$(21,398)	\$(20,229)
Noncapital Financing Activities	45,381	35,418
Capital and Related Financing Activities	(7,892)	(8,440)
Investing Activities	<u>5,968</u>	<u>(6,015)</u>
Net Change in Cash	\$ 22,059	\$ 734
Cash, beginning of year	<u>37,542</u>	<u>36,808</u>
Cash, end of year	\$ <u>59,601</u>	<u>\$37,542</u>

Economic Outlook

The University continues to monitor the economic climate of the State as budgeting plans are considered. Salary compression and increased costs due to inflation will continue to affect the University's ongoing operational needs in the coming year.

Overall enrollment has increased with a majority of students online. The University has partnered with Wiley Education Services to assist with our on-campus enrollment management services. The partnership is designed to provide a heightened focus on innovative and proven strategies to increase marketing, recruitment, and retention. Wiley's support and resources have served quite well for UWA Online. This collaborative effort has helped the University more than double enrollment in online programs since the launch of that partnership.

The University has been allocated PSCA bond funds from the State of Alabama in the amount of \$9,765,888. These funds will be used for the expansion of Pruitt Hall, roof replacements, Foust Hall renovation and a new track and soccer facility.

The University is not aware of any other known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Basic Financial Statements

Statement of Net Position
September 30, 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 59,600,687.72
Accounts Receivable, Net	8,948,589.00
Deposit with Trustee	922,645.92
Short-Term Investments	4,116,712.95
Total Current Assets	<u>73,588,635.59</u>

Noncurrent Assets

Long-Term Investments	1,000,000.00
Endowment Investments	420,475.59
Loans Receivable, Net	36,139.62
Other Noncurrent Assets	242,237.17
Capital Assets:	
Land	519,025.59
Buildings and Improvements	88,280,589.92
Automotive Equipment	2,036,664.49
Equipment and Furniture	5,515,915.00
Library Books	2,196,714.65
IT Subscriptions	3,170,171.02
Construction in Progress	9,319,452.37
Less: Accumulated Depreciation	<u>(45,243,165.97)</u>
Total Capital Assets, Net of Depreciation	<u>65,795,367.07</u>
Total Noncurrent Assets	<u>67,494,219.45</u>
Total Assets	<u>141,082,855.04</u>

Deferred Outflows of Resources

Defined Benefit Pension Plans	17,988,359.44
Other Postemployment Benefit (OPEB)	11,330,488.00
Loss on Bond Refunding	468,236.78
Total Deferred Outflows of Resources	<u>\$ 29,787,084.22</u>

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

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$ 5,707,630.31
Accrued Interest Payable	561,904.75
Unearned Revenue	12,337,806.30
Bonds Payable	1,725,000.00
Note Payable	207,972.25
Deposit Liabilities	212,734.24
Total Current Liabilities	<u>20,753,047.85</u>

Noncurrent Liabilities

Deposit Liabilities	4,315.00
Note Payable	2,889,565.20
Bonds Payable	49,276,997.51
Compensated Absences	2,073,585.80
IT Subscription Liability	2,305,632.58
Net Pension Liability	53,423,000.00
Net OPEB Liability	4,176,526.00
Total Noncurrent Liabilities	<u>114,149,622.09</u>

Total Liabilities	<u>134,902,669.94</u>
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Deferred Inflows of Resources

Defined Benefit Pension Plans	2,842,000.00
Other Postemployment Benefit (OPEB)	21,853,470.00
Total Deferred Inflows of Resources	<u>24,695,470.00</u>

NET POSITION

Net Investment in Capital Assets	10,511,989.78
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	420,475.59
Expendable:	
Capital Projects	14,115,741.55
Unrestricted	<u>(13,776,407.60)</u>
Total Net Position	<u>\$ 11,271,799.32</u>

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

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowances of \$14,443,141.20)	\$ 40,259,581.13
Federal Grants and Contracts	9,580,191.56
State and Local Grants and Contracts	674,245.49
Nongovernmental Grants and Contracts	960,464.25
Other Operating Revenues	1,067,484.41
Auxiliary Enterprises:	
Sales and Services of Auxiliary (Net of Scholarship Allowances of \$2,286,792.70)	3,208,239.33
Athletic Revenues	592,935.57
Total Operating Revenues	<u>56,343,141.74</u>

OPERATING EXPENSES

Instruction	40,225,170.64
Research	506,717.71
Public Service	5,711,773.02
Academic Support	6,806,095.88
Student Services	11,112,707.44
Institutional Support	8,109,708.29
Operation and Maintenance	6,354,677.75
Scholarships and Financial Aid	197,815.84
Depreciation	2,859,446.86
Auxiliary Enterprises	3,550,647.15
Total Operating Expenses	<u>85,434,760.58</u>

Operating Income (Loss)	<u>(29,091,618.84)</u>
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NONOPERATING REVENUES (EXPENSES)

State Appropriations	37,573,496.00
Federal Grants and Contracts	8,287,213.34
PSCA Bond Revenue	4,176,054.49
Investment Income	25,446.76
Interest on Capital Asset Related Debt	(2,119,841.64)
Other Nonoperating Revenues/(Expenses)	(338,199.00)
Net Nonoperating Revenues	<u>47,604,169.95</u>
Changes in Net Position	<u>18,512,551.11</u>
Total Net Position - Beginning of Year	<u>(7,240,751.79)</u>
Total Net Position - End of Year	<u>\$ 11,271,799.32</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

Tuition and Fees	\$ 39,803,155.81
Federal Grants and Contracts	9,580,191.56
State and Local Grants and Contracts	674,245.49
Nongovernmental Grants and Contracts	960,464.25
Auxiliary Activities	(342,407.82)
Other Receipts	1,660,419.66
Payments to Employees	(30,639,926.67)
Payments for Benefits	(14,766,476.25)
Payments to Suppliers	(25,133,039.86)
Payments for Utilities	(1,035,751.49)
Payments for Scholarships	(197,815.84)
Other Receipts (Payments)	<u>(1,960,987.20)</u>
Net Cash Provided (Used) by Operating Activities	<u>(21,397,928.36)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	37,573,496.00
Federal Grants and Contracts	8,287,213.34
Direct Loan Receipts	59,825,953.00
Direct Loan Disbursements	(59,825,953.00)
Other Receipts (Payments)	<u>(479,567.94)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>45,381,141.40</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Grants	4,176,054.49
Purchases of Capital Assets	(9,015,342.84)
Deposits with Trustees	1,744,458.06
Principal Paid on Capital Debt	(1,938,217.07)
Interest Paid on Capital Debt	(2,103,438.24)
Other Receipts (Payments)	<u>(755,791.10)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,892,276.70)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sales and Maturities of Investments	5,942,761.31
Investment Income (Loss)	25,446.76
Net Cash Provided (Used) by Investing Activities	<u>5,968,208.07</u>

Net Increase (Decrease) in Cash and Cash Equivalents	22,059,144.41
Cash and Cash Equivalents - Beginning of Year	37,541,543.31
Cash and Cash Equivalents - End of Year	<u>\$ 59,600,687.72</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) \$ (29,091,618.84)

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

Depreciation Expense 2,859,446.86

Changes in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:

(Increase)/Decrease in Receivables, Net (876,633.94)

(Increase)/Decrease in Deferred Outflows (5,487,542.00)

Increase/(Decrease) in Accounts Payable 2,193,171.55

Increase/(Decrease) in Deposit Liability (13,638.50)

Increase/(Decrease) in Unearned Revenue 433,847.12

Increase/(Decrease) in Compensated Absences (77,891.19)

Increase/(Decrease) in Other Liabilities 2,305,632.58

Increase/(Decrease) in Net Pension and OPEB Liability 9,238,929.00

Increase/(Decrease) in Deferred Inflows (2,881,631.00)

Net Cash Provided (Used) by Operating Activities \$ (21,397,928.36)

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Consolidated Statement of Financial Position
University of West Alabama Foundation
September 30, 2023

ASSETS

Current Assets

Cash	\$ 6,728,747
Certificates of Deposit	86,149
Prepaid Expenses	11,373
Lease Receivable	962,588
Unconditional Promises to Give, Less Allowance for Uncollectible Promises to Give and Present Value Discount	442,053
Total Current Assets	<u>8,230,910</u>

Non-Current Assets

Long-Term Unconditional Promises to Give, Less Allowance for Uncollectible Promises to Give of Present Value Discount	880,670
Investments	7,463,808
New Markets Tax Credit Leverage Loan	5,430,342
Right-of-Use Finance Lease, Net	20,397,700
Land and Buildings, Net	3,793,285
Total Non-Current Assets	<u>37,965,805</u>
Total Assets	<u><u>46,196,715</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	5,000
Finance Lease Liability, Current Portion	23,697
Total Current Liabilities	<u>28,697</u>

Long-Term Liabilities

Finance Lease Liability, Long-Term Portion	2,522,453
New Markets Tax Credit Loans, Net	23,932,000
Total Long-Term Liabilities	<u>26,454,453</u>

Net Assets

Without Donor Restrictions	4,660,261
With Donor Restrictions	15,053,304
Total Net Assets	<u>19,713,565</u>
Total Liabilities and Net Assets	<u><u>\$ 46,196,715</u></u>

The accompanying Notes are an integral part of these statements.

Consolidated Statement of Activities
University of West Alabama Foundation
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue</u>			
Contributions	\$ 227,597	\$ 7,459,546	\$ 7,687,143
Lease Income	1,022,417	-	1,022,417
Rebates and Program	-	54,834	54,834
Grant Revenue	-	32,958	32,958
Investment Return	819,581	20,988	840,569
Other Revenue	6,606	-	6,606
Net Assets Released from Restrictions	2,506,225	(2,506,225)	-
Total Support and Revenue	4,582,426	5,062,101	9,644,527
<u>Expenses</u>			
Program Services:			
Alumni	27,156	-	27,156
Athletic	549,585	-	549,585
Academic	48,627	-	48,627
University	365,336	-	365,336
Scholarship	470,028	-	470,028
Grants	676,861	-	676,861
New Markets Tax Credits	3,413,503	-	3,413,503
Support Services:			
Management and General	236,441	-	236,441
Fundraising Expenses	18,143	-	18,143
Total Expenses	5,805,680	-	5,805,680
Change in Net Assets	(1,223,254)	5,062,101	3,838,847
Net Assets - Beginning	5,883,515	9,991,203	15,874,718
Net Assets - Ending	\$ 4,660,261	\$ 15,053,304	\$ 19,713,565

The accompanying Notes are an integral part of these 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 University of West Alabama (the “University”) 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 University are described below.

A. Reporting Entity

The University is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. 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 University’s Board of Trustees and the Alabama Senate ratifies the appointments. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the University is considered for financial reporting purposes to be a component unit of the State of Alabama.

B. Component Unit

The University of West Alabama Foundation (the “Foundation”) is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and the Foundation, the Foundation is considered a component unit of the University. 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.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

The University follows all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

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

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

D. 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 maturities of twelve months or less from the date of acquisition.

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

2. Receivables

Accounts receivable relate to amounts due from federal grants, state appropriations and third party tuition. The receivables are shown net of allowance for doubtful accounts.

3. 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. The capitalization threshold for intangible assets (other than software) is \$1 million and \$100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art, historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction In Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

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.

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

Assets	Depreciation Method	Useful Lives
Buildings and Improvements	Straight-Line	50 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment	Straight-Line	5 – 10 years
Library Materials	Straight-Line	10 years
Easements and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years
IT Subscriptions	Amortized	Over the life of the subscription

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

4. 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.

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds are reported net of applicable premiums and discounts. Bond premiums and discounts are amortized over the life of the bonds.

6. Compensated Absences

The Board of Trustees determines annual and sick leave policies for the University's employees. Staff and department-head employees earn and accumulate annual leave at the following rates:

Years of Employment	Number of Days Each Year	Maximum Days Accumulation
0 – 5 Years	13 days	60 days
6 – 10 Years	16.25 days	60 days
After 10 Years	19.5 days	60 days

No liability is recorded for unused sick leave. Payment is not made to employees for unused sick leave at termination or retirement.

7. 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.

8. Unearned Tuition and Fee Revenue

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

Fall term tuition and fees and corresponding expenses relating to the portion of the term that is within the current fiscal year are recognized as tuition revenue and operating expense. The portion of the sessions falling into the next fiscal year are recorded as unearned revenue in the statement of net position and will be recognized in the following fiscal year.

Notes to the Financial Statements

For the Year Ended September 30, 2023

9. Net Position

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

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

- ◆ **Restricted:**
 - ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that it be maintained permanently by the University. Such net position would include permanent endowment funds.

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

- ◆ **Unrestricted** – Net positions that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management or the Board of Trustees.

10. Federal Financial Assistance Programs

The University 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)*.

11. Scholarship Allowances and Student Aid

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

12. Pensions

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 as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's 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. Classification of Revenues

The University has classified its revenue as either operating or nonoperating according to the following criteria:

- ◆ **Operating Revenue** – Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowance, most federal, state, local, private grants and contracts, and interest on institutional student loans.
- ◆ **Nonoperating Revenues** – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues. In accordance with GASB Statement Number 35, certain significant revenues on which the University relies to support its operational mission are required to be recorded as nonoperating revenues. These revenues include state appropriations, private gifts, federal Pell grants and investments income, including realized and unrealized gains and losses on investments.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Grants and Contracts Revenue

The University receives sponsored funds from governmental and private sources. Revenues from these projects are recognized in accordance with GASB Statement Number 33, ***Accounting and Financial Reporting for Nonexchange Transactions***, based on the terms of the individual grant or contract. Pell grants are recorded as nonoperating revenues in the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Auxiliary Revenues

Sales and services of auxiliary enterprises primarily consist of revenues generated by housing, dining, printing and motor pool operations which are substantially self-supporting activities that primarily provide services to students, faculty, administrative and professional employees and staff.

15. Implementation of New Accounting Standard

In the fiscal year ended September 30, 2023, the University adopted GASB Statement Number 96, ***Subscription-Based Information Technology Arrangements (SBITA)***. This statement better meets the information needs of financial statement users by improving accounting and financial reporting for SBITA by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for subscriptions that previously were classified as operating subscriptions. It establishes a single model for lease accounting based on the foundational principle that SBITA's are financings of the right to use and underlying asset. Under this statement, the University is required to recognize a SBITA liability and an intangible right-to-use SBITA asset, thereby enhancing the relevance and consistency of information about governments' SBITA activities.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 2 – Deposits and Investments

A. Deposits

The University'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 Depository 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 and demand deposits.

B. Investments

Investments, as shown on the Statement of Net Position, include non-negotiable certificates of deposit and savings accounts in the amount of \$5,537,188.54. However, they are considered deposits in the context of this disclosure and are not subject to risk categorization. Certificates of deposit and commercial paper are measured using cost-based measures as provided by GASB Statement Number 31.

C. Deposits with Trustees

At September 30, 2023, the University had \$922,645.92 in accounts administered by its bond trustees. The Series 2012 balance of \$32,470.28 is on deposit with the trustee and invested in the trustee's interest bearing construction demand deposit account with Bryant Bank. The Series 2018 balance of \$89,711.89 is on deposit with the trustee and invested in the trustee's interest bearing construction demand deposit account with New York Bank of Mellon. The Series 2020 balance of \$800,463.75 is also on deposit with the trustee and invested in the trustee's interest bearing construction demand deposit with Investar Bank.

The Funds are consistently rated AA by Standard and Poor's and A3 by Moody's.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 3 – Receivables

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

<u>Accounts Receivable:</u>	
Student	\$ 9,359,938.05
Federal	2,543,729.48
State	845,418.89
Less: Allowance for Doubtful Accounts	(3,800,497.42)
Total Accounts Receivable	<u>8,948,589.00</u>
<u>Student Loans Receivables:</u>	
Noncurrent	<u>36,139.62</u>
Total Student Loans Receivables	<u>36,139.62</u>
Total Receivables, Net	<u>\$ 8,984,728.62</u>

Note 4 – Capital Assets

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

	Beginning Balance	Additions	Deductions	Reclassification/ Adjustments	Ending Balance
Land	\$ 519,025.59	\$	\$	\$	\$ 519,025.59
Buildings	84,926,903.14			3,353,686.78	88,280,589.92
Automotive Equipment	1,909,296.61	147,163.88	(19,796.00)		2,036,664.49
Equipment	5,332,076.00	325,945.00	(142,106.00)		5,515,915.00
Construction in Progress	6,376,423.50	6,258,157.82		(3,315,128.95)	9,319,452.37
Library Collections	2,196,714.65				2,196,714.65
IT Subscriptions		3,170,171.02			3,170,171.02
Total	<u>101,260,439.49</u>	<u>9,901,437.72</u>	<u>(161,902.00)</u>	<u>38,557.83</u>	<u>111,038,533.04</u>
Less: Accumulated Depreciation:					
Buildings	34,068,789.34	4,578,163.19		(2,448,644.12)	36,198,308.41
Automotive Equipment	1,856,234.90	67,106.90	(19,796.00)		1,903,545.80
Equipment	3,545,742.98	657,782.87	(133,533.96)		4,069,991.89
Library Collections	2,150,201.18	18,221.40			2,168,422.58
IT Subscriptions		902,897.29			902,897.29
Total Accumulated Depreciation	<u>41,620,968.40</u>	<u>6,224,171.65</u>	<u>(153,329.96)</u>	<u>(2,448,644.12)</u>	<u>45,243,165.97</u>
Capital Assets, Net	<u>\$ 59,639,471.09</u>	<u>\$3,677,266.07</u>	<u>\$ (8,572.04)</u>	<u>\$ 2,487,201.95</u>	<u>\$ 65,795,367.07</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teacher’s 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*, Section 16-25-1 through Section 16-25-34 (Act Number 419, Acts of Alabama), for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

Act Number 2012-377, Acts of Alabama, 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Act Number 2019-316, Acts of Alabama, 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 and ERS. 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 or ERS on or after October 1, 2019. A TRS or ERS 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 30th, are paid to a qualified beneficiary.

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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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 University were \$3,390,415.13 for the year ended September 30, 2023.

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

At September 30, 2023, the University reported a liability of \$53,423,000.00 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 net pension liability was determined by an actuarial valuation as of September 30, 2021. The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, the University's proportion was 0.343762%, which was a decrease of 0.014526% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the University recognized a pension expense of \$2,838,000.00. At September 30, 2023 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,174,000.00	\$1,296,000.00
Changes of assumptions	2,424,000.00	
Net difference between projected and actual earnings on pension plan investments	10,720,000.00	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	306,000.00	1,546,000.00
Employer contributions subsequent to the measurement date	3,390,000.00	
Total	<u>\$18,014,000.00</u>	<u>\$2,842,000.00</u>

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

The \$3,390,000.00 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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	\$3,371,000.00
2025	\$2,723,000.00
2026	\$1,709,000.00
2027	\$3,979,000.00
2028	\$ 0.00
Thereafter	\$ 0.00

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%
Investment Rate of Return (*)	7.45%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Mortality rates were based on the Pub-2010 Teachers tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 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

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	<u>100.00%</u>	

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

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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

The following table presents the University's proportionate share of the collective net pension liability calculated using the discount rate of 7.45%, as well as what the University'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%)
University's Proportionate Share of Collective Net Pension Liability	\$69,128,000	\$53,423,000	\$40,195,000

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/>.

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 6 – 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 Employee's 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.

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

The 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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 Saving Account (HAS) 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 PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The Medicare Advantage and Prescription Drug Plan (MAPDP) 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.

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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 University reported a liability of \$4,176,526.00 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 University's proportion of the collective Net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the University's proportion was 0.23969295%, which was a decrease of 0.04304605% 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 University recognized OPEB benefit of \$1,968,244.00 with no special funding situations. At September 30, 2023 the University 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	\$ 191,552.00	\$ 8,444,594.00
Changes of assumptions	3,387,734.00	6,079,186.00
Net difference between projected and actual earnings on OPEB plan investments	525,238.00	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,716,278.00	7,329,690.00
Employer contributions subsequent to the measurement date	509,686.00	
Total	<u>\$11,330,488.00</u>	<u>\$21,853,470.00</u>

The \$509,686.00 reported as deferred outflows of resources related to OPEB resulting from the University'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	\$(2,231,689.00)
2025	\$(2,451,273.00)
2026	\$ (649,717.00)
2027	\$(1,431,865.00)
2028	\$(2,819,355.00)
Thereafter	\$(1,448,769.00)

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

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%
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	NA
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.

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 (+)/ Setback (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
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
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

Notes to the Financial Statements

For the Year Ended September 30, 2023

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.

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	<u>100.00%</u>	

(*) Geometric mean, includes 2.5% inflation.

Notes to the Financial Statements

For the Year Ended September 30, 2023

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2022, was 7.00%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. 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 20.000%. It is assumed the \$800 rate will increase with inflation 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.

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

The following table presents the University'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)
University's proportionate share of the collective net OPEB liability	\$3,167,069	\$4,176,526	\$5,414,532

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

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

The following table presents the University’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%)
University’s proportionate share of the collective net OPEB liability	\$5,163,658	\$4,176,526	\$3,347,859

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, 2023. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Significant Commitments

As of September 30, 2023, the University of West Alabama had been awarded approximately \$7,812,842.24 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – 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.

Accounts Payable	\$2,857,849.83
Salaries and Wages	1,878,020.29
Benefits	971,760.19
Total	<u>\$5,707,630.31</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 9 – 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
Bonds Payable:					
2012 Series	\$ 20,980,000.00	\$	\$ 700,000.00	\$ 20,280,000.00	\$ 730,000.00
2018 Series	6,480,000.00		180,000.00	6,300,000.00	195,000.00
2020 Series	22,115,000.00		770,000.00	21,345,000.00	800,000.00
Bond Premiums	3,243,551.28		166,553.77	3,076,997.51	
Total Bonds Payable	52,818,551.28		1,816,553.77	51,001,997.51	1,725,000.00
Other Liabilities:					
Notes Payable	3,385,754.52		288,217.07	3,097,537.45	207,972.25
IT Subscription Liability		3,170,171.02	864,538.44	2,305,632.58	
Compensated Absences	2,151,476.99		77,891.19	2,073,585.80	
Net Pension Liability	33,752,000.00	19,671,000.00		53,423,000.00	
Net OPEB Liability	14,608,597.00		10,432,071.00	4,176,526.00	
Total Other Liabilities	53,897,828.51	22,841,171.02	11,662,717.70	65,076,281.83	207,972.25
Total Long-Term Liabilities	\$106,716,379.79	\$22,841,171.02	\$13,479,271.47	\$116,078,279.34	\$1,932,972.25

The General Fee Revenue Bonds were issued July 2012 by the Board of Trustees to provide funds for the construction and/or renovation of various administrative, office and classroom facilities.

The General Fee Revenue Bonds were issued December 2018 by the Board of Trustees to provide funds for an energy service project to reduce the energy and operational cost for the University.

The General Fee Revenue Bonds were issued March 2020 by the Board of Trustees to refinance the General Fee Revenue Bond Series 2010B and provide funds for deferred maintenance cost for the University.

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

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

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

Fiscal Year	Revenue Bonds		Total
	Principal	Interest	
2023-2024	\$ 1,725,000.00	\$ 1,967,651.00	\$ 3,692,651.00
2024-2025	1,810,000.00	1,918,125.00	3,728,125.00
2025-2026	1,895,000.00	1,841,575.00	3,736,575.00
2026-2027	1,995,000.00	1,757,050.00	3,752,050.00
2027-2028	2,105,000.00	1,659,275.00	3,764,275.00
2028-2029	2,215,000.00	1,563,125.00	3,778,125.00
2029-2030	2,330,000.00	1,481,105.00	3,811,105.00
2030-2031	2,450,000.00	1,378,405.00	3,828,405.00
2031-2032	2,560,000.00	1,273,592.50	3,833,592.50
2032-2033	2,680,000.00	1,166,505.00	3,846,505.00
2033-2034	2,805,000.00	1,055,830.00	3,860,830.00
2034-2035	2,955,000.00	949,012.00	3,904,012.00
2035-2036	3,090,000.00	825,912.00	3,915,912.00
2036-2037	3,235,000.00	694,312.00	3,929,312.00
2037-2038	3,385,000.00	559,012.00	3,944,012.00
2038-2039	3,550,000.00	414,712.00	3,964,712.00
2039-2040	3,025,000.00	275,112.00	3,300,112.00
2040-2041	3,150,000.00	146,112.00	3,296,112.00
2041-2042	965,000.00	52,933.00	1,017,933.00
Total	\$47,925,000.00	\$20,979,355.50	\$68,904,355.50

During fiscal year 2021, the University entered into a note payable in order to renovate Tiger Stadium. The note is financed with West Alabama Bank at an interest rate of 2.19%. The note payable requires annual payments of \$276,930.19 and matures in April 2036. At September 30, 2023, the principal balance on this note was \$3,097,537.45.

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

Principal and interest maturity requirements on notes payable are as follows:

Fiscal Year	Notes Payable		Total
	Principal	Interest	
2023-2024	\$ 207,972.25	\$ 68,957.94	\$ 276,930.19
2024-2025	212,778.51	64,151.68	276,930.19
2025-2026	217,503.08	59,427.11	276,930.19
2026-2027	222,332.56	54,597.63	276,930.19
2027-2028	227,133.21	49,796.98	276,930.19
2028-2029	232,312.57	44,617.62	276,930.19
2029-2030	237,470.88	39,459.31	276,930.19
2030-2031	242,743.72	34,186.47	276,930.19
2031-2032	248,054.75	28,875.44	276,930.19
2032-2033	253,641.49	23,288.70	276,930.19
2033-2034	259,273.39	17,656.80	276,930.19
2034-2035	265,030.34	11,899.85	276,930.19
2035-2036	270,898.61	6,031.55	276,930.16
Total	\$3,097,145.36	\$502,947.08	\$3,600,092.44

Bond Premiums, Prepaid Insurance and Loss

The University has a bond premium and prepaid insurance costs in connection with the issuance of its Series 2018 General Fee Revenue Bonds. The University has a bond premium, prepaid insurance costs, as well as a loss on refinancing in connection with the issuance of its Series 2020 General Fee Revenue Bonds. The bond premiums, prepaid insurance costs, and loss on refinancing are being amortized using the straight-line method over the life of the bonds.

Pledged Revenues

The University has pledged General Fee Revenue for the payment of debt service on the General Fee Revenue Bonds, Series 2012. The approximate amount of the pledge is \$30,006,293. The debt was issued to provide funds for the construction and/or renovation of various administrative offices and classroom facilities. The pledged revenue will not be available for other purposes until January 1, 2042. The principal and interest payments made during the period were \$1,565,626.00. Therefore, of the \$40,259,581.13 General Fee Revenue recognized by the University during fiscal year 2023, 3.89% of total tuition and fees revenue pledged was needed for debt service on the Series 2012 Bonds.

Notes to the Financial Statements

For the Year Ended September 30, 2023

The University has pledged General Fee Revenue for the payment of debt service on the General Fee Revenue Bonds, Series 2018. The approximate amount of the pledge is \$8,704,737.50. The debt was issued for an energy service project to reduce the energy and operational cost for the University. The pledged revenue will not be available for other purposes until January 1, 2039. The principal and interest payments made during the period were \$432,675.00. Therefore, of the \$40,259,581.13 general fee revenue recognized by the University during fiscal year 2023, 1.07% of total tuition and fees revenue pledged was needed for debt service on the Series 2018 Bonds.

The University has pledged General Fee Revenue for the payment of debt service on the General Fee Revenue Bonds, Series 2020. The approximate amount of the pledge is \$30,193,325.00. The debt was issued to refinance the General Fee Revenue Bond Series 2010B and provide funds for deferred maintenance cost for the University. The pledged revenue will not be available for other purposes until January 1, 2041. The principal and interest payments made during the period were \$1,687,350.00. Therefore, of the \$40,259,581.13 general fee revenue recognized by the University during fiscal year 2023, 4.19% of total tuition and fees revenue pledged was needed for debt service on the Series 2020 Bonds.

Subscription Based Information Technology Arrangements

The University has entered into Subscription Based Information Technology Arrangements (SBITA) that meet the capitalization criteria as determined by GASB Statement Number 96. A SBITA is defined as a contract that conveys control of the right-to-use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The term, annual cost, and accumulated amortization at September 30, 2023, are as follows:

Software Product	Description	Agreement Term (Years)	Agreement Amount	Accumulated Amortization	Net Subscription Asset	Annual Cost	Subscription Liability
EAB	Edify Reporting System	3	\$ 374,612.00	\$124,870.67	\$ 249,741.33	\$118,830.00	\$ 255,782.00
EAB	Strategic Advisory System	3	102,227.00	51,113.50	51,113.50	49,867.00	52,360.00
EAB	Advancement Campaign	3	237,837.52	79,279.17	158,558.35	65,872.69	171,964.83
Ellucian	Colleague Administrative System	5	2,284,187.00	561,980.20	1,722,206.80	544,317.00	1,739,872.00
Zoom	Phone System	2	171,307.50	85,653.75	85,653.75	85,653.75	85,653.75
Totals			<u>\$3,170,171.02</u>	<u>\$902,897.29</u>	<u>\$2,267,273.73</u>	<u>\$864,540.44</u>	<u>\$2,305,632.58</u>

Notes to the Financial Statements

For the Year Ended September 30, 2023

Note 10 – Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates as a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to \$2 million per occurrence and is self-insured up to a maximum of \$6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed \$6 million. The University purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the University has fidelity bonds on the University's President, Vice-President of Financial Affairs, as well as on all other University personnel who handle funds.

Employee health insurance is provided through Blue Cross and Blue Shield. The employee pays a monthly premium for health insurance.

Settled claims resulting from these risks have not exceeded the University'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 University.

Note 11 – Component Units

During the year ended September 30, 2023, the University of West Alabama Foundation, a discretely presented component unit, contributed \$592,935.57 to the University. This organization is included in the financial statements as a component unit of the University because it operates almost exclusively for the benefit of the University. Separate financial statements of the University of West Alabama Foundation can be obtained from the Foundation's auditors Rea, Shaw, Giffin & Stuart LLP, 2415 Ninth Street, P.O. Box 2090, Meridian, Mississippi 39301.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

The University of West Alabama Foundation (the “Foundation”), a not-for-profit corporation established under the laws of the State of Alabama, operates to support the development of educational excellence at The University of West Alabama (the “University”). The Foundation fulfills its mission by attracting leaders from among the University’s alumni and friends and involving them in the goal of supporting the University. The Foundation’s primary efforts are directed toward attracting, receiving, investing and expending gifts and other resources designated for the education and support of programs of the University and for service to the West Alabama area.

In 2023, the University Charter School became certified as a Community Development Entity (“CDE”) under the New Markets Tax Credit (“NMTC”) Program under the United States Department of Treasury and, as of September 30, 2023, has been awarded \$23,932,000 in NMTC allocations to support the costs of developing and constructing a new public charter facility in Livingston, Alabama. To assist in administering the NMTC Program, the Foundation formed two wholly owned Alabama limited liability companies, UWAF QALICB, LLC and UWAF Leverage Lender, LLC, to obtain designated equity investments from investors and to make qualified low- income community investments under the terms of the NMTC Program. The Foundation is the managing member of each LLC.

Financial Statements Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- ◆ *Net Assets without Donor Restrictions* – Net assets that are not subject to or are no longer subject to donor imposed stipulations.

- ◆ *Net Assets with Donor Restrictions* – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions of the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available to current use with an initial maturity of three months or less to be cash equivalents.

Contributions and Promises to Give

Contributions received are recorded as with or without donor restrictions support depending on the existence and nature of any donor restrictions. Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years which the promises are received to discount the amounts. The discount on unconditional promises to give received during 2023 is computed using the annual blended rate of 0.45%. An allowance for uncollectible promises to give is provided based on management's evaluation of potential uncollectible promises to give receivable at year end.

Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to the customer in an amount that reflects the consideration the Foundation expects to be entitled to receive in exchange for those goods and services. The Foundation applies the five-step model under FASB ASC 606, *Revenue from Contracts with Customers*, to determine when revenue is earned and recognized.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Lease Revenue

The Foundation accounts for lease revenue in accordance with ASU Number 2016-02, *Leases*, (Topic 842). Rent is recognized on a straight-line basis over the term of the lease.

Investments

The Foundation's investments consist of mutual funds and marketable securities that are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Accounting Standards Codification (ASC) 820 defines fair value and establishes a framework for measuring fair value in U. S. generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 applies only to fair value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. The definition of fair value focuses on the exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not the entry price, i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date. ASC 820 emphasizes fair value is a market-based measurement, not an entity specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

In accordance with ASC 820, the Foundation groups its assets measured at fair value in three levels, based on the markets in which such assets are traded and the reliability of the assumptions used to determine fair value. This hierarchy requires the Foundation to maximize the use of observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Each fair value measurement is placed into the proper level based on the lowest level of significant input. These levels are:

- ◆ *Level 1* – inputs to the valuation methodology are based upon quoted prices for identical instruments traded in active markets. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

- ◆ *Level 2* – inputs to the valuation methodology are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

- ◆ *Level 3* – inputs to the valuation methodology are generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset.

The Foundation carries its cash and cash equivalents, all investment balances and certain other assets at fair value.

Investment Pool

Some net assets with donor restrictions participate in an investment pool that operates under the market value method. Under this method, each account is assigned a number of units based on the relationship of the individual investments to the total investments at the time the investments are pooled. Periodically, the pooled assets are valued and new unit values are assigned.

The new unit value is used to determine the number of units allocated to new accounts entering the pool or to calculate the equity of accounts withdrawing from the pool. Investment pool income, gains, and losses are allocated quarterly to participating accounts based on the number of units held during the period.

Fees

The Foundation assesses an administrative fee on individual funds based on the average fund balance during the year. Total administrative fees assessed on individual funds during the year ended September 30, 2023, were \$6,550. There is no written policy for assessing administrative fees on investment pool participants. Fees are assessed at the discretion of the Executive Secretary of the Foundation. Total administrative fees assessed on investment pool participants during the year ended September 30, 2023, were \$23,161.

Property and Equipment

The Foundation's policy is to capitalize property and equipment over \$1,000. Lesser amounts are expensed when acquired. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at estimated fair value when received. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Income Tax Status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as a publicly supported organization and not a private foundation under the Internal Revenue Code.

The Foundation has no material unrecognized income tax benefits or liabilities at September 30, 2023 and no provision for income taxes has been made in the accompanying financial statements. The Foundation files Federal Form 990 and is generally no longer subject to examination by the Internal Revenue Service for years prior to 2020.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

Leases

In accordance with ASC Number 2016-02, *Leases*, (Topic 842), the Foundation recognizes lease assets and lease liabilities for the rights and obligations created by leases that extend more than twelve months on the statement of financial position. A right-of-use asset is measured at the present value of the lease payments expected to be paid during the lease term. The lease liability is measured at the value of the right-of-use asset that relates to future periods.

Expense Allocation

Expenses that are directly identifiable are charged to program services. Support services include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Foundation.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Recently Adopted Accounting Guidance

In June 2016, FASB issued ASU 2016-02 *Leases (Topic 842)* which is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize a right-of-use lease asset and a lease liability for the rights and obligations created by leases that extend more than twelve months. Under this guidance, finance leases (formerly known as capital leases) are calculated at the present value of the lease payments. This amount is recorded as a right of-use asset (amortized on the straight-line basis over the lease term) and a finance lease liability (amortized over the lease term). The Foundation adopted FASB ASU 2016-13 *Leases (Topic 842)* as of October 1, 2022, with a modified retrospective approach. See Note 7 for further details.

Subsequent Events

Management has evaluated subsequent events through April 24, 2024, the date on which the consolidated financial statements were available to be issued.

Risks and Uncertainties

The Foundation invests or holds corporate stocks and bonds. These investments are exposed to interest rate, market, credit, and other risks depending upon the nature of the investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments which could materially affect the amounts reported in the financial statements.

Note 2 – Promises to Give

Unconditional promises to give at September 30, 2023, are summarized as follows:

Receivable in Less than One Year	\$ 488,657
Receivable in One Year to Five Years	1,112,969
Receivable Over Five Years	-
Total Unconditional Promises to Give	1,601,626
Less Present Value Discount	198,826
Less Allowance for Uncollectible Promises	80,077
Net Unconditional Promises to Give	\$1,322,723

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Net unconditional promises to give are presented as follows:

	Current Assets	Long-Term Assets	Total
Net Unconditional Promises to Give	\$442,053	\$880,670	\$1,322,723

Note 3 – Investments

Investments consist of the following at September 30, 2023:

	Fair Value	Cost
Cash and Equivalents	\$ 84,020	\$ 84,020
Domestic Small-Mid Cap	856,295	685,954
Marketable Securities	108,329	116,516
International Funds	1,358,494	1,380,370
Fixed Income Funds	2,062,643	2,332,735
Alternative Investments	1,198,509	1,121,358
Domestic Large Cap	1,795,518	1,352,856
Total	<u>\$7,463,808</u>	<u>\$7,073,809</u>

The fair values above were determined using only Level 1 inputs.

The components of investment income and expenses are reflected in the following schedule:

Net Realized Gains from Sale of Securities	\$169,957
Net Unrealized Appreciation in Value of Securities	383,291
Interest, Dividends, and Other Investment Income	266,333
Other Interest Income	20,988
	<u>840,569</u>
Investment Fees Included in Management and General	<u>\$ 49,558</u>

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Note 4 – Land and Buildings

Land and Buildings consist of the following at September 30, 2023:

Land	\$2,975,810
Furniture and Fixtures	3,155
Equipment	36,774
Buildings	838,883
	<u>3,854,622</u>
Less: Accumulated Depreciation	61,337
Land and Buildings, Net	<u>\$3,793,285</u>

Note 5 – Right-of-Use Asset

Right-of-use asset consists of the following at September 30, 2023:

Right-of-Use Asset – Finance Lease	\$20,487,558
Less Accumulated Amortization	89,858
Right-of-Use Asset, Net	<u>\$20,397,700</u>

Note 6 – New Markets Tax Credit Loans and Leveraged Loan Receivable

The Foundation entered into an agreement with the University Charter School (UCS) to fund the costs of developing and constructing a new public charter facility in Livingston, Alabama (collectively, the “Project”). In order to partially fund the renovation and operation of the Project, UCS determined that the New Markets Tax Credit program (the “NMTC Program”) under section 45D of the Internal Revenue Code provided UCS with the best opportunity to realize completion of the Project and fund the operating costs of UCS.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

The NMTC loans mature on April 26, 2053, and the principal is payable in quarterly installments commencing May 1, 2031. Interest is payable quarterly, commencing August 1, 2023, at the following interest rates:

	Principal Amounts	Interest Rates
UCS/NCF SUB-CDE, LLC – Note A	\$12,832,500	1.00%
UCS/NCF SUB-CDE, LLC – Note B	4,219,500	1.00%
PNC CDE 158, LLC – Note A	707,500	1.00%
PNC CDE 158, LLC – Note B	292,500	1.00%
UBCD SUB-CDE Admiral Frank Fletcher, LLC – Note A	4,425,000	1.00%
UBCD SUB-CDE Admiral Frank Fletcher, LLC – Note B	1,455,000	1.00%
	<u>\$23,932,000</u>	

The Foundation expects to receive quarterly interest payments of 1.11% on the NMTC leveraged loans from May 10, 2023 through April 27, 2030. The NMTC leveraged loans mature on April 26, 2053, and principal is payable in quarterly installments, commencing May 10, 2030. The NMTC leveraged loans receivable balances was \$5,430,342 as of September 30, 2023.

Note 7 – Endowments

The Foundation’s endowment pool consists of several individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Interpretation of Relevant Law

As of September 30, 2023, the Board of the Directors of the Foundation has not adopted a formal interpretation of the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA). However, standard practice at the Foundation is to preserve the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions (a) the original value of contributions to the permanent endowment, (b) the value of the subsequent contributions to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- ◆ The duration and preservation of the fund;
- ◆ The purposes of the Foundation and the donor-restricted endowment fund;
- ◆ General economic conditions;
- ◆ The possible effect of inflation and deflation;
- ◆ The expected total return from income and the appreciation of investments;
- ◆ Other resources of the Foundation;
- ◆ The investment policies of the Foundation.

Endowment activities for the year ended September 30, 2023 are reflected in the following schedules:

	With Donor Restrictions	Total
Endowment Funds	\$3,040,417	\$3,040,417
Total Endowment Funds	<u>\$3,040,417</u>	<u>\$3,040,417</u>

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Changes in endowment net assets for the year ended September 30, 2023, are shown in the following table:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets October 1, 2022	\$ -	\$2,774,126	\$2,774,126
Investment Income	-	20,988	20,988
Net Appreciation (Realized and Unrealized)	-	209,816	209,816
Contributions	-	110,000	110,000
Appropriations for Expenditure	(74,513)	-	(74,513)
Net Assets Released	74,513	(74,513)	-
Endowment Net Assets September 30, 2023	\$ -	\$3,040,417	\$3,040,417

Endowment Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficiency). When donor endowment deficiencies exist, they are classified as a reduction of net assets without donor restrictions. There are no deficiencies of this nature as reported in net assets without donor restrictions as of September 30, 2023. Any deficiencies resulted from unfavorable market declines that occurred in prior years and authorized appropriations that were deemed prudent. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without donor restrictions.

Return Objectives and Risk Parameters

The Foundation has adopted an endowed investment policy that attempts to provide a favorable long-term total return that preserves and increases the purchasing power of the Foundations' assets, while generating sufficient income to support the Foundation's activities that support the University of West Alabama.

Endowment assets include funds to support donor(s) purposes in perpetuity as well as board-designated funds. Under this policy, based on the investment objectives and risk tolerance, the assets are allocated among stocks, fixed income securities, cash reserves, and other prudent investments.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

The tolerable range of asset mix is as follows:

	Minimum	Maximum
Equities	40%	75%
Fixed Income	25%	60%
Cash and Cash Equivalents	2%	10%
Alternative Investments	0%	10%

Strategies Employed for Achieving Objectives

To satisfy its long term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term objectives within prudent constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Foundation's spending policy states that each year a distribution will be made available for the purpose of the endowment fund. The Foundation's board determines the amount of funds available for annual distribution from each designated endowment fund in keeping with the investment objectives described in the investment policy statement. This distribution is calculated as 3% to 6% of the 12 quarter rolling average as of December 31. The spending policy is reviewed annually by the board. The board may adjust the spending rate percentage as it deems appropriate in order to fulfill the purposes of the endowment fund, but in no event shall the spending rate percentage be lower than 3% or higher than 6% unless authorized by a two thirds majority of the board. Any portion of the annual distributable funds not distributed in any given year will be retained in the endowment fund for expenditure in future years. It is the University's responsibility to approve scholarship applications and appropriate endowment funds for expenditure when sufficient funds are available for use in the Foundation.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Note 8 – Rental Income

The Foundation leases property to the University Charter School. The lease term is July 1, 2023 through June 30, 2053. Future minimum rent payments at September 30, 2023, are as follows:

Fiscal Year Ending	
2024	\$ 137,500
2025	275,000
2026	275,000
2027	275,000
2028 and Thereafter	29,710,000
	\$30,672,500

Note 9 – Leases

Finance Lease

The Foundation’s wholly owned LLC, UWAF QALICB, LLC, recorded a right-of-use asset and a related financing lease liability in an amount equal to the present value of the future lease payments. The lease has a term of 57 years. A payment of \$17,941,408 was made during fiscal 2023. The Foundation (UWAF QALICB, LLC) will make monthly lease payments for the remaining term of the lease which ends June 30, 2080.

The Foundation’s finance lease liability (UWAF QALICB, LLC) consists of the following at September 30, 2023:

	Current	Long-Term	Total
Finance Lease Liability	\$23,697	\$2,522,453	\$2,546,150

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

The Foundation's leasing costs (UWAF QALICB, LLC) consist of the following for the year ended September 30, 2023:

Finance Lease Cost	
Amortization of Right-of-Use Asset	\$ 89,858
Interest on Finance Lease Liability	42,002
	\$131,860

Other lease information (UWAF QALICB, LLC) as of and for the year ended September 30, 2023, is as follows:

Finance Lease	
Right-of-Use Asset Obtained in Exchange for New Lease Liability	\$20,487,558
Weighted Average Remaining Lease Term-Finance Lease	684 months
Weighted Average Discount Rate	3.00%

At September 30, 2023, minimum lease payments under finance leases (UWAF QALICB, LLC) in excess of one year are due as follows:

Fiscal Year Ending			
	2024	\$	23,697
	2025		24,168
	2026		24,648
	2027		25,138
	2028 and thereafter		2,448,499
			\$2,546,150

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Note 10 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year. A summary of net assets released from restrictions for the year ended September 30, 2023, is as follows:

<u>Program Services:</u>	
Alumni	\$ 27,156
Athletic	549,585
Academic	48,627
University	733,968
Scholarship	470,028
Grants	676,861
Total	<u>\$2,506,225</u>

Note 11 – Restricted Net Assets

At September 30, 2023, net assets with donor restrictions are available for the following purposes:

<u>Restricted:</u>	
Alumni	\$ 208,348
Athletic	1,168,832
Academic	1,666,659
University	1,827,900
Scholarship	3,235,500
Grants	1,489,815
New Market Tax Credits	5,456,250
Total	<u>\$15,053,304</u>

Net assets with donor restrictions consist of endowment fund investments to be held indefinitely, the income from which is to support scholarships.

Notes to the Consolidated Financial Statements
University of West Alabama Foundation
For the Year Ended September 30, 2023

Note 12 – Concentrations

At September 30, 2023, the carrying amount of the Foundation’s deposits in the bank was \$6,728,747 and the bank balance was \$6,860,977. The Foundation’s deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (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 Depository 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 Foundation places its cash with financial institutions and at times has deposits in excess of federal insurance limits. The Foundation does not believe it is subject to any unusual credit risk beyond the customary credit risk related to conducting its nonprofit activities.

The Foundation is exposed to considerable market risk as approximately 45% of its assets were in equity and debt securities at September 30, 2023.

Note 13 – Liquidity and Availability of Resources

The Foundation’s financial assets available within one year of the statement of financial position for general expenditures are as follows for September 30, 2023:

Financial Assets Available Within One Year:	
Cash and Cash Equivalents	\$6,728,747
Unconditional Promises to Give, Net	442,053
Total Financial Assets Available Within One Year	<u>7,170,800</u>
Less:	
Amounts Unavailable for General Expenditures Within One Year	
Due to Donor Restrictions	394,015
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$6,776,785</u>

Required Supplementary Information

Schedule of the University'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
University's proportion of the collective net pension liability	0.343762%	0.358288%	0.359259%	0.352114%	0.363205%	0.362248%	0.354922%	0.346260%	0.345002%
University's proportionate share of the collective net pension liability	\$ 53,423	\$ 33,752	\$ 44,439	\$ 38,933	\$ 36,112	\$ 35,603	\$ 38,424	\$ 36,238	\$ 31,342
University's covered payroll during the measurement period (*)	\$ 26,884	\$ 25,655	\$ 25,553	\$ 25,028	\$ 24,443	\$ 24,126	\$ 22,725	\$ 21,992	\$ 21,993
University's proportionate share of the collective net pension liability as a percentage of its covered payroll	198.72%	131.56%	173.91%	155.56%	147.74%	147.57%	169.08%	164.78%	142.51%
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%

(*) University'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 University'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	\$ 3,390	\$ 3,183	\$ 3,083	\$ 3,099	\$ 3,036	\$ 2,916	\$ 2,837	\$ 2,668	\$ 2,477
Contributions in relation to the contractually required contribution	\$ 3,390	\$ 3,183	\$ 3,083	\$ 3,099	\$ 3,036	\$ 2,916	\$ 2,837	\$ 2,668	\$ 2,477
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
University's covered payroll	\$ 27,911	\$ 26,884	\$ 25,655	\$ 25,553	\$ 25,028	\$ 24,443	\$ 24,126	\$ 22,725	\$ 21,992
Contributions as a percentage of covered payroll	12.15%	11.84%	12.02%	12.13%	12.13%	11.93%	11.76%	11.74%	11.26%

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

***Schedule of the University'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
University's proportion of the collective net OPEB liability	0.239693%	0.282739%	0.355789%	0.202863%	0.229573%	0.225736%
University's proportionate share of the collective net OPEB liability (asset)	\$ 4,177	\$ 14,609	\$ 23,090	\$ 7,654	\$ 18,868	\$ 16,766
University's covered-employee payroll during the measurement period (*)	\$ 26,884	\$ 25,655	\$ 25,553	\$ 25,028	\$ 24,443	\$ 24,126
University's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	15.54%	56.94%	90.36%	30.58%	77.19%	69.49%
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%

(*) University's covered-employee payroll during the measurement period is the total covered 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 University'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	\$ 510	\$ 458	\$ 488	\$ 579	\$ 529	\$ 567
Contributions in relation to the contractually required contribution	\$ 510	\$ 458	\$ 488	\$ 579	\$ 529	\$ 567
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
University's covered-employee payroll	\$ 27,911	\$ 26,884	\$ 25,655	\$ 25,553	\$ 25,028	\$ 24,443
Contributions as a percentage of covered-employee payroll	1.83%	1.70%	1.90%	2.27%	2.11%	2.31%

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 University'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>Student Financial Assistance Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Federal Pell Grant Program	84.063			\$ 8,295,799.00
Federal Supplemental Educational Opportunity Grants	84.007			204,630.00
Federal Work-Study Program	84.033			542,291.00
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			665,578.00
Federal Direct Student Loans	84.268			59,825,953.00
Total Student Financial Assistance Cluster				69,534,251.00
<u>Research and Development Cluster</u>				
<u>National Science Foundation</u>				
<u>Direct Program</u>				
STEM Education	47.076			417,448.00
<u>Passed Through Auburn University</u>				
STEM Education	47.076	17-COSAM-2000634-UWA		13,081.00
Sub-Total STEM Education				430,529.00
<u>Passed Through Michigan State University</u>				
Biological Sciences	47.074	RC109939UWA		51,634.00
<u>Passed Through Battelle Memorial Institute</u>				
Biological Sciences	47.074	US001-0000770114		5,316.00
Sub-Total Biological Sciences				56,950.00
<u>U. S. Department of Education</u>				
<u>Direct Program</u>				
Strengthening Minority-Serving Institutions	84.382			544,288.00
<u>U. S. Department of Agriculture</u>				
<u>Passed Through Alabama Department of Agriculture and Industries</u>				
Specialty Crop Block Grant Program - Farm Bill	10.170	AM200100 G028		19,841.00
Total Research and Development Cluster				\$ 1,051,608.00

***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>Economic Development Cluster</u>				
<u>U. S. Department of Commerce</u>				
<u>Direct Program</u>				
Investments for Public Works and Economic Development Facilities	11.300			\$ 1,731,900.00
<u>TRIO Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
TRIO - Student Support Services	84.042			333,996.00
TRIO - Upward Bound	84.047			296,977.00
Total TRIO Cluster				<u>630,973.00</u>
<u>WIOA Cluster</u>				
<u>U. S. Department of Labor</u>				
<u>Passed Through Alabama Department of Commerce</u>				
WIOA Youth Activities	17.259	34300022		214,682.00
<u>Other Federal Awards</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
COVID-19 HEERF Student Aid Portion	84.425E			26,965.00
COVID-19 HEERF Institutional Aid	84.425F			471,658.00
COVID-19 HEERF Minority Serving Institutions	84.425L			347,009.00
Total COVID-19 Higher Education Emergency Relief Fund (HEERF)				<u>\$ 845,632.00</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>U. S. Department of Agriculture</u>				
<u>Direct Programs</u>				
Rural Business Development Grant	10.351			\$ 101,340.00
Capacity Building for Non-Land Grant Colleges of Agriculture (NLCGA)	10.326			217,035.00
Environmental Quality Incentives Program	10.912			25,088.00
<u>Passed Through Sumter County Soil and Water Conservation District</u>				
Feral Swine Eradication and Control Pilot Program	10.934	N.A.		89,132.00
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Higher Education Institutional Aid	84.031			296,697.00
Teacher Quality Partnership Grants	84.336			1,537,313.00
<u>U. S. Department of Commerce</u>				
<u>Direct Program</u>				
Connecting Minority Communities Pilot Program	11.028			354,879.00
<u>U. S. Department of Labor</u>				
<u>Direct Program</u>				
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280			2,759.00
<u>U. S. Department of Treasury</u>				
<u>Passed Through Impact Alabama</u>				
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	N.A.		2,760.00
<u>National Endowment for the Humanities</u>				
<u>Passed Through Alabama Humanities Foundation</u>				
Promotion of the Humanities Federal/State Partnership	45.129	0721_2811ARP		\$ 3,405.00

***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>Small Business Administration</u>				
<u>Passed Through The University of Alabama</u>				
Small Business Development Centers	59.037	A19-0012-S006		\$ 21,916.00
<u>Delta Regional Authority</u>				
<u>Direct Program</u>				
Delta Area Economic Development	90.201			<u>261,530.00</u>
Total Expenditures of Federal Awards				<u>\$ 76,922,900.00</u>

N.A. = Not Available/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 University of West Alabama (the “University”) 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 University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The University has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Note 3 – Federal Perkins Loan Program (84.038)

The Federal Perkins Loan Program is administered directly by the University. There were no current year student advances under this program. Outstanding loan balances from the previous year’s activity are included in the University’s basic financial statements. The balances of loans outstanding on September 30, 2023, totaled \$36,139.62, which is not reflected on the Schedule.

Note 4 – Federal Direct Student Loan Program (84.268)

The Direct Loan program enables an eligible student or parent to obtain a loan to pay for the student’s cost of attendance directly through the University rather than through private lenders. As a university qualified to originate loans, the University is responsible for handling the complete loan origination process, including funds management and promissory note functions. The University is not responsible for the collection of these loans.

During the program year, the University processed approximately \$59.8 million of student loans under the Direct Loan program.

Additional Information

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

Board Members		Term Expires
Hon. Kay Ivey, Governor	Ex-Officio, President	
Hon. Eric Mackey, State Superintendent of Education	Ex-Officio, Member	
Hon. Jennifer Agee	Member (Effective 5/16/2023)	2025
Hon. Matthew Lavender	Member (Effective 5/16/2023)	2027
Hon. Michael Maddox	Member (Effective 5/16/2023)	2027
Hon. Tom Perry	Member (Effective 5/16/2023)	2027
Hon. Randall I. Hillman	Member	2023
Hon. Jerry F. Smith	Member	2023
Hon. Victor H. Vernon	Member	2023
Hon. Jody W. Beard	Member	2023
Hon. Joseph Brown	Member	2027
Hon. Sheila S. Cloud	Member	2021
Hon. John Killian	Member	2023
Hon. Jean D. Anderson	Member	2019
Hon. Hal Bloom, Jr.	Member	2019
Hon. Jerry W. Groce	Member	2025

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

Officials

Dr. Ken Tucker

President

Clete Beard

Vice-President of Financial Affairs

Barbara Etheridge

Comptroller

***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. Ken Tucker, President – University of West Alabama
Livingston, Alabama 35470

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 University of West Alabama, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and related notes to the financial statements, which collectively comprise the University of West Alabama's basic financial statements, and have issued our report thereon dated May 13, 2024. Our report includes a reference to other auditors who audited the financial statements of the University of West Alabama Foundation as described in our report on the University of West Alabama's financial statements. The financial statements of the University of the West Alabama Foundation were not audited in accordance with ***Government Auditing Standards***, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the University of West Alabama Foundation or that are reported on separately by those auditors who audited the financial statements of the University of West Alabama.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University of West Alabama'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 University of West Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the University of West Alabama's internal control.

***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***

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of West Alabama's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 University of West Alabama in the Schedule of State Compliance and Other Findings.

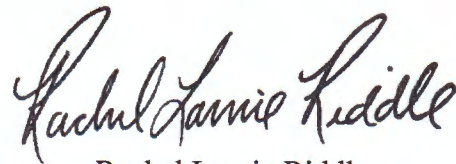
University of West Alabama's Response to the Finding

The University of West Alabama's response to the finding identified in our audit on the Schedule of State Compliance and Other Findings is described in the accompanying Auditee Response/Corrective Action Plan. The University of West Alabama's response was not subjected to the 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 results 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

May 13, 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. Ken Tucker, President – University of West Alabama
Livingston, Alabama 35470

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University of West Alabama'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 University of West Alabama's major federal programs for the year ended September 30, 2023. The University of West Alabama'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 University of West Alabama Foundation were not audited in accordance with the *Uniform Guidance*, and accordingly, this report does not extend to the University of West Alabama Foundation.

In our opinion, the University of West Alabama 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 University of West Alabama 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 University of West Alabama'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 University of West Alabama'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 University of West Alabama'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 University of West Alabama'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 University of West Alabama'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 University of West Alabama'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 University of West Alabama'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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2023-002 and 2023-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

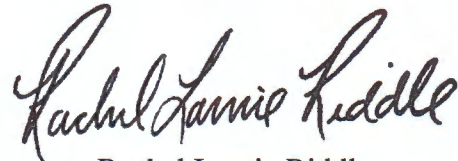
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2023-002 and 2023-003 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the University of West Alabama's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The University of West Alabama's response to the internal control over the compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The University of West Alabama's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***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 of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

May 13, 2024

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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?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ 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*?

 X Yes _____ No

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

Section I – Summary of Examiner's Results

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.007	<u>Student Financial Assistance Cluster</u> Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds
10.170	<u>Research and Development Cluster</u> Specialty Crop Block Grant Program – Farm Bill
47.074	Biological Sciences
47.076	STEM Education
84.382	Strengthening Minority – Serving Institutions
11.300	<u>Economic Development Cluster</u> Investments for Public Works and Economic Development Facilities
84.425E	<u>COVID-19 Higher Education Emergency Relief Fund (HEERF)</u> COVID-19 HEERF Student Aid Portion
84.425F	COVID-19 HEERF Institutional Portion
84.425L	COVID-19 HEERD Minority Serving Institutions

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

\$750,000.00

Auditee qualified as low-risk auditee?

 X Yes No

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

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2023-002
Compliance Requirement:	Eligibility
Type of Finding:	Internal Control and Compliance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance
ALN Number and Title:	<u>Student Financial Assistance Cluster</u> 84.007 – Federal Supplemental Educational Opportunity Grants 84.033 – Federal Work-Study Program 84.063 – Federal Pell Grants 84.268 – Federal Direct Student Loans 93.925 – Scholarships for Health Professions Students from Disadvantaged Backgrounds
Federal Awarding Agency:	U. S. Department of Education
Federal Award Numbers:	P007A220046 P033A220406 P063P221041 P268K231041 5 T08HP39331-03-00
Pass-Through Entity:	None
Pass-Through Award Number:	None
Questioned Costs:	\$1,724.00

The University failed to properly calculate Title IV disbursements.

Finding

Title 34 of the *Code of Federal Regulations* (CFR) Part 690.80, requires the recalculation of a Federal Pell Grant award to account for changes to the student's costs, expected family contribution (EFC), or enrollment status. For a change in the student's enrollment status from one academic term to another term within the same award year, the institution shall recalculate the Federal Pell Grant award for the new payment period. If a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.

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

Forty student records were selected from the population of 1,716 Federal Pell Grant student records for the financial aid award year for testing compliance with Title IV student eligibility requirements. Audit tests performed determined the University failed to properly calculate or recalculate the Federal Pell Grant award based on enrollment or change in enrollment status, as required, for one student. The student was awarded a Pell Grant for full-time enrollment but should have only been half-time enrollment, resulting in a Federal Pell Grant over award of \$1,724.00.

Recommendation

The University should recalculate Federal Pell Grant awards in accordance with Title 34 of the *Code of Federal Regulations*, Part 690.80.

Views of Responsible Officials of the Auditee

Management agrees with this finding and will take corrective actions.

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

Section III – Federal Awards Findings and Questioned Costs

Reference Number: 2023-003
Compliance Requirement: Activities Allowed or Unallowed
Type of Finding: Internal Control and Compliance
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

ALN Number and Title: Student Financial Assistance Cluster
84.007 – Federal Supplemental Educational Opportunity Grants
84.033 – Federal Work-Study Program
84.063 – Federal Pell Grants
84.268 – Federal Direct Student Loans
93.925 – Scholarships for Health Professions Students from Disadvantaged Backgrounds

Federal Awarding Agency: U. S. Department of Education
Federal Award Numbers: P007A220046
P033A220406
P063P221041
P268K231041
5 T08HP39331-03-00

Pass-Through Entity: None
Pass-Through Award Number: None
Questioned Costs: None

The University failed to reconcile the amounts recorded for Federal Pell Grants on the Department of Education systems with amounts recorded for Federal Pell Grants in the University’s general ledger.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Finding

Title 34 of the *Code of Federal Regulations* (CFR) 668 Subpart L – *Financial Responsibility* and the Federal Student Aid (FSA) Handbook discuss an institution’s financial responsibility and the required reconciliation process. 34 CFR 668.171(a) states, “To begin and continue to participate in any title IV, HEA program, an institution must demonstrate to the Secretary that it is financially responsible...”. The FSA Handbook states, “The cash management regulations establish rules and procedures that a school must follow in requesting, managing, and returning FSA program funds. Under the cash management regulations, a school has a fiduciary responsibility to have a system in place to: safeguard FSA funds; ensure FSA funds are used only for the purposes intended; act on the student’s behalf to repay a student’s FSA education loan debt when the school is unable to pay a credit balance directly to the student; and return to the Department any FSA funds that cannot be used as intended.” A key component of the system described is a reconciliation. The U.S. Department of Education has three systems that are involved in the reconciliation process. The Common Origination and Disbursement System (COD) is the system used for processing, storing, and reconciling certain FSA programs. The G5 System is a grants management system. Among other things, the system is used for awards and payments. Finally, the National Student Loan Data System (NSLDS) is the Department’s central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of Education programs.

The FSA Handbook states, “Title IV reconciliation is the process by which a school reviews and compares Title IV aid (grants, loans, and Campus-Based aid) recorded on the Department’s systems (COD, G5, NSLDS) with the information in the school’s internal records. Through reconciliation, disbursement and cash discrepancies are identified and resolved in a timely manner to ensure the school meets all regulatory requirements. Schools must document their reconciliation process and retain any reconciliation documentation for audit and review purposes.”

Audit tests revealed the University failed to adequately document any required reconciliations for the Federal Pell Grant Program. Due to this, we could not verify that the University performed required Pell Grant reconciliations.

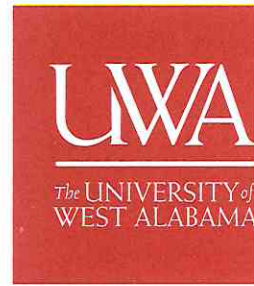
Recommendation

The University should design and implement internal controls to ensure that the amounts recorded for student Title IV aid on the Department of Education systems (COD, G5, NSDLDS) are reconciled with amounts recorded for student Title IV aid in the University's general ledger.

Views of Responsible Officials of the Auditee

Management agrees with this finding and will take corrective actions.

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 University of West Alabama prepared and hereby submits the following Corrective Action Plan for the findings included in section three of the Schedule of Findings and Questioned Costs for the year ended September 30, 2023.

Section III – Federal Awards Findings and Questioned Costs

Reference Number: 2023-002
Compliance Requirement: Eligibility
Type of Finding: Internal Control and Compliance
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

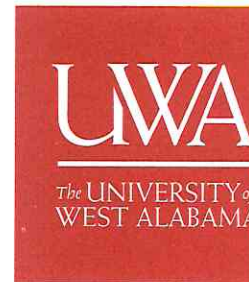
ALN Number and Title: Student Financial Assistance Cluster
84.007 – Federal Supplemental Educational Opportunity Grants
84.033 – Federal Work-Study Program
84.063 – Federal Pell Grants
84.268 – Federal Direct Student Loans
93.925 – Scholarships for Health Professions Students from Disadvantaged Backgrounds

Federal Awarding Agency: U.S. Department of Education
Federal Award Numbers: P007A220046
P033A220406
P063P221041
P268K231041
5 T08HP39331-03-00

Pass-through Entity: None
Pass-through Award Number: None

Questioned Costs: \$1,724.00

The University failed to properly calculate Title IV disbursements.



Finding

Title 34 of the *Code of Federal Regulations* (CFR) Part 690.80 requires the recalculation of a Federal Pell Grant award to account for changes to the student's costs, expected family contribution (EFC), or enrollment status. For a change in the student's enrollment status from one academic term to another term within the same award year, the institution shall recalculate the Federal Pell Grant award for the new payment period. If a student's projected enrollment status changes during a payment period before the student begins attendance in all of his or her classes for that payment period, the institution shall recalculate the student's enrollment status to reflect only those classes for which the student actually began attendance.

Forty student records were selected from the population of 1,716 Federal Pell Grant student records for the financial aid award year for testing compliance with Title IV student eligibility requirements. Audit tests performed determined the University failed to properly calculate or recalculate the Federal Pell Grant award based on enrollment or change in enrollment status, as required, for one student. The student was awarded a Pell Grant for full-time enrollment but should have only been half-time enrollment, resulting in a Federal Pell Grant over award of \$1,724.00.

Recommendation

The University should recalculate Federal Pell Grant awards in accordance with Title 34 of the *Code of Federal Regulations*, Part 690.80.

Views of Responsible Officials of the Auditee

Management agrees with this finding and will take corrective actions.

Corrective Action Plan

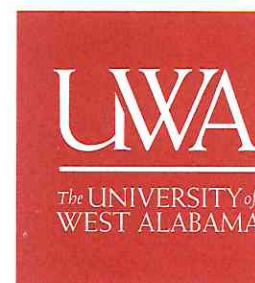
The University is in the process of reviewing and modifying its procedures for calculation Federal Pell Grant awards in order to meet compliance according to 34 CFC 690 80.

Anticipated Completion Date:

May 31, 2024

Contact Person(s):

William Washburn, Interim Director of Financial Aid



Reference Number: 2023-003
Compliance Requirement: Activities Allowed or Unallowed
Type of Finding: Internal Control and Compliance
Internal Control Impact: Significant Deficiency
Compliance Impact: Nonmaterial Noncompliance

ALN Number and Title: Student Financial Assistance Cluster
 84.007 – Federal Supplemental Educational Opportunity Grants
 84.033 – Federal Work-Study Program
 84.063 – Federal Pell Grants
 84.268 – Federal Direct Student Loans
 93.925 – Scholarships for Health Professions Students from Disadvantaged Backgrounds

Federal Awarding Agency: U.S. Department of Education
Federal Award Numbers: P007A220046
 P033A220406
 P063P221041
 P268K231041
 5 T08HP39331-03-00

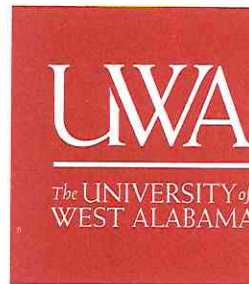
Pass-through Entity: None
Pass-through Award Number: None

Questioned Costs: None

The University failed to reconcile the amounts recorded for Federal Pell Grants on the Department of Education systems with amounts recorded for Federal Pell Grants in the University’s general ledger.

Finding

Title 34 of the *Code of Federal Regulations* (CFR) 668 Subpart L – *Financial Responsibility* and the Federal Student Aid (FSA) Handbook discuss an institution’s financial responsibility and the required reconciliation process. 34 CFR 668.171(a) states, “To begin and continue to participate in any title IV, HEA program, an institution must demonstrate to the Secretary that it is financially responsible...”. The FSA Handbook states, “The cash management regulations establish rules and procedures that a school must follow in requesting, managing, and returning FSA program funds. Under the cash management regulations, a school has a fiduciary responsibility to have a system in place to: safeguard FSA funds; ensure FSA funds are used only for the purposes intended; act on the student’s behalf to repay a student’s FSA education loan



debt when the school is unable to pay a credit balance directly to the student; and return to the Department any FSA funds that cannot be used as intended.” A key component of the system described is a reconciliation. The U.S. Department of Education has three systems that are involved in the reconciliation process. The Common Origination and Disbursement System (COD) is the system used for processing, storing, and reconciling certain FSA programs. The G5 System is a grants management system. Among other things, the system is used for awards and payments. Finally, the National Student Loan Data System (NSLDS) is the Department’s central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of Education programs.

The FSA Handbook states, “Title IV reconciliation is the process by which a school reviews and compares Title IV aid (grants, loans, and Campus-Based aid) recorded on the Department’s systems (COD, G5, NSLDS) with the information in the school’s internal records. Through reconciliation, disbursement and cash discrepancies are identified and resolved in a timely manner to ensure the school meets all regulatory requirements. Schools must document their reconciliation process and retain any reconciliation documentation for audit and review purposes.”

Audit tests revealed the University failed to adequately document any required reconciliations for the Federal Pell Grant Program. Due to this, we could not verify that the University performed required Pell Grant reconciliations.

Recommendation

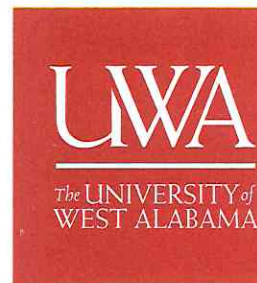
The University should design and implement internal controls to ensure that the amounts recorded for student Title IV aid on the Department of Education systems (COD, G5, NSDLS) are reconciled with amounts recorded for student Title IV aid in the University's general ledger.

Views of Responsible Officials of the Auditee

Management agrees with this finding and will take corrective actions.

Corrective Action Plan

The University is in the process of revising its procedures and documentation for the reconciliation of the Federal Pell Grant in order to meet compliance according to 34 CFR 668.171. The University would like to note that while adequate documentation was not maintained, the reconciliations were being done with a matching ending balance at year end.



Anticipated Completion Date:

May 31, 2024

Contact Person(s):

William Washburn, Interim Director of Financial Aid

The University of West Alabama prepared and hereby submits the following Corrective Action Plan for the finding included in the Schedule of State Compliance and Other Findings for the year ended September 30, 2023.

Finding 2023-001:

Finding:

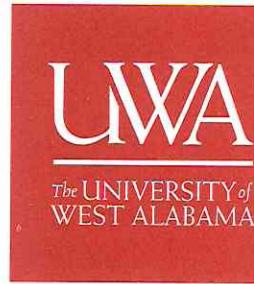
The *Code of Alabama 1975*, Chapter 64 provides guidance for nonresident tuition rates and the requirements for qualification as a resident student including a certification of residency. The *Code of Alabama 1975*, Section 16-64-3 states, "An individual claiming to be a resident for purposes of this chapter shall certify by a signed statement each of the following: (1) A specific address or location within the State of Alabama as his or her residence. (2) An intention to remain at this address indefinitely. (3) Possession of more substantial connections with the State of Alabama than with any other state..." The *Code of Alabama 1975*, Section 16-64-4 states, "(a) Each Alabama public institution of higher education shall charge each undergraduate student who is registered as a nonresident a minimum of two times the resident tuition rate charged by that institution."

From a sample of 40 students selected for residency testing, 35 students received resident tuition rates. Testing revealed the University did not obtain a certification of residency for any of the students that received resident tuition rates. Failure to obtain a certification of residency from students who are charged resident tuition rates could result in the University undercharging tuition for a nonresident student since nonresident students should be charged twice the resident tuition rate.

The University does not have a process in place to ensure residency certifications are obtained for students receiving resident tuition rates. As a result, the University is not in compliance with the *Code of Alabama 1975*, Section 16-64-3.

Recommendation:

The University should implement policies and procedures to ensure residency certifications are obtained for resident students in accordance with the *Code of Alabama 1975*, Section 16-64-3.



Views of Responsible Officials of the Auditee

Management agrees with this finding and will take corrective actions.

Corrective Action Plan

The University has revised their application to include an addendum which requires the student to certify their residency.

Anticipated Completion Date:

Immediately

Contact Person(s):

Elizabeth Baker, Director of Undergraduate Admissions



Clete Beard, Vice President of Financial Affairs
The University of West Alabama