

Jacksonville State University Annual Financial Report

Fiscal Year 2020







Jacksonville State University
(A Component Unit of the State of Alabama)
Annual Financial Report
Fiscal Year 2020

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LETTER OF TRANSMITTAL

April 1, 2021

Board of Trustees
Jacksonville State University

Dear Trustees,

On behalf of President Killingsworth, I am pleased to present to you the audited Annual Financial Statements of Jacksonville State University ("JSU") as of and for the years ended September 30, 2020 and 19.

The Audited Financial Statements provide financial information regarding JSU's operations during the year and present its financial position as of the end of the fiscal year.

CDPA, PC, Certified Public Accountants, has performed the audit for the year ended September 30, 2020, and has issued an "unmodified" opinion, the most favorable outcome of the audit process. The audit opinion provides reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

We have also received from CDPA, reports on compliance for each major program and internal control over compliance and financial reporting in accordance with Government Auditing Standards and Uniform Guidance.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion & Analysis.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jim Brigham', is written over a horizontal line.

Jim Brigham, MS, CPA, CIA, CFE





Board of Trustees

Name	District	Term
The Honorable Kay Ivey	Governor of Alabama	President Ex Officio
Senator Vivian Davis Figures (Vice Chair)	First	2012-2023
Ms. Gale Saxon Main	Second	2012-2023
Mr. Greg Brown	Third	2016-2021
Mr. Anthony Smoke	Third	2019-2022
Mr. Clarence W. Daugette III	Fourth	2012-2023
Mr. Randall Jones (Chair)	Fifth	2008-2021
Mr. Rusty Fuller	Sixth	2016-2025
Mr. Drew Linn	Seventh	2020-2025
Mr. Randy Owen	In-State At-Large	2000-2024
Mr. Tony Ingram	Out-of-State At-Large	2015-2021

President

Dr. Don C. Killingsworth, Jr., Ed.D

Senior Vice President of Finance and Administration

Mr. James Brigham, MS, CPA, CIA, CFE

Controller

Ms. Anastasia W. Rodriguez, MBA, CPA





**Jacksonville State University
Audited Financial Statements
September 30, 2020 and 2019**



JACKSONVILLE
STATE
UNIVERSITY

WANTED
Backdoor

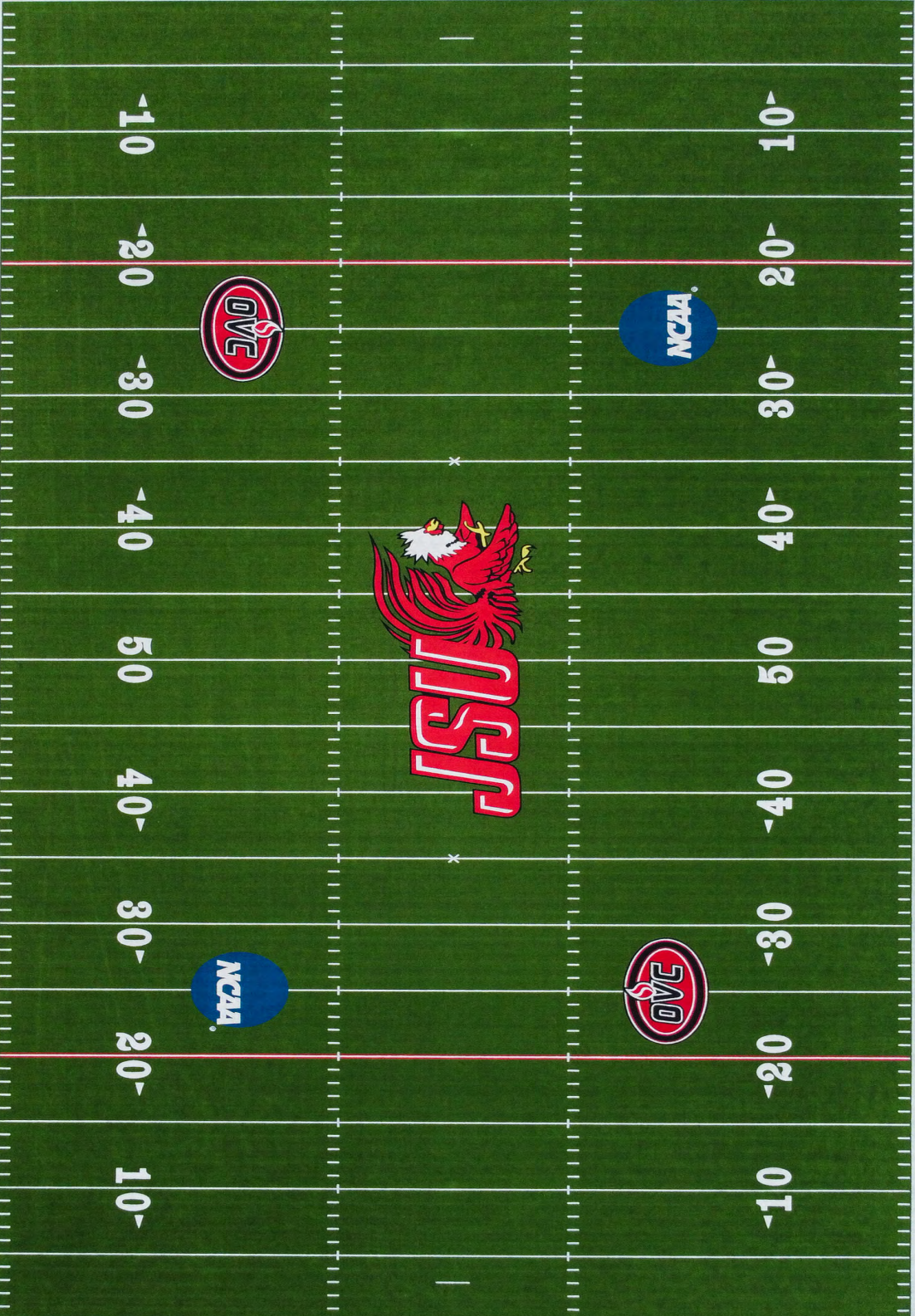
Jacksonville State University
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PART I
FINANCIAL STATEMENTS

GAMECOCKS



GAMECOCKS



Independent Auditor’s Report

To the Board of Trustees
Jacksonville State University

Report on the Financial Statements

We have audited the accompanying financial statements of Jacksonville State University (“JSU” or “the University”), a component unit of the State of Alabama, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise JSU’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Jacksonville State University Foundation, Inc. (JSUF). JSUF’s statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Jacksonville State University Foundation, Inc., is based solely on the report of the other auditors. 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. The financial statements of JSUF were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of JSU and its discretely presented component unit as of September 30, 2020 and 2019, and the changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, the University campus previously experienced significant damages as the result of an EF-3 tornado. This event resulted in insurance recovery gain recognitions during the years ended September 30, 2020 and 2019. Our opinion is not modified with respect to this matter.

| Huntsville

| Athens
www.cdpapc.com

| Florence

Growing business. Adding value.

Other Matters

Required Supplementary Information

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

Other Information

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

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of board of trustees and university officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2021 on our consideration of Jacksonville State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on JSU'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 Jacksonville State University's internal control over financial reporting and compliance.

CDPA, PC

Athens, AL
February 12, 2021

Jacksonville State University

Management's Discussion and Analysis

September 30, 2020 and 2019

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Jacksonville State University (University) for the years ended September 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements including the notes thereto, which follow this section.

Using the Financial Statements

The University's financial report includes the basic financial statements of the University and the financial statements of Jacksonville State University Foundation (Foundation), a legally separate, nonprofit component unit. The three basic financial statements of the University are: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in accordance with generally accepted accounting principles (Governmental Accounting Standards Board (GASB) pronouncements). The University is presented as a business-type activity. GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis* – for Public Colleges and Universities, establishes standards for external financial reporting for public colleges and universities and classifies resources into three net position categories – unrestricted, restricted, and net investment in capital assets.

The Foundation is presented as a component unit of the University in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Foundation's financial statements include the Statement of Financial Position and the Statement of Activities and these statements are presented as originally audited according to U.S. generally accepted accounting principles and Financial Accounting Standards Board (FASB) pronouncements.

The Foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the University. Resources managed by the Foundation and distributions made to the University are governed by the Foundation's Board of Directors (operating independently and separately from the University's Board of Trustees). The component unit status of the Foundation indicates that significant resources are held by the Foundation for the sole benefit of the University. However, the University is not accountable for, nor has ownership of, the Foundations resources.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows, liabilities and deferred inflows of the University. The net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the financial condition has improved or declined during the year.

Jacksonville State University
Management's Discussion and Analysis
September 30, 2020 and 2019

Condensed Statements of Net Position
(\$ in thousands)

	2020	2019
Assets		
Current Assets	\$ 132,165	\$ 110,801
Capital Assets, net	241,076	230,671
Other Assets	8,238	8,937
Total Assets	<u>381,479</u>	<u>350,409</u>
Deferred Outflow of Resources		
Deferral on Refunding	4,909	4,983
Deferred Outflows related to OPEB	9,974	3,386
Deferred Outflows Related to Pensions	16,473	16,219
Total Deferred Outflow of Resources	<u>31,356</u>	<u>24,588</u>
Liabilities		
Current Liabilities	82,662	75,959
Noncurrent Liabilities	223,592	224,641
Total Liabilities	<u>306,254</u>	<u>300,600</u>
Deferred Inflow of Resources		
Deferred Inflows Related to Pensions	3,757	8,428
Deferred Inflows related to OPEB	36,249	3,242
Total Deferred Inflow of Resources	<u>40,006</u>	<u>11,670</u>
Net Position		
Net Investment in Capital Assets	157,418	145,491
Restricted-Expendable	15,535	16,642
Restricted-Non-Expendable	963	963
Unrestricted	(107,341)	(100,369)
	<u>\$ 66,575</u>	<u>\$ 62,727</u>

Total assets are categorized as either current assets, noncurrent assets, or capital assets on the Statement of Net Position.

Current assets for September 30, 2020 includes \$49,256,000 in Accounts Receivable including \$9,359,525 due from the state insurance fund. Noncurrent assets include long term investments of \$6,163,000.

Current assets for September 30, 2019 includes \$47,750,000 in Accounts Receivable including \$12,068,605 due from the state insurance fund. Noncurrent assets include long term investments of \$5,902,000.

For fiscal year 2020, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of \$4,909,000, which will be amortized as a component of interest expense in future periods. The remainder of deferred outflow of resources represents the accounting standards on pensions (GASB 68) and OPEB obligations (GASB 75).

Jacksonville State University Management's Discussion and Analysis September 30, 2020 and 2019

This resulted in deferred outflows of resources from OPEB obligations of \$9,974,000. The balance of \$16,473,000 is due to employee pension cost that has not been considered when calculating our pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

For fiscal year 2019, deferral on refunding reflects the difference between the reacquisition price and the net carrying amount of the refunded bonds of \$4,983,000, which will be amortized as a component of interest expense in future periods. The remainder of deferred outflow of resources represents the accounting standards on pensions (GASB 68) and OPEB obligations (GASB 75). This resulted in deferred outflows of resources from OPEB obligations of \$3,386,000. The balance of \$16,219,000 is due to employee pension cost that has not been considered when calculating our pension liability by the Retirement System of Alabama (RSA) actuarial consultant.

Total liabilities are categorized as either current liabilities or noncurrent liabilities on the Statement of Net Position. Current liabilities are those due or likely to be paid in the next fiscal year. They are primarily comprised of accounts payable, accrued payroll, compensated absences, unearned revenue and other expenses and amounts due in the next year on debt. Noncurrent liabilities are comprised mostly of long-term debt and net pension liability. During fiscal year 2020, total liabilities increased \$5,654,000 to a total of \$306,254,000. During fiscal year 2019, total liabilities increased \$15,515,000 to a total of \$300,600,000.

Total debt outstanding, which includes capital lease obligations, increased from \$89,433,000 at September 30, 2019 to \$120,950,000 at September 30, 2020.

For fiscal year 2020, deferred inflow of resources represents pension obligations in the amount of \$3,757,000 and for OPEB of \$36,249,000.

For fiscal year 2019, deferred inflow of resources represents pension obligations in the amount of \$8,428,000 and for OPEB of \$3,242,000.

Statement of Revenues, Expenses and Changes in Net Position

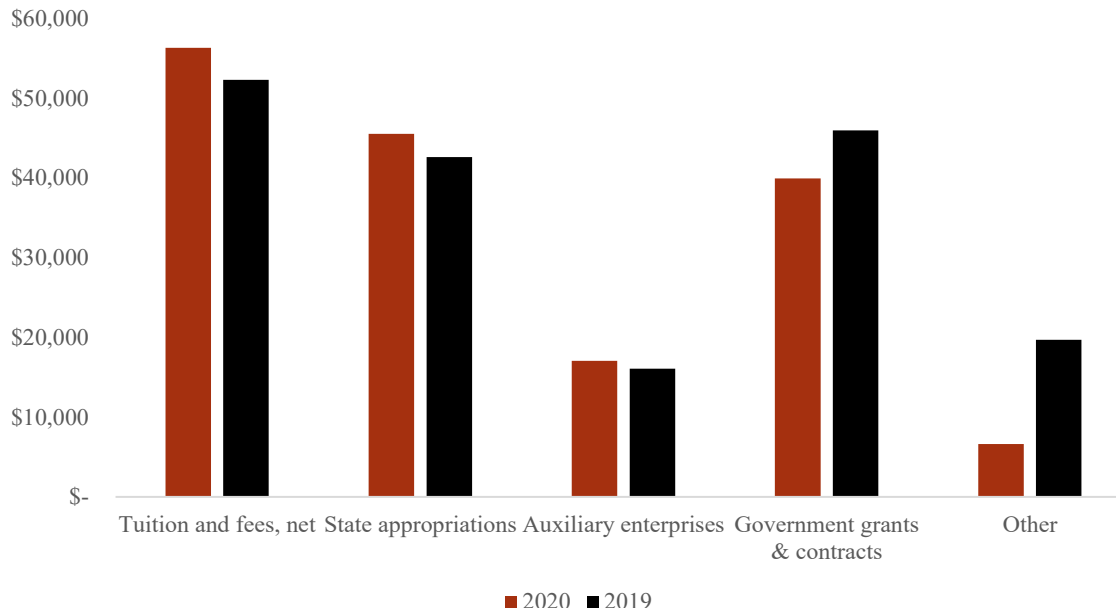
The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the University as a whole. Revenues, expenses and other changes in net position are reported as either operating or non-operating. Significant recurring sources of University revenue, such as state appropriations and investment earnings, are defined by GASB Statement No. 35 as non-operating.

Jacksonville State University
Management's Discussion and Analysis
September 30, 2020 and 2019

Condensed Statements of Revenues Expenses and Changes in Net Position
(\$ in thousands)

	2020	2019
Operating Revenues	\$ 102,448	\$ 104,922
Operating Expenses	(157,197)	(137,667)
Operating Loss	(54,749)	(32,745)
Net Nonoperating Revenues	58,597	71,736
Income Before Other Revenue, Expenses, Gains, or Losses	3,848	38,991
Other Revenue, Expenses, Gains, or Losses	-	3,764
Change in Net Position	3,848	42,755
Net Position at Beginning of Year	62,727	19,972
Net Position at End of Year	\$ 66,575	\$ 62,727

Operating and Nonoperating Revenues by Year (\$ in thousands)



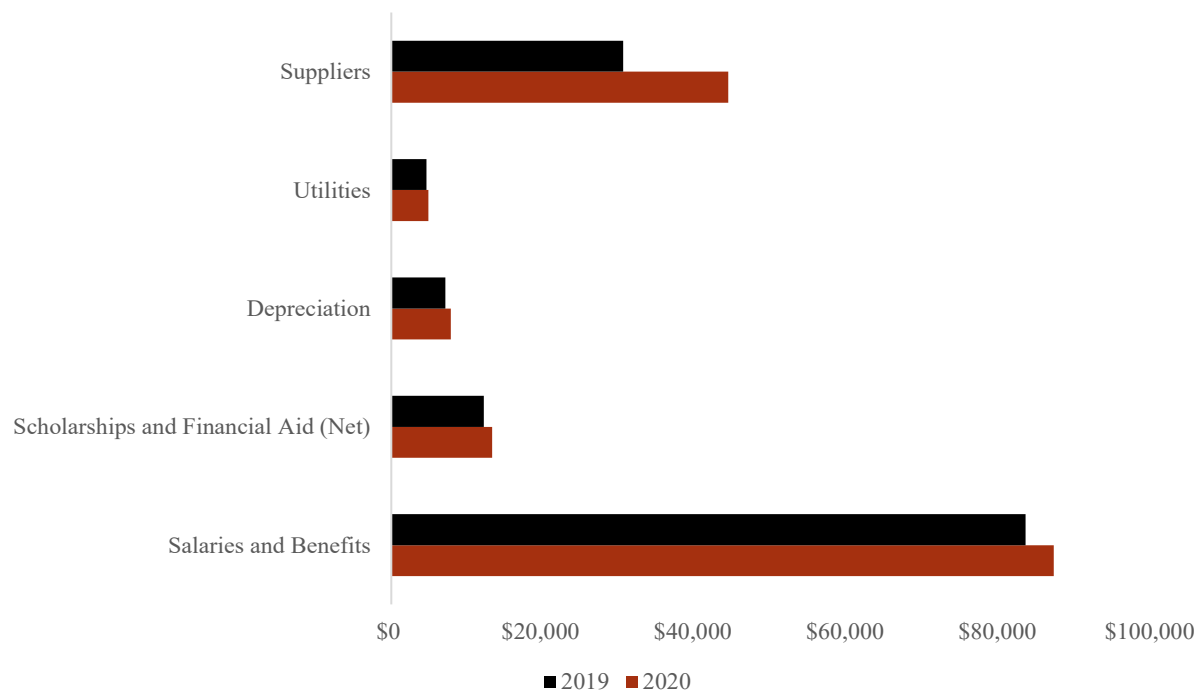
The Statement of Revenues, Expenses and Changes in Net Position for 2020 reflects an overall increase in net position of \$3,848,000. Gross student tuition and fee revenue totaled \$86,977,000 in 2020 as compared to \$79,978,000 in 2019, an increase of \$6,999,000. Grant and contract revenue from government sponsors totaled \$39,943,000 for 2020, as compared to \$45,962,000 in 2019. State appropriation increased by \$2,902,000 or 6.8% from \$42,618,000 in 2019 to \$45,520,000 in 2020. Auxiliary revenues increased by \$993,000 or 6.2% from \$16,080,000 in 2019 to \$17,073,000 in 2020. This increase is primarily attributable to housing and meal plans.

Jacksonville State University
Management's Discussion and Analysis
September 30, 2020 and 2019

A comparison of operating expenses by functional classification for selected fiscal years follows:

	Operating Expenses			
	Functional Classification (\$ in thousands)			
	2020	%	2019	%
Instruction	\$ 50,349	32.1%	\$ 48,213	35.0%
Public Service	2,972	1.9%	2,371	1.7%
Academic Support	7,900	5.0%	7,999	5.8%
Student Services (Including Athletics)	19,528	12.4%	20,251	14.8%
Research	1,114	0.7%	2,256	1.6%
Operation and Maintenance	18,217	11.6%	3,704	2.7%
Institutional Support	22,038	14.0%	20,288	14.7%
Scholarships and Financial Aid (Net)	13,224	8.4%	12,148	8.8%
Depreciation	7,818	5.0%	7,090	5.2%
Auxiliary Enterprises	14,037	8.9%	13,347	9.7%
	<u>\$ 157,197</u>	<u>100.0%</u>	<u>\$ 137,667</u>	<u>100.0%</u>

Operating Expenses by Functional Classification by Year

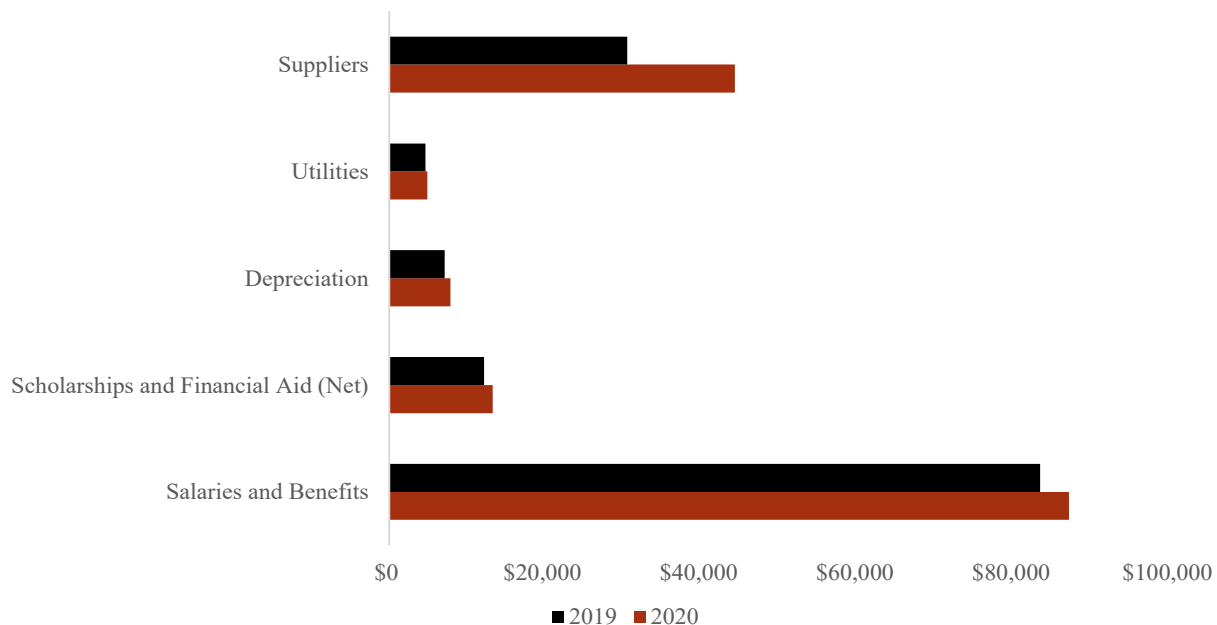


Jacksonville State University
Management’s Discussion and Analysis
September 30, 2020 and 2019

For fiscal year 2020, total operating expenses increased by \$19,530,000 or 14.2%, primarily due to increased scholarships and financial aid due to COVID-19 related student aid payments of \$5,512,000 and increased payments to suppliers of \$13,796,000. For fiscal year 2019, total operating expenses decreased by \$13,337,000 or 8.8% primarily due to decreased expense to suppliers (slowing down of tornado recovery expenses) of \$15,774,000 and increased salaries and benefits of \$2,826,000 or 3.5%.

	Operating Expenses			
	Natural Classification (\$ in Thousands)			
	2020	%	2019	%
Salaries and Benefits	\$ 87,018	55.4%	\$ 83,336	60.5%
Scholarships and Financial Aid (Net)	13,225	8.4%	12,148	8.8%
Depreciation	7,818	5.0%	7,090	5.2%
Utilities	4,871	3.1%	4,624	3.4%
Suppliers	44,265	28.1%	30,469	22.1%
	<u>\$ 157,197</u>	<u>100.0%</u>	<u>\$ 137,667</u>	<u>100.0%</u>

Operating Expenses by Natural Classification by Year



A portion of University resources applied to student accounts for tuition, fees, or room and board are not reported as student aid expense but are reported in the financial statements as a scholarship allowance, directly offsetting student tuition and fee revenue or auxiliary revenue. Scholarship allowances totaled \$30,677,000 in 2020 and \$27,665,000 in 2019. In addition to the allowances, students participate in governmental financial aid/loan programs. The loans are neither recorded as revenue or expense in the financial statements but are recorded in the Statements of Cash Flows as direct lending receipts totaling \$42,308,000 and \$48,272,000 in 2020 and 2019, respectively.

Jacksonville State University
Management’s Discussion and Analysis
September 30, 2020 and 2019

Condensed Statements of Cash Flows
(\$ in thousands)

	2020	2019
Net Cash Flows From:		
Operating Activities	\$ (53,433)	\$ (48,527)
Noncapital Financing Activities	57,603	68,855
Capital and Related Financing Activities	15,363	(12,776)
Investing Activities	1,333	4,800
Net Change in Cash	20,866	12,352
Cash and Cash Equivalents, Beginning of Year	48,011	35,659
Cash and Cash Equivalents, Ending of Year	\$ 68,877	\$ 48,011

During fiscal year 2020, the University’s total cash balance increased by \$20.9 million. During fiscal year 2019, the University’s total cash balance increased by \$12.4 million.

Capital and Debt Activities

Construction in progress at September 30, 2020 totaled \$55,113,288 and included the following major projects: Merrill Hall, South Complex, Mason Hall, and Houston Cole Library undergoing major repairs from damage sustained from the EF-3 tornado.

Construction in progress at September 30, 2019 totaled \$65,650,000 and included the following major projects: Mason Hall, Houston Cole Library, and multiple buildings undergoing major repairs from damage sustained from the EF-3 tornado.

Debt and Capital Leases

At September 30, 2020, total debt outstanding, including capital leases, totaled \$120,950,000. At September 30, 2019, total debt outstanding, including capital leases, totaled \$89,433,000.

The University has an “A-” negative outlook credit rating from Standard and Poor’s, and an A2 credit rating from Moody’s.

The University has traditionally utilized tax-exempt financings to provide for its capital needs or to facilitate systematic renewals. Working capital is available to provide interim cash flow financing for facilities intended to be funded with general revenue bond proceeds or other debt arrangements.

Other Economic and Financial Conditions

The following is a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the University.

OPEB Liability

GASB Statements 74 & 75 require the University to calculate and record a liability for postemployment benefits other than pensions. This calculation uses prescribed assumptions which will significantly impact the total liabilities and net position of the University for FY2020 and beyond.

Jacksonville State University
Management's Discussion and Analysis
September 30, 2020 and 2019

Tornado Damage and Recovery Effects

On March 19, 2018 the University was hit by an EF-3 tornado damaging approximately 50 buildings and destroying three additional buildings. The affected buildings included campus housing along with academic buildings. The University has insurance to cover most of the damage. On April 26, 2018, the President of the United States declared the areas affected by the tornadoes on March 19th a disaster area. This declaration included all categories of work (listed below):

- Category A: Debris Removal
- Category B: Emergency Protective Measures
- Category C: Roads and Bridges
- Category E: Buildings and Contents
- Category G: Parks, Recreational Areas, and other Facilities
- Category Z: Direct Administrative Costs

FEMA Reimbursements

The University has requested and received reimbursement for the cost of debris removal, campus safety, lighting, and various buildings. The cost of eligible expenses not reimbursed by insurance will be reimbursed by FEMA through the Public Assistance program. For this disaster, expenses for cleanup and repairs are reimbursed by FEMA at 75 percent with the State of Alabama providing 12.5 percent of the local match, and the University providing the remaining 12.5 percent of the cost.

Jacksonville State University
Statement of Net Position (in thousands)
September 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 68,877	\$ 48,011
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$1,847 and \$1,802	49,256	47,750
Prepaid Expenses and Unearned Scholarships	14,032	15,040
Total Current Assets	<u>132,165</u>	<u>110,801</u>
Noncurrent Assets		
Notes Receivable, Net of Allowance for Doubtful Accounts of \$126 and \$126	1,965	1,854
Deposit with Bond Trustee	110	1,181
Investments	6,108	5,847
Investment in Real Estate	55	55
Land	7,014	7,014
Capital Assets	388,532	375,160
Less: Accumulated Depreciation	<u>(154,470)</u>	<u>(151,503)</u>
Total Noncurrent Assets	<u>249,314</u>	<u>239,608</u>
Total Assets	<u>381,479</u>	<u>350,409</u>
Deferred Outflow of Resources		
Deferred Outflows of Resources Related to Refunding of Debt	4,909	4,983
Deferred Outflows of Resources Related to OPEB	9,974	3,386
Deferred Outflows of Resources Related to Pensions	<u>16,473</u>	<u>16,219</u>
Total Deferred Outflows of Resources	<u>31,356</u>	<u>24,588</u>

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

Jacksonville State University
Statement of Net Position (in thousands)
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 19,360	\$ 23,682
Wages Payable	4,481	4,301
Unearned Revenue	42,901	42,675
Compensated Absences	727	943
Bonds Payable	2,169	4,304
Due to State of Alabama	12,947	-
Capital Lease Payable	49	-
Tuition Paid in Advance	28	54
	<u>82,662</u>	<u>75,959</u>
Total Current Liabilities		
Noncurrent Liabilities		
Compensated Absences	1,882	1,275
Bonds Payable	99,693	72,182
Noncurrent Loans	5,900	-
Due to State of Alabama	-	12,947
Capital Lease Payable	192	-
Deposits Held in Custody	1,174	692
Net Pension Liability	85,222	77,586
OPEB Liability	29,529	59,959
	<u>223,592</u>	<u>224,641</u>
Total Noncurrent Liabilities		
Total Liabilities	<u>306,254</u>	<u>300,600</u>
Deferred Inflows of Resources		
Deferred Inflows of Resources Related to Pensions	3,757	8,428
Deferred Inflows of Resources Related to OPEB	36,249	3,242
	<u>40,006</u>	<u>11,670</u>
Total Deferred Inflows of Resources		
Net Position		
Net Investment in Capital Assets	157,418	145,491
Restricted:		
Nonexpendable	963	963
Expendable:		
Scholarships and Fellowships	12,646	12,683
Loans	2,779	2,779
Debt Service	110	1,180
Capital Projects	-	-
Unrestricted	<u>(107,341)</u>	<u>(100,369)</u>
Total Net Position	<u>\$ 66,575</u>	<u>\$ 62,727</u>

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

Jacksonville State University Foundation, Inc.
Discretely Presented Component Unit
Statement of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and Cash Equivalents	\$ 3,863,304	\$ 2,444,940
Cash-Restricted Project Funds	1,423,901	8,142,963
Cash-Restricted Capital Interest Funds	912,669	1,865,201
Prepaid Insurance	14,537	13,867
Investments	38,759,868	36,576,056
Charitable Remainder Trusts, Restricted	1,826,701	1,091,047
Unconditional Promises to Give, Net	478,121	749,478
Note Receivable from JSUF Real Estate Holding Co., LLC	20,916	20,916
Property and Equipment, Net	43,253,183	38,333,083
Total Assets	<u>\$ 90,553,200</u>	<u>\$ 89,237,551</u>
Liabilities		
Accounts Payable	\$ 111,859	\$ 2,114,773
Charitable Trusts	195,599	193,316
Refundable Advances	2,064,879	1,889,583
Pre-opening Expenses Deposit	933,943	459,000
Bonds Payable	44,885,639	44,910,435
Accrued Interest on Bonds Payable	912,669	912,669
Total Liabilities	<u>49,104,588</u>	<u>50,479,776</u>
Net Assets		
Without Donor Restriction	1,169,342	3,304,292
With Donor Restrictions	40,279,270	35,453,483
Total Net Assets	<u>41,448,612</u>	<u>38,757,775</u>
Total Liabilities and Net Assets	<u>\$ 90,553,200</u>	<u>\$ 89,237,551</u>

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

Jacksonville State University
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues		
Student Tuition and Fees, Net of Scholarship Allowances of \$30,677 and \$27,665	\$ 56,300	\$ 52,313
Federal Grants and Contracts	21,002	27,989
State and Local Grants and Contracts	4,086	3,343
Nongovernmental Grants and Contracts	2,325	2,405
Sales and Services of Educational Departments	47	63
Athletic Income	1,191	2,307
Other Operating Revenues	424	422
Auxiliary Enterprises:		
Residential Life	10,427	8,301
Sales and Service	6,646	7,779
	<u>102,448</u>	<u>104,922</u>
Operating Expenses		
Instruction	50,349	48,213
Public Service	2,972	2,371
Academic Support	7,900	7,999
Student Services, Including Athletics	19,528	20,251
Research	1,114	2,256
Operation and Maintenance	18,217	3,704
Institutional Support	22,038	20,288
Scholarships and Financial Aid	13,224	12,148
Depreciation	7,818	7,090
Auxiliary Enterprises	14,037	13,347
	<u>157,197</u>	<u>137,667</u>
Operating Loss	<u>(54,749)</u>	<u>(32,745)</u>

(Continued on following page)

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

Jacksonville State University
Statement of Revenues, Expenses and Changes in Net Position (in thousands)
For the Years Ended September 30, 2020 and 2019

(Continued from previous page)

	<u>2020</u>	<u>2019</u>
Nonoperating Revenues and Expenses		
State Appropriations	\$ 45,520	\$ 42,618
Federal Grants	10,419	14,630
Investment Income	523	855
Gain (Loss) on Disposal of Capital Assets	10	(936)
Rental of Facilities	214	239
Interest on Debt	(2,789)	(2,832)
Insurance Recovery Income- Tornado Damage	<u>4,700</u>	<u>17,162</u>
Net Nonoperating Revenues and Expenses	<u>58,597</u>	<u>71,736</u>
Change in Net Position Before Capital Contributions	3,848	38,991
Capital Contributions Received	<u>-</u>	<u>3,764</u>
Change in Net Position	3,848	42,755
Total Net Position - Beginning of Year	<u>62,727</u>	<u>19,972</u>
Total Net Position - End of Year	<u>\$ 66,575</u>	<u>\$ 62,727</u>

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

Jacksonville State University Foundation, Inc.
Discretely Presented Component Unit
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Support			
Contributions	\$ 47,104	\$ 2,429,960	\$ 2,477,064
Net Investment Income	52,313	5,683,448	5,735,761
In-kind Gifts	13,622	4,867	18,489
Other Income	106,178	666,131	772,309
Management Fee Income	341,379	-	341,379
Service Fee Income	3,888,162	-	3,888,162
	<hr/>	<hr/>	<hr/>
Total Revenue, Gains, and Support	4,448,758	8,784,406	13,233,164
Net Assets Released from Restrictions	3,958,619	(3,958,619)	-
	<hr/>	<hr/>	<hr/>
Net Revenue, Gains, and Support	8,407,377	4,825,787	13,233,164
Expenses			
Program Services	8,620,679	-	8,620,679
Fundraising	1,847,167	-	1,847,167
Management and General	74,481	-	74,481
	<hr/>	<hr/>	<hr/>
Total Expenses	10,542,327	-	10,542,327
Change in Net Assets	(2,134,950)	4,825,787	2,690,837
Net Assets - Beginning of Year	3,304,292	35,453,483	38,757,775
	<hr/>	<hr/>	<hr/>
Net Assets - End of Year	\$ 1,169,342	\$ 40,279,270	\$ 41,448,612
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Jacksonville State University Foundation, Inc.
Discretely Presented Component Unit
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Support			
Contributions	\$ 107,309	\$ 2,640,803	\$ 2,748,112
Net Investment Income	(46,058)	(890,248)	(936,306)
In-kind Gifts	1,778,473	18,658	1,797,131
Other Income	31,981	553,878	585,859
Management Fee Income	348,633	-	348,633
Service Fee Income	1,104,000	-	1,104,000
Total Revenue, Gains, and Support	3,324,338	2,323,091	5,647,429
Net Assets Released from Restrictions	4,127,287	(4,127,287)	-
Net Revenue, Gains, and Support	7,451,625	(1,804,196)	5,647,429
Expenses			
Program Services	4,616,691	-	4,616,691
Fundraising	341,894	-	341,894
Management and General	96,923	-	96,923
Total Expenses	5,055,508	-	5,055,508
Change in Net Assets	2,396,117	(1,804,196)	591,921
Net Assets - Beginning of Year	908,175	37,257,679	38,165,854
Net Assets - End of Year	\$ 3,304,292	\$ 35,453,483	\$ 38,757,775

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

Jacksonville State University
Statement of Cash Flows (in thousands)
For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Tuition and Fees	\$ 52,908	\$ 54,257
Federal Grants and Contracts	23,689	5,099
State and Local Grants and Contracts	5,048	6,034
Sales and Services of Educational Departments	47	63
Athletic Income	1,152	2,296
Auxiliary	16,795	17,349
Other Operating Revenues	424	422
Payments to Suppliers	(52,993)	(34,112)
Payments for Utilities	(3,967)	(5,166)
Payments for Employees	(65,542)	(61,128)
Payments for Benefits	(18,675)	(21,496)
Payments for Scholarships	(12,319)	(12,145)
Net Cash Flows From Operating Activities	<u>(53,433)</u>	<u>(48,527)</u>
Cash Flows from Noncapital Financing Activities		
State and Local Appropriations	45,520	42,618
Federal Grants	13,037	19,592
Federal Direct Loan Receipts	42,308	48,272
Federal Direct Loan Disbursements	(43,958)	(41,182)
Deposit Held for Others	482	(684)
Other Nonoperating Activities	214	239
Net Cash Flows From Noncapital Financing Activities	<u>57,603</u>	<u>68,855</u>
Cash Flows From Capital and Related Financing Activities		
Other Financing Source – Proceeds of Loan	5,900	7,000
Other Financing Source – Proceeds from Insurance Recovery	4,700	38,887
Capital Grants and Gifts	-	3,764
Proceeds from Capital Debt	52,250	-
Principal Paid on Capital Debt	(26,715)	(3,965)
Payments on Capital Leases	(27)	(72)
Purchases of Capital Assets and Construction	(17,945)	(55,631)
Interest Paid on Capital and Other Debt	(2,800)	(2,759)
Net Cash Flows From Capital and Related Financing Activities	<u>15,363</u>	<u>(12,776)</u>

(Continued on following page)

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

Jacksonville State University
Statement of Cash Flows (in thousands)
For the Years Ended September 30, 2020 and 2019

(Continued from previous page)

	2020	2019
Cash Flows From Investing Activities		
Investment Income	\$ 171	\$ 739
Proceeds from Sale and Maturity of Investments	1,162	4,061
Net Cash Flows From Investing Activities	<u>1,333</u>	<u>4,800</u>
Net Change in Cash and Cash Equivalents	20,866	12,352
Cash and Cash Equivalents - Beginning of Year	48,011	35,659
Cash and Cash Equivalents - End of Year	<u>\$ 68,877</u>	<u>\$ 48,011</u>
Reconciliation of Operating Loss to Net Cash Flows From Operating Activities		
Operating Loss	\$ (54,749)	\$ (32,745)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities		
Provision for Doubtful Accounts	45	904
Depreciation Expense	7,818	7,090
Changes in Assets, Liabilities, and Deferrals:		
Change in Accounts Receivable	(2,288)	(22,648)
Change in Prepaid Expenses and Unearned Scholarships	1,008	(1,639)
Change in Notes Receivable	(111)	(1,657)
Change in Compensated Absences	391	(120)
Change in Payables	(4,216)	(3,556)
Change in Other Liabilities	-	(16)
Change in Pension Related Deferrals and Liabilities	2,711	314
Change in OPEB Related Deferrals and Liabilities	(4,011)	1,531
Change in Unearned Revenue	<u>(31)</u>	<u>4,015</u>
Net Cash Flows From Operating Activities	<u>\$ (53,433)</u>	<u>\$ (48,527)</u>

Noncash Investing, Capital, and Financing Activities:

The University held investments with a fair value of \$6,273 at September 30, 2020. During the year ended September 30, 2020, the net change in the fair value of these securities was \$39. The University held investments with a fair value of \$7,083 at September 30, 2019. During the year ended September 30, 2019, the net change in the fair value of these securities was \$62.

During the year ended September 30, 2019, the University received noncash contributed assets of \$3,764.

During the year ended September 30, 2020, the University initiated a capital lease in the amount of \$268.

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

Jacksonville State University

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jacksonville State University (the “University” or “JSU”) 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 Jacksonville State University are described below.

A. Reporting Entity

Jacksonville State 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 No. 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. The Governor appoints Jacksonville State 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, Jacksonville State University is considered, for financial reporting purposes, to be a component unit of the State of Alabama.

B. Component Units

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. Significant note disclosures (see Note 20) to the Foundation’s financial statements have been incorporated into the University’s notes to the financial statements.

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

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

Jacksonville State University follows all applicable GASB pronouncements as well as the following pronouncements unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principle 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 net position 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 nonexchange transactions, such as state appropriations. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Jacksonville State University
Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

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

1. Deposits and Investments

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

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

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

2. Receivables

Accounts receivable relate to amounts due from students for tuition and fee billings, federal grants, state appropriations, third party tuition, and auxiliary enterprise sales. Notes receivable reflect amounts due from students for institutional loans collected by the University. The receivables are shown net of allowance for doubtful accounts.

3. Capital Assets

Equipment, furniture, and vehicles with a unit cost over \$5,000 and an estimated useful life in excess of one year; buildings and building improvements with a unit cost over \$100,000 and an estimated useful life in excess of one year, land improvements with a unit cost over \$75,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally-generated computer software is \$1 million, and \$200,000 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, construction in progress, and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life is not capitalized.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was implemented during 2018. Interest expense related to on-going capitalized assets was therefore expensed during the year and not capitalized as in previous years.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, that 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.

Jacksonville State University
Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

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

<u>Assets</u>	<u>Depreciation Method</u>	<u>Useful Lives</u>
Buildings and Improvements	Straight Line	40 Years
Improvements Other Than Buildings	Straight Line	5 Years
Equipment:		
Furniture, Office Equipment, Automobiles,		
Computer Hardware and Software, Cameras	Straight Line	4 Years
Athletic Equipment, Grounds Equipment	Straight Line	8 Years
Library Materials	Composite	8 Years
Capitalized Software	Straight Line	8 Years
Internally-Generated Computer Software	Straight Line	8 Years
Easement and Land Use Rights	Straight Line	20 Years
Patents, Trademarks, and Copyrights	Straight Line	20 Years

4. Long-Term Obligations

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

5. Compensated Absences

The Board of Trustees determines annual and sick leave policies for the University's employees. The annual and sick leave policies adopted by the University are as follows: staff and department head employees earn eight hours per month of sick leave with no maximum accumulation. Staff and department head employees earn and accumulate annual leave at the following rates:

<u>Years of Employment</u>	<u>Number of Days Each Year</u>	<u>Maximum Days Accumulation</u>
Less than 10 years	12 days	24 days
10 – 20 Years	15 days	30 days
More than 20 Years	18 days	36 days

Faculty of the University earn eight hours of sick leave for each of the nine months of the contract year and for each month paid for a summer assignment, with no maximum accumulation. Faculty members do not earn annual leave. No liability is recorded for sick leave. Payment is not made to employees for unused sick leave at termination or retirement.

6. Prepaid Expenses and Unearned Scholarships

Prepaid expenses and unearned scholarships consist primarily of prepaid costs resulting from the Fall academic term spanning across the fiscal year end. The University prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

7. Unearned Revenue

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

8. Deferred Outflows of Resources

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

Jacksonville State University

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

9. Deferred Inflows of Resources

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

10. Net Position

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

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

Restricted:

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

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

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

11. Federal Financial Assistance Programs

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

12. Scholarship Allowances and Student Aid

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

13. 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 Comprehensive Annual Financial Report.

Jacksonville State University
Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

14. Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

15. Recent Accounting Pronouncements

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The University adopted this statement during fiscal year 2020. This adoption did not have a material effect on the financial statements.

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

Jacksonville State University

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

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- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged. The University is currently evaluating the impact this Statement will have at the financial statement level.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The University is currently evaluating the impact this Statement will have at the financial statement level.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The University adopted this statement during fiscal year 2020.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The University is currently evaluating the impact this Statement will have at the financial statement level.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. The University adopted this requirement during fiscal year 2020. This adoption did not have a material effect on the financial statements. The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The University is currently evaluating the impact these requirements will have at the financial statement level.

16. Subsequent Events

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

The COVID-19 outbreak in the United States has caused business disruption of schools and universities. While the disruption is currently expected to be temporary, the University expects this matter to impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

The University's deposits in banks at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. At September 30, 2020 and 2019, JSU deposits held by financial institutions participating in the SAFE program totaled \$71,608,991 and \$12,152,073, respectively. The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

B. Investments

The investments of the University are invested pursuant to the "Non-endowment Cash Pool Investment Policy" as adopted by the Board of Trustees. The purpose of the non-endowment cash pool investment policy is to provide guidelines by which commingled funds not otherwise needed to meet daily operational cash flows can be invested to earn a maximum return, yet still maintain sufficient liquidity to meet fluctuations in the inflows and outflows of the University's operational funds. The University Investment Policy requires that management apply the "prudent person" standard in the context of managing its investment portfolio.

The University is allowed to hold donated investments, such as stocks, mutual funds, and real estate in accordance with donor stipulations. These investments are maintained separately from other University investments.

Certificates of deposit and commercial paper are measured using cost-based measures as provided by GASB 31.

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

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Investments' fair value measurements are as follows at September 30, 2020:

<u>Investments</u>	Fair Value	Fair Value Measurements Using	
		Level 1 Inputs	Level 3 Inputs
Mutual Funds	\$ 5,967,572	\$ 5,967,172	\$ -
Stocks	127,896	127,896	-
Real Estate	54,637	-	54,637
	<u>\$ 6,150,105</u>	<u>\$ 6,095,068</u>	<u>\$ 54,637</u>
<u>Investments Valued Using Cost-Based Measures</u>			
Certificates of Deposit	12,500		
Total Investments	<u>\$ 6,162,605</u>		

Investments' fair value measurements are as follows at September 30, 2019:

<u>Investments</u>	Fair Value	Fair Value Measurements Using	
		Level 1 Inputs	Level 3 Inputs
Mutual Funds	\$ 5,654,111	\$ 5,654,111	\$ -
Stocks	180,802	180,802	-
Real Estate	54,637	-	54,637
	<u>\$ 5,889,550</u>	<u>\$ 5,834,913</u>	<u>\$ 54,637</u>
<u>Investments Valued Using Cost-Based Measures</u>			
Certificates of Deposit	12,500		
Total Investments	<u>\$ 5,902,050</u>		

The investments shown above that are categorized as Level 1 are valued based on prices quoted in active markets for those securities. The investments shown above that are categorized as Level 3 are valued using a capitalization of earnings cash flow technique under the income approach.

During the year ended September 30, 2020, the University realized losses of \$58,343 from the disposal of investments. During the year ended September 30, 2019, the University realized losses of \$63,726 from the disposal of investments. The calculation of realized losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The University had unrealized gains during the years ended September 30, 2020 and 2019 of \$38,854 and \$61,998, respectively.

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

At September 30, 2020 and 2019, the University did not have any investments subject to interest rate risk.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University does not have a formal investment policy that specifically addresses its investment choices related to this risk. At September 30, 2020 and 2019, the University did not have any investments subject to credit risk.

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University does not have a formal investment policy limiting investments to any one issuer to less than five percent of the University's total investments. At September 30, 2020, the University had \$4,461,572 in mutual funds issued by Ameriprise Financial and \$981,706 in a Large Cap Value Fund issued by Legg Mason Global Asset Management. At September 30, 2019, the University had \$4,427,058 in mutual funds issued by Ameriprise Financial, \$996,081 in a Large Cap Value Fund issued by Legg Mason Global Asset Management.

For the University Trustee that Holds Bond Funds

At September 30, 2020 and 2019, the University had \$9,509,541 and \$1,180,506, respectively, in accounts administered by its bond trustee. In accordance with the covenants of the University's Revenue Bonds, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States.

On August 25, 2020, the University issued Tuition and Fee Revenue Bonds to defease the 2011 and 2014-B Bonds, and finance construction costs (See Note 12). The Series 2020 Tuition and Fee Revenue Bonds were also issued to advance refund the 2017-A Bonds. Bonds are refunded to retire all or a portion of an outstanding bond issue. Most typically, refundings are done to refinance at a lower interest rate to reduce overall debt service. Certain issues of bonds may be refunded prior to the call date, known as an advance refunding.

Future principal and interest payments on refunded bonds have been provided through advance refunding bond issues whereby refunding bonds are issued and the net proceeds, plus any additional resources that may be required, are used to purchase securities issued and guaranteed by the United States government. The University then deposits these securities in an irrevocable trust under an escrow agreement which states that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flows generated by the securities, will be sufficient to service the previously issued bonds. The full amount of the 2017-A Bond principal was paid from the trust during October 2020.

Reconciliation of Trustee Bond Funds to amounts reported in the Statement of Net Position at September 30, 2020 and 2019, respectively, is as follows:

	2020	2019
Amounts Held in Trust	\$ 9,509,541	\$ 1,180,506
Less Amounts Applied to Advance Refunding	(9,400,000)	-
Amounts Reported in the Statement of Net Position	<u>\$ 109,541</u>	<u>\$ 1,180,506</u>

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For the Years Ended September 30, 2020 and 2019

NOTE 3 - RECEIVABLES

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

<u>Accounts Receivable:</u>	<u>2020</u>	<u>2019</u>
Federal	\$ 26,127,157	\$ 27,463,472
State	15,072,474	12,848,573
Other	4,358,906	3,987,592
Student Accounts Receivable	5,544,540	5,252,096
Less: Allowance for Doubtful Accounts	<u>(1,847,046)</u>	<u>(1,801,872)</u>
Total Accounts Receivable, Net	<u>49,256,031</u>	<u>47,749,861</u>
<u>Notes Receivable:</u>		
Loans	2,351,690	1,980,096
Less: Allowance for Doubtful Accounts	<u>(386,888)</u>	<u>(125,617)</u>
Total Notes Receivable, Net	<u>1,964,802</u>	<u>1,854,479</u>
Total Receivables, Net	<u><u>\$ 51,220,833</u></u>	<u><u>\$ 49,604,340</u></u>

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NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/1/2019	Additions	Deductions	Transfers	Balance 9/30/2020
Non-depreciable Assets:					
Land	\$ 7,014,239	\$ -	\$ -	\$ -	\$ 7,014,239
Construction in Progress	65,649,702	20,523,822	(5,188,463)	(25,871,773)	55,113,288
Depreciable Assets:					
Buildings	251,518,335	852,215	(2,593,823)	25,871,773	275,648,500
Improvements Other than Buildings	16,826,497	93,436	(152,555)	-	16,767,378
Equipment	21,496,335	1,669,808	(983,064)	-	22,183,079
Library Holdings	19,668,747	271,804	(1,121,228)	-	18,819,323
Total Capital Assets	382,173,855	23,411,085	(10,039,133)	-	395,545,807
Accumulated Depreciation:					
Buildings	101,652,224	5,111,165	(2,593,823)	-	104,169,566
Improvements Other than Buildings	13,275,181	943,891	(152,554)	-	14,066,518
Equipment	18,455,374	1,388,556	(983,576)	-	18,860,354
Library Holdings	18,120,080	374,343	(1,121,230)	-	17,373,193
Total Accumulated Depreciation	151,502,859	7,817,955	(4,851,183)	-	154,469,631
Total Capital Assets, Net	\$ 230,670,996	\$ 15,593,130	\$ (5,187,950)	\$ -	\$ 241,076,176

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance 10/1/2018	Additions	Deductions	Transfers	Balance 9/30/2019
Non-depreciable Assets:					
Land	\$ 6,315,379	\$ 91,520	\$ -	\$ 607,340	\$ 7,014,239
Construction in Progress	56,280,766	49,218,306	(672,214)	(39,177,155)	65,649,703
Depreciable Assets:					
Buildings	210,552,794	3,994,038	(1,598,312)	38,569,815	251,518,335
Improvements Other than Buildings	16,346,011	870,609	(390,124)	-	16,826,496
Equipment	20,494,566	1,770,210	(768,441)	-	21,496,335
Library Holdings	19,629,392	358,888	(319,533)	-	19,668,747
Total Capital Assets	329,618,908	56,303,571	(3,748,624)	-	382,173,855
Accumulated Depreciation:					
Buildings	97,895,042	4,432,656	(675,474)	-	101,652,224
Improvements Other than Buildings	12,730,758	934,547	(390,124)	-	13,275,181
Equipment	17,879,356	1,331,067	(755,049)	-	18,455,374
Library Holdings	18,047,789	391,823	(319,532)	-	18,120,080
Total Accumulated Depreciation	146,552,945	7,090,093	(2,140,179)	-	151,502,859
Total Capital Assets, Net	\$ 183,065,963	\$ 49,213,478	\$ (1,608,445)	\$ -	\$ 230,670,996

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NOTE 5 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

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

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

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

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the years ended September 30, 2020 and 2019 was 12.36% and 12.43%, respectively, of annual pay for Tier 1 members and 11.22% and 11.34%, respectively, 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.

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Total employer contributions to the pension plan from the University were \$7,076,281 and \$6,696,670, respectively, for the years ended September 30, 2020 and 2019.

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

At September 30, 2020 and 2019 the University reported a liability of \$85,222,000 and \$77,586,000, respectively, for its proportionate share of the collective net pension liability. The 2020 collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018, rolled forward to September 30, 2019 using standard roll forward techniques. The 2019 collective net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018 using standard roll forward techniques. 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, 2019, the University's proportion was .771%, which was a decrease of .009% from its proportion measured as of September 30, 2018. At September 30, 2018, the University's proportion was .780%, which was a decrease of .036% from its proportion measured as of September 30, 2017.

For the years ended September 30, 2020 and 2019, the University recognized pension expense of \$9,791,000 and \$7,011,000, respectively. At September 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,260,000	\$ 2,826,000	\$ 1,674,000	\$ 2,363,000
Changes of Assumptions	2,626,000	-	4,313,000	-
Net Difference Between Projected & Actual Earnings on Pension Plan Investments	2,967,000	-	-	5,856,000
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	2,544,000	931,000	3,535,000	209,000
Employer Contributions Subsequent to the Measurement Date	7,076,281	-	6,696,670	-
Total	<u>\$ 16,473,281</u>	<u>\$ 3,757,000</u>	<u>\$ 16,218,670</u>	<u>\$ 8,428,000</u>

\$7,076,281 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2021	\$ 856,000
2022	817,000
2023	2,210,000
2024	1,811,000
2025	(54,000)
Thereafter	-
Total	<u>\$ 5,640,000</u>

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E. Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of September 30, 2018 and September 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2018</u>	<u>2017</u>
Inflation	2.75%	2.75%
Investment rate of return*	7.70%	7.70%
Projected salary increases	3.25% - 5.00%	3.25% - 5.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

For the 2018 valuation, post retirement mortality rates for service retirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017, were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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 for actuarial valuations as of September 30, 2018 and September 30, 2017:

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

*Includes assumed rate of inflation of 2.50%.

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F. Discount Rate

The discount rate used to measure the total pension liability was 7.70% in 2020 and 7.70% in 2019. 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, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the University's proportionate share of the net pension liability as of September 30, 2020 calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease <u>(6.70%)</u>	Current Rate <u>(7.70%)</u>	1% Increase <u>(8.70%)</u>
University's proportionate share of collective net pension liability	\$115,694,000	\$85,222,000	\$59,436,000

The following table presents the University's proportionate share of the net pension liability as of September 30, 2019 calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease <u>(6.70%)</u>	Current Rate <u>(7.70%)</u>	1% Increase <u>(8.70%)</u>
University's proportionate share of collective net pension liability	\$108,000,000	\$77,586,000	\$51,860,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditor's report as of September 30, 2019 dated March 9, 2020 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities along with supporting schedules are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 6 – TEACHERS' INSURANCE AND ANNUITY ASSOCIATION – COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)

Regular full-time employees that have completed two years of continuous service are eligible for an optional supplemental retirement program, Teachers' Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). The University contributes 1% of gross salary for all eligible employees with an additional match to those employees that opt to contribute to the plan for an additional 2 – 4%.

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Participants become immediately vested and are eligible for distributions upon severance from employment, upon incurring a disability, upon hardship, and upon attainment of age 59 ½. Distributions may be in the form of lump sum payments or through the purchase of an annuity contract. Employee contributions to the plan during the years ended September 30, 2020 and 2019 were \$1,954,033 and \$1,900,987, respectively. Jacksonville State University contributed \$1,572,215 under this plan for the year ended September 30, 2020 and \$1,504,608 for the year ended September 30, 2019. At September 30, 2020 and 2019, the University had payables of \$251,571 and \$245,266, respectively, due to TIAA-CREF, which were included in accounts payable and accrued liabilities on the Statement of Net Position.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

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

B. Benefits provided

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

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

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

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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 retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

C. Contributions

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

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

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

At September 30, 2020, the University reported a liability of \$29,529,228 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the University's proportion was .78%, which was an increase of .05% from its proportion measured as of September 30, 2018.

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For the year ended September 30, 2020, the University recognized OPEB expense of \$1,734,085, with no special funding situations.

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

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 977,739	\$ 22,641,735	\$ 1,128,846	\$ -
Changes of Assumptions	1,411,674	12,231,180	-	2,920,560
Net Difference Between Projected & Actual Earnings on Pension Plan Investments	60,915	-	-	321,260
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	5,363,386	1,376,434	147,014	-
Employer Contributions Subsequent to the Measurement Date	2,160,291	-	2,110,331	-
Total	\$ 9,974,005	\$ 36,249,349	\$ 3,386,191	\$ 3,241,820

\$2,160,291 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,	
2021	\$ (5,956,076)
2022	(5,956,076)
2023	(5,878,699)
2024	(4,633,766)
2025	(5,111,508)
Thereafter	(899,510)
Total	\$ (28,435,635)

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E. Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases *	3.25% - 5.00%
Long-Term Investment Rate of Return **	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate the Measurement Date	5.50%
Single Equivalent Interest Rate the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	***
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

**Includes 3.00% wage inflation*

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

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2018 valuation, however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

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.

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

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

*Geometric mean, includes 2.5% inflation

F. Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2019 was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that once benefit payments exceed employer contributions, this amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

G. Sensitivity of the University proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

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

	1% Decrease (6.00% decreasing to 3.75% for pre- Medicare, 4.00% decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (7.00% decreasing to 4.75% for pre- Medicare, 5.00% decreasing to 4.75% for Medicare Eligible)	1% Increase (8.00% decreasing to 5.75% for pre- Medicare, 6.00% decreasing to 5.75% for Medicare Eligible)
2020 Plan's Net OPEB Liability	\$ 23,677,129	\$ 29,529,228	\$ 36,899,681

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	1% Decrease (5.75%) decreasing to 3.75% for pre- Medicare, decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75%) decreasing to 4.75% for pre- Medicare, decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75%) decreasing to 5.75% for pre- Medicare, decreasing to 5.75% for Medicare Eligible)
2019 Plan's Net OPEB Liability	\$ 49,287,713	\$ 59,959,061	\$ 73,545,175

The following table presents the University proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 4.50%	Current Discount Rate 5.50%	1% Increase 6.50%
2020 Plan's Net OPEB Liability	\$ 35,692,916	\$ 29,529,228	\$ 24,495,528
	1% Decrease 3.44%	Current Discount Rate 4.44%	1% Increase 5.44%
2019 Plan's Net OPEB Liability	\$ 71,625,633	\$ 59,959,061	\$ 50,548,294

H. 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, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

NOTE 8 - CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Jacksonville State University's non-tornado related construction project commitments as of September 30, 2020 was estimated at \$320,000 consisting primarily of improvements to the new Student Success Center. Jacksonville State University's non-tornado related construction project commitments as of September 30, 2019 was estimated at \$2,100,000 consisting primarily of improvements to Stephenson Hall and domestic water line to the Houston Cole Library.

Jacksonville State University was awarded approximately \$11,404,515 and \$13,303,814, as of September 30, 2020 and 2019, respectively, in contracts and grants on which performance had not been initiated, nor funds received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

On July 17, 2017, the University entered into a services agreement with its component unit, Jacksonville State University Foundation, whereby the Foundation is to provide continuation and development of fitness and wellness programs, continuation and development of intramural sports programs, coordination of fitness and wellness programs, advertisement and promotion of the fitness and wellness center including website development and maintenance, and management and staffing of the fitness and wellness center. In exchange for these services, the University has committed to annual fees to be paid to the Foundation through October 31, 2062. The annual fee of \$3,788,000 for fiscal year 2020 is due in equal installments on March 1 and September 1.

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The University is in the process of completing reconstruction and replacement of assets damaged during the March 19, 2018 storms (see Note 18).

Jacksonville State University has committed \$9,343,004 for completing repairs to various buildings that sustained damage. In addition, the University has committed \$47,000,000 to the replacement of Merrill Hall and \$8,000,000 to replace the School of Health Professions and Wellness that was housed in Wallace Hall. The sources of funds for these storm related commitments is insurance, emergency management resources, and University funds.

The future of Wallace Hall is uncertain and dependent on Alabama Department of Risk Management and Federal Emergency Management Agency determinations.

NOTE 9 - ACCOUNTS PAYABLE

Accounts payable and accrued liabilities represent amounts due at September 30, 2020 and 2019, for goods and services received prior to the end of the fiscal year.

<u>Accounts Payable:</u>	<u>2020</u>	<u>2019</u>
Salaries and Wages	\$ 4,480,977	\$ 4,301,193
Benefits	2,289,874	2,773,036
Payroll Taxes	1,443,958	1,354,941
Interest Payable	916,334	841,640
Other	14,710,017	18,712,625
Total Accounts Payable	<u>\$ 23,841,160</u>	<u>\$ 27,983,435</u>

NOTE 10 – CAPITAL LEASE OBLIGATIONS

From time to time, the University leases certain items of equipment that are classified as capital leases. The University entered into a five year lease agreement with Canon Financial Services on March 26, 2020. The leased assets are included with equipment in depreciable capital assets with a cost of \$268,200, net of accumulated depreciation of \$67,050. Amortization of leased assets is included with depreciation expense. Interest on the lease is at 6.08%. The present value of the net minimum lease payments at September 30, 2020 was \$240,932. The future minimum lease payments for the next five years are as follows:

Year Ended September 30,	
2021	\$ 62,333
2022	62,333
2023	62,333
2024	62,333
2025	20,776
Thereafter	-
Total	<u>\$ 270,108</u>

NOTE 11 – DUE TO STATE OF ALABAMA

Due to the effects of the March 19, 2018 EF-3 tornado (See Note 18), the State of Alabama issued an interest-free loan June 26, 2018 in the amount of \$5,946,640. The loan is payable two years from the most recent issue date. The University may have the opportunity to have this loan forgiven during the fiscal year ending September 30, 2021. During the year ended September 30, 2019, the State of Alabama issued additional loan proceeds in the amount of \$7,000,000. The ending loan balance as of September 30, 2020 and 2019, was \$12,946,640.

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NOTE 12 - LONG-TERM LIABILITIES

The Board of Trustees issued Tuition and Fee Revenue Bonds in 2011, 2014, 2015, 2016, 2017 and 2020. The 2011 bonds were issued to defease the 2002 Revenue Bond. The 2014 Bonds were issued to defease the 2008 Revenue Bonds. The 2015 and 2016 bonds were issued to partially defease the 2009 Revenue Bonds. The 2017 bonds were issued to defease the balance of the 2009 Revenue Bonds and finance construction costs. The 2020 bonds were issued to defease the 2011, 2014, and 2017 bonds, and to finance the costs of repairs and capital improvements.

Long-term liabilities activity (excluding Net Pension and Net OPEB liabilities) for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds:					
Revenue Bonds	\$ 73,030,000	\$ 45,670,000	\$ (26,715,000)	\$ 91,985,000	\$ 1,725,000
Bond Discounts	(84,909)	-	84,909	-	-
Bond Premiums	3,541,225	6,579,686	(244,240)	9,876,671	443,624
Total Bonds, Net	<u>\$ 76,486,316</u>	<u>\$ 52,249,686</u>	<u>\$ (26,874,331)</u>	<u>\$ 101,861,671</u>	<u>\$ 2,168,624</u>
Other Long-Term Liabilities:					
Compensated Absences	\$ 2,217,973	\$ 390,622	\$ -	\$ 2,608,595	\$ 726,960
Lease Obligations	-	268,000	(27,068)	240,932	49,047
Loan Payable	-	5,900,000	-	5,900,000	-
Due to State of Alabama	12,946,940	-	-	12,946,940	12,946,940
Total Other Long-Term Liabilities	<u>\$ 15,164,913</u>	<u>\$ 6,558,622</u>	<u>\$ (27,068)</u>	<u>\$ 21,696,467</u>	<u>\$ 13,722,947</u>

Long-term liabilities activity (excluding Net Pension and Net OPEB liabilities) for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds:					
Revenue Bonds	\$ 76,995,000	\$ -	\$ (3,965,000)	\$ 73,030,000	\$ 4,070,000
Bond Discounts	(92,456)	-	7,547	(84,909)	(7,547)
Bond Premiums	3,767,338	-	(226,113)	3,541,225	241,208
Total Bonds, Net	<u>\$ 80,669,882</u>	<u>\$ -</u>	<u>\$ (4,183,566)</u>	<u>\$ 76,486,316</u>	<u>\$ 4,303,661</u>
Other Long-Term Liabilities:					
Compensated Absences	\$ 2,337,597	\$ 823,092	\$ (942,716)	\$ 2,217,973	\$ 942,716
Lease Obligations	72,189	-	(72,189)	-	-
Due to State of Alabama	5,946,940	7,000,000	-	12,946,940	-
Total Other Long-Term Liabilities	<u>\$ 8,356,726</u>	<u>\$ 7,823,092</u>	<u>\$ (1,014,905)</u>	<u>\$ 15,164,913</u>	<u>\$ 942,716</u>

A. Deferrals on Refunding, Original Issue Discount and Original Issue Premium

The University has deferrals on refunding in connection with the issuance of its 2011, 2014, 2015, 2016, 2017, and 2020 Series Revenue Bonds. The University had an original issue discount in connection with the issuance of its 2014 Series Revenue Bonds that was retired with the issuance of the 2020 Series Revenue Bonds, and an original issue premium in connection with the issuance of its 2015, 2016, 2017, and 2020 Series Revenue Bonds. Bonds Payable is reported net of the original issue premium and discount.

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Amortization activity for the year ended September 30, 2020, was as follows:

	Deferrals on Refunding	Original Issue Discount	Original Issue Premium
Initial Balance	\$ (6,593,391)	\$ (123,904)	\$ 4,251,734
Add: Current Additions	(303,042)	-	6,579,687
Less: Amount Amortized Prior Years	1,609,980	38,995	(710,509)
Balance Before Current Activity	(5,286,453)	(84,909)	10,120,912
Less: Current Amount Amortized	377,420	7,548	(244,241)
Current Amount Loss Due to Refunding	-	77,361	-
Ending Balance	<u>\$ (4,909,033)</u>	<u>\$ -</u>	<u>\$ 9,876,671</u>

Amortization activity for the year ended September 30, 2019, was as follows:

	Deferrals on Refunding	Original Issue Discount	Original Issue Premium
Initial Balance	\$ (6,593,391)	\$ (123,904)	\$ 4,251,734
Less: Amount Amortized Prior Years	1,234,650	31,448	(484,396)
Balance Before Current Activity	(5,358,741)	(92,456)	3,767,338
Less: Current Amount Amortized	375,330	7,547	(226,113)
Current Amount Loss Due to Refunding	-	-	-
Ending Balance	<u>\$ (4,983,411)</u>	<u>\$ (84,909)</u>	<u>\$ 3,541,225</u>

The deferrals on refunding, original issue discounts and premiums will be amortized as follows:

Fiscal Year	Deferral on Refunding	Original Issue Discount	Original Issue Premium
2021	\$ 400,409	\$ -	\$ 443,624
2022	400,409	-	443,624
2023	349,229	-	443,624
2024	338,993	-	443,624
2025	338,993	-	443,624
2026-2030	1,755,595	-	2,218,122
2031-2035	1,041,744	-	1,890,315
2036-2040	283,661	-	1,338,759
2041-2045	-	-	1,087,551
2046-2050	-	-	1,087,552
2051	-	-	36,252
	<u>\$ 4,909,033</u>	<u>\$ -</u>	<u>\$ 9,876,671</u>

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A trustee holds 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. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,725,000	\$ 3,259,593	\$ 4,984,593
2022	2,465,000	3,610,760	6,075,760
2023	2,840,000	3,521,940	6,361,940
2024	2,825,000	3,419,360	6,244,360
2025	2,960,000	3,299,743	6,259,743
2026-2030	16,545,000	14,397,601	30,942,601
2031-2035	19,820,000	10,620,541	30,440,541
2036-2040	18,025,000	6,568,953	24,593,953
2041-2045	9,875,000	4,007,300	13,882,300
2046-2050	12,165,000	1,803,500	13,968,500
2051	2,740,000	54,800	2,794,800
	\$91,985,000	\$54,564,091	\$ 146,549,091

An escrow fund was established upon issuance of the Series 2015 Bonds that together with investment income will be used for the redemption and retirement of \$8,000,000 of the outstanding principal of the 2009 Revenue Bonds plus accrued interest to an early redemption date of December 1, 2018. An escrow fund was also established upon issuance of the Series 2016 Bonds that together with investment income will be used for the redemption and retirement of an additional \$8,000,000 of the 2009 Revenue Bonds plus accrued interest to an early redemption date of December 1, 2018. On January 31, 2017, the remaining 2009 Revenue Bonds were advance refunded with the issuance of the Series 2017 Revenue Bonds. An escrow fund was also established upon issuance of the Series 2017 Bonds that together with investment income will be used for the redemption and retirement of an additional \$32,895,000 of the 2009 Revenue Bonds plus accrued interest to an early redemption date of December 1, 2018. The amount of escrowed funds associated with the refunded Series 2009 balance together with investment income will equal the outstanding principal amount plus accrued interest needed through December 1, 2018, the early redemption date.

At the issuance of the Series 2015 Revenue Bonds, the remaining cash flows required to service the Refunded Series 2009 Bonds totaled \$14,015,863, while the remaining cash flows required to service the Series 2015 Bonds totaled \$13,925,430. The savings associated with this reduced cash flow discounted back to 2015 was approximately \$76,696.

At the issuance of the Series 2016 Revenue Bonds, the remaining cash flows required to service the Refunded Series 2009 Bonds totaled \$15,339,256, while the remaining cash flows required to service the Series 2016 Bonds totaled \$15,136,515. The savings associated with this reduced cash flow discounted back to 2016 was approximately \$184,795.

At the issuance of the Series 2017 Revenue Bonds, the remaining cash flows required to service the Refunded Series 2009 Bonds totaled \$54,326,831, while the remaining cash flows required to service the Series 2017 Bonds totaled \$53,973,347. The savings associated with this reduced cash flow discounted back to 2017 was approximately \$325,579.

At the issuance of the Series 2020 Revenue Bonds, the remaining cash flows required to service the Refunded Series 2011 Bonds totaled \$3,414,656, the remaining cash flows required to service the Series 2014 Bonds totaled \$11,663,356, and the remaining cash flows required to service the Series 2017 Bonds totaled \$11,891,930. The savings associated with this reduced cash flow discounted back to 2020 was approximately \$2,581,884.

The Jacksonville State University Board pledged student tuition and fees to repay \$11,060,000 in Series 2011 Tuition and Fee Revenue Bonds issued on August 1, 2011 at interest rates ranging from 2.0 to 4.0%. The funds were used to advance refund the University's outstanding Revenue Bonds Series 2002, then outstanding in the amount of \$10,385,000, and to pay issuance costs.

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On August 25, 2020, the remaining Series 2011 Revenue Bonds were current refunded with the issuance of the Series 2020 Bonds that will be used for the redemption and retirement of the Series 2011 Revenue Bonds plus accrued interest.

The Jacksonville State University Board pledged student tuition and fees to repay \$12,055,000 in Series 2014 Tuition and Fee Revenue Bonds issued on August 1, 2014 at interest rates ranging from 1.75 to 3.1%. The funds were used to advance refund the University's outstanding Revenue Bonds Series 2008, then outstanding in the amount of \$10,000,000. On August 25, 2020, the remaining Series 2014 Revenue Bonds were current refunded with the issuance of the Series 2020 Bonds that will be used for the redemption and retirement of the Series 2014 Revenue Bonds plus accrued interest.

The Jacksonville State University Board pledged student tuition and fees to repay \$8,950,000 Series 2015 Tuition and Fee Revenue Bonds issued on December 14, 2015 at interest rates ranging from 1.85 to 4.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of \$8,000,000. Future revenues in the amount of \$12,163,705 at September 30, 2020 and of \$12,565,510 at September 30, 2019 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of \$56,267,298 were received during the fiscal year ended September 30, 2020 with \$401,805, or .7% of pledged revenues, being used to pay principal and interest payments during 2020. Pledged revenues in the amount of \$52,312,792 were received during the fiscal year ended September 30, 2019 with \$402,915, or .7% of pledged revenues, being used to pay principal and interest payments during 2019. These bonds are scheduled to mature in fiscal year 2033.

The Jacksonville State University Board pledged student tuition and fees to repay \$9,160,000 in Series 2016 Tuition and Fee Revenue Bonds issued on March 17, 2016 at interest rates ranging from 1.3 to 4.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of \$8,000,000. Future revenues in the amount of \$13,456,300 at September 30, 2020 and \$13,865,350 at September 30, 2019 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of \$56,267,298 were received during the fiscal year ended September 30, 2020 with \$408,050 or .7% of pledged revenues, being used to pay principal and interest payments during 2020. Pledged revenues in the amount of \$52,312,792 were received during the fiscal year ended September 30, 2019 with \$405,008 or .7% of pledged revenues, being used to pay principal and interest payments during 2019. These bonds are scheduled to mature in fiscal year 2035.

The Jacksonville State University Board pledged student tuition and fees to repay \$34,880,000 in Series 2017 Tuition and Fee Revenue Bonds issued on January 31, 2017 at interest rates ranging from 2.0 to 5.0%. The funds were used to advance refund a portion of the University's outstanding Revenue Bonds Series 2009, then outstanding in the amount of \$32,895,000, to finance capital improvements and to pay the costs of issuance. Future revenues in the amount of \$43,363,597 at September 30, 2020 and \$46,592,591 at September 30, 2019 are pledged to repay principal and interest on the bonds. Estimated pledged revenues in the amount of \$56,267,298 were received during the fiscal year ended September 30, 2020 with \$3,228,994 or 5.7% of pledged revenues, being used to pay principal and interest payments during 2020. Pledged revenues in the amount of \$52,312,792 were received during the fiscal year ended September 30, 2019 with \$3,212,469 or 5.9% of pledged revenues, being used to pay principal and interest payments during 2019. These bonds are scheduled to mature in fiscal year 2039.

The Jacksonville State University Board pledged student tuition and fees to repay \$10,000,000 in Series 2017-A Tuition and Fee Revenue Bonds issued on February 6, 2017 at an interest rate of 3.04%. The funds were used to finance the acquisition, construction and installation of capital improvements and to pay the expenses of issuing the Series 2017-A Bond. On August 25, 2020, the remaining Series 2017-A Revenue Bonds were advance refunded with the issuance of the Series 2020 Bonds that will be used for the redemption and retirement of the Series 2017-A Revenue Bonds plus accrued interest (See Note 2).

The Jacksonville State University Board pledged student tuition and fees to repay \$45,670,000 in Series 2020 Tuition and Fee Revenue Bonds issued on August 14, 2020 at interest rates ranging from 3.0 to 5.0%. The funds were used to finance the acquisition, construction and installation of capital improvements and to pay the expenses of issuing the Series 2017-A Bond. Future revenues in the amount of \$77,565,488 at September 30, 2020 are pledged to repay principal and interest on the bonds.

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Notes to the Financial Statements

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Estimated pledged revenues in the amount of \$56,267,298 were received during the fiscal year ended September 30, 2020 with payments beginning during fiscal year 2021. These bonds are scheduled to mature in fiscal year 2051.

On July 11, 2019, the University executed a line of credit agreement with Regions Capital Advantage, Inc for construction-related activities. The agreement was for a \$30,000,000 non-revolving line of credit. The line of credit matures on July 1, 2022 with monthly interest-only payments and the balance due at maturity. Interest is variable based on an applicable rate determined on each interest adjustment date. The balance due as of September 30, 2020 and 2019 was \$5,900,000 and \$0, respectively.

NOTE 13 – 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 \$3.5 million per occurrence. The SIF purchases commercial insurance for claims in excess of \$3.5 million. The University purchases commercial insurance for its automobile coverage, general liability and professional legal liability coverage. In addition, the University has a blanket fidelity bond that covers all employees. At of the issuance date of these financial statements, the SIF calculated a settlement loss of \$97,437,120 related to damages from the March 19, 2018 storms (see Note 18). To date, \$88,077,595 in settlement payments have been received by the University with an additional \$9,359,525 in receivables. Additional insurance settlement proceeds related to storm damages, if any, may be significant and material.

Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF) administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims.

The University contributes a specified amount monthly to the PEEHIF for each employee; this amount is applied against the employee's premiums for the coverage selected, and the employee pays any remaining premium. Settled claims resulting from these risks have not exceeded the University's coverage in any of the past three fiscal years. Claims that 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 14 – ENDOWMENTS

Jacksonville State University's endowment funds consist of various donor-restricted endowment funds. The endowment funds were established for a variety of purposes, primarily related to funding student scholarships and low-cost loans. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Jacksonville State has determined that absent explicit donor restrictions, the original gift amount of the donor-restricted endowment will be classified as permanently restricted. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

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NOTE 15 – COMPONENT UNITS

During the years ended September 30, 2020 and 2019, Jacksonville State University Foundation, Inc., a discretely presented component unit distributed \$1,559,219 and \$1,615,205, respectively, to Jacksonville State University for both restricted and unrestricted purposes. At September 30, 2020, Jacksonville State University has recorded a receivable of \$3,270 due from the Foundation for scholarships. At September 30, 2020, the University has also recorded a payable of \$82,784 due to the Foundation related to the service agreement more fully described in Note 8 and for other services. Due to the difference in the fiscal year of the University and the Foundation, inconsistencies exist in the amounts reported as due to or due from and distributed to or received from. The complete audited financial statements of the Foundation can be obtained upon written request to JSUF.

NOTE 16 – RELATED PARTIES

Jacksonville State Alumni Association was created to promote scientific, literary, and educational purposes, advancement of Jacksonville State University, and for the encouragement and support of its students and faculty. This report contains no financial information related to the Jacksonville State Alumni Association.

NOTE 17 – JOINT OPERATION

On June 23, 2000, Jacksonville State University entered into a Joint Real Property Development and Cooperative Agreement with Gadsden State Community College for the purpose of constructing and equipping an Economic Development Center on the premises of Gadsden State Community College. Each school contributed \$1,000,000 with an additional \$1,000,000 provided by State of Alabama Building Commission Funds. Each party occupies and utilizes the facility on an equal basis. Each party contributes to the maintenance and operation costs for the use and operation of the facility on an equal basis. Beginning in August 2017 through August 2019, the space allocated for use by JSU, with the exception of one office, will be used by Gadsden State Community College. During this term, JSU was relieved of all obligations to pay or contribute to the costs associated with the Economic Development Center. As of September 30, 2020, the University has ceased all operations at the Economic Development Center.

Jacksonville State University and Gadsden State Community College also entered into an agreement to build classrooms and an administration building at McClellan. The building is known as the McClellan Higher Education Consortium. Jacksonville State University's one-half share of the building cost is \$3,500,000.

During fiscal year 2019, Gadsden State Community College ceased operations at the McClellan Higher Education Consortium and donated their portion of the building to the University. This donation was recorded as a capital contribution by the University at its estimated fair market value of \$3,433,329.

NOTE 18 – INSURANCE RECOVERY GAIN - TORNADO

On March 19, 2018, the University experienced an EF-3 tornado causing significant damage to many buildings and the surrounding area. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, insurance recoveries during the fiscal year ended September 30, 2018 were used to offset the amount of loss that was recognized. Restoration costs of \$75,793,147 for damage sustained were netted against an impairment of \$4,418,104, for a net insurance recovery gain of \$71,375,043 as of September 30, 2018. The University decreased the damaged buildings by the impairment of \$4,418,104 for the year-ended September 30, 2018. The University also received FEMA\AEMA proceeds to assist in recovery efforts.

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The following table summarizes insurance and grant proceeds related to storm damage received by the University or authorized by the adjustor/grantor to be received by the University:

	<u>2020</u>	<u>2019</u>
State Insurance Fund:		
Proceeds Received	\$ 4,699,605	\$ 5,093,763
Authorized and Included in Receivables	-	12,068,606
Total State Insurance Fund Revenues Recognized	<u>\$ 4,699,605</u>	<u>\$ 17,162,369</u>
FEMA:		
Grants Received	\$ 3,947,836	\$ 1,726,257
Authorized and Included in Receivables	2,163,222	18,582,090
Total FEMA Grant Revenues Recognized	<u>\$ 6,111,058</u>	<u>\$ 20,308,347</u>
AEMA:		
Grants Received	\$ -	\$ -
Authorized and Included in Receivables	969,899	3,614,631
Total AEMA Grant Revenues Recognized	<u>\$ 969,899</u>	<u>\$ 3,614,631</u>

Additional insurance and grant proceeds may be received in subsequent years as settlements are negotiated and grant authorizations are processed; however, as of the issuance date of these financial statements, those amounts are not yet finalized.

NOTE 19 – CAPITAL CONTRIBUTIONS RECEIVED

On April 16, 2019, Gadsden State Community College and the University entered into a joint agreement relinquishing possessory rights on the campus of the other and discharge the other of any legal obligations. During the fiscal year ended September 30, 2019, a capital contribution in the amount of \$3,433,329 has been recorded along with a corresponding capitalized asset for the building and land donation.

On February 27, 2019, PCSJ Land Company, LLC donated property located on Mountain Street in Jacksonville, Alabama to the University. The property known as “Momma Goldberg’s” is now utilized as a restaurant available for students and the general public for dining purposes. During the fiscal year ended September 30, 2019, a capital contribution in the amount of \$305,860 has been recorded along with a corresponding capitalized asset for the building and land donation.

Jacksonville State University

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

NOTE 20 – JACKSONVILLE STATE UNIVERSITY FOUNDATION, INC. NOTES TO THE FINANCIAL STATEMENTS

20.A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The overall mission of the Jacksonville State University Foundation, Inc. (the Foundation) is to maximize private gift support for Jacksonville State University (the University) while laying the groundwork for future fundraising success in order to aid the University in fulfilling its own mission of excellence in education, research, and service. The Foundation owns JSUF Real Estate Holding Company, LLC (the Holding Company). The Holding Company's total assets were \$24,017 on December 31, 2019 and 2018 and are not included in the financial statements.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting which conforms to accounting principles generally accepted in the United States of America (U.S. GAAP).

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires. That is, when the stipulated time has elapsed; when the stipulated purpose for which the resource was restricted has been fulfilled; or both.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to objectives specified by donors, and/or restrictions imposed by external authorities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash held in trust accounts is considered to be an investment.

Jacksonville State University

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

Investments

In accordance with FASB ASC 958-920, *Not-for-Profit Entities: Investments—Debt and Equity Securities*, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying statements of financial position. Investments in real estate, limited partnerships and alternative investments are stated at fair value.

The year to year increase or decrease in the value of investments is reflected in the accompanying statements of activities. Realized gains and losses on the sale of investments are calculated based on the specific identification method.

Pooled Investment Program

The Foundation places certain investments with investment managers who invest the funds in an investment pool (Pooled Investment Program). The Foundation is the only participant in the pool. Investment income and realized gains and losses on these pooled assets are allocated to the participating endowment funds. Each endowment fund is assigned a percentage of its prorated value to the market value of all assets at the time of entry into or liquidation from the pool.

Assets Held under Split-Interest Agreements

Charitable remainder trust agreements require periodic payment of either the income earned or a fixed percentage of the assets to designated beneficiaries and terminate either at a specific time or upon the death of the designated individual. A liability for each remainder trust, where the Foundation is a trustee, is established and calculated as the present value of future payments to be made to the designated beneficiaries. Upon termination, the remaining assets of the remainder trust are then available for use by the Foundation to be used in accordance with the donor's intent. For remainder trusts held by the Foundation, the discount rate was 6% during the years ended December 31, 2019 and 2018. There were no new trusts established in 2019 or 2018.

Contributions and Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets. Restricted amounts received, but not yet earned are reported as deferred restricted amounts.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable or pledges receivable.

Property and Equipment

Real property and equipment are capitalized at cost if purchased and fair value if donated if the asset is expected to provide a benefit for more than one year. Depreciation is computed for purchased operating equipment of the Foundation based on the straight-line method over the estimated useful lives of the related assets over a period of three years. Constructed assets including buildings and land improvements are depreciated over their estimated useful lives (30 years).

Realized gains and losses from the sale or disposal of real property, equipment, and other assets are computed based on the difference between the proceeds received and the net carrying value of the asset.

Jacksonville State University

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Impairment of Long-Lived Assets

In accordance with FASB ASC 360-10-15, *Impairment or Disposal of Long-Lived Assets*, the Foundation records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. The Foundation evaluates its investment in long-lived assets used in operations for impairment annually. Long-lived asset disposals are required to be reported at the lower of carrying amount or fair value less selling costs. There was no impairment of long-lived assets at December 31, 2019.

In-Kind Gifts

In-kind gifts are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or capitalized based on the nature of the donation. In-kind gifts totaled \$18,489 and \$1,797,131 for the years ended December 31, 2019 and 2018, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Foundation; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Income Tax

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Internal Revenue Service (IRS) has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the IRC. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, and in the opinion of management is not material to the basic financial statements taken as a whole.

The Foundation follows the provisions of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*. As of December 31, 2019, the Foundation had no uncertain tax positions that qualify for disclosure in financial statements. The Foundation files an annual Form 990 with the IRS and its tax returns for previous open tax years may be subject to examination by taxing authorities.

Advertising

Advertising costs are expensed as incurred and are included in the functional expense statements. For the years ended December 31, 2019 and 2018, advertising expenses were \$177,429 and \$191,352, respectively.

Functional Expenses

Program services are activities that result in goods and services being distributed to beneficiaries that fulfill the purposes or mission for which the Foundation exists. Those services are the major purpose for and the major output of the Foundation.

Supporting services are all activities other than program including management and general and fundraising activities. The allocations have been based on related financial data. The expense allocation methods are reviewed by management and revised when necessary to reflect significant changes in the nature or level of the personnel, the use of space and the consumption of supplies.

Jacksonville State University
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Subsequent events

Subsequent events have been evaluated through the date of the Independent Auditor’s Report, which is the date the financial statements were available to be issued

20.B – LIQUIDITY AND AVAILABILITY

Liquidity required to award scholarships is provided by non-endowment donor contributions generally made to specific scholarship funds and returns on the Foundation’s investment portfolio. The bulk of the investment portfolio is comprised of marketable securities that can be redeemed as needed.

Operating liquidity is funded by management fees which are assessed to each scholarship fund on a pro-rata basis. Service fee income paid to the Foundation for its management of the Fitness and Wellness Center is primarily used to fund the debt service for the Foundation’s bonds. This source of income can be used to fund operations to the extent that there are any funds remaining after servicing the debt. The table below presents the Foundation’s financial assets available for general expenses within one year of the statement of financial position date:

Financial assets:	
Cash and cash equivalents	\$ 6,199,874
Promises to give, net	478,121
Investments	<u>38,759,868</u>
Total financial assets at December 31, 2019	45,437,863
Less amounts not available to be used within one year due to:	
Accounts payable	(111,859)
Net assets with donor restrictions	(42,042,984)
Cash restricted for bond service and capital projects	(2,336,570)
Refundable advances	<u>(2,064,879)</u>
	<u>(46,556,292)</u>
Financial assets available to meet general expenses within one year	<u>\$ (1,118,429)</u>

The Foundation holds restricted cash for capital projects and the servicing of bonds issued in 2017. Both accounts are for the construction and debt service of the Fitness and Wellness Center substantially completed at December 31, 2019. This cash may not be used to fund operations

20.C – PROMISES TO GIVE

Promises to give consist of amounts that are both unconditional and conditional in nature. The Foundation’s capital campaign to obtain funding for various scholarships and University departments raised funds that are generally classified as revenue or support with donor restrictions. Any restrictions on promises to give are based on donor designations. The Foundation had \$106,647 and \$105,777 in promises to give without donor restrictions, and \$2,224,076 and \$2,412,829 in promises to give with donor restrictions at December 31, 2019 and 2018, respectively.

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Unconditional promises to give at December 31 are as follows:

	2019	2018
Receivable in less than one year	\$ 178,985	\$ 429,733
Receivable in one to five years	298,685	297,387
Receivable in more than five years	1,853,053	1,791,486
Total unconditional promises to give	2,330,723	2,518,606
Less allowance for bad debt	(1,502,456)	(1,430,226)
Less discounts to net present value	(350,146)	(338,902)
Net unconditional promises to give	<u>\$ 478,121</u>	<u>\$ 749,478</u>

Discount rates used were 4.0% and 4.5% at December 31, 2019 and 2018, respectively.

20.D – INVESTMENTS

Investments which include charitable remainder trusts are reported at fair value based on quoted market prices or quoted prices for similar or identical assets and consist primarily of mutual funds, stocks, bonds, and alternative investments. The following are the Foundation's investments by type at December 31, 2019:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market	\$ 1,226,841	\$ 1,226,841	\$ -
Mutual funds	30,509,145	33,424,400	2,915,255
Government obligations	870,004	896,403	26,399
Mortgage backed securities	449,718	456,858	7,140
Corporate obligations	1,653,390	1,683,817	30,427
Municipal bonds	269,043	273,806	4,763
Common stock	30,137	38,116	7,979
Real estate investment trust	262,500	303,060	40,560
Alternative investments	2,665,234	2,283,268	(381,966)
Total	<u>\$ 37,936,012</u>	<u>\$ 40,586,569</u>	<u>\$ 2,650,557</u>

The following are the Foundation's investments by type at December 31, 2018:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market	\$ 3,621,189	\$ 3,621,189	\$ -
Mutual funds	27,482,095	26,516,028	(966,067)
Government obligations	722,300	726,615	4,315
Mortgage backed securities	360,942	357,063	(3,879)
Corporate obligations	1,703,409	1,689,036	(14,373)
Municipal bonds	582,571	580,306	(2,265)
Common stock	30,828	29,701	(1,127)
Real estate investment trust	262,500	303,060	40,560
Alternative investments	4,241,848	3,844,105	(397,743)
Total	<u>\$ 39,007,682</u>	<u>\$ 37,667,103</u>	<u>\$ (1,340,579)</u>

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The estimated fair value of debt securities at December 31, 2018, by contractual maturities, is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay with or without call or prepayment penalties.

	Estimated <u>Market Value</u>
Due in one year or less	\$ -
Due after one through five years	2,183,509
Due after five through ten years	<u>1,127,375</u>
	<u>\$ 3,310,884</u>

Endowment Investment and Spending Policies

The Foundation follows the Uniform Prudent Management of Institutional Funds Act of 1972 (UPMIFA) and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA. The Foundation’s donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation’s contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Under the terms of the Foundation’s governing documents, the Board of Directors has the ability to distribute the original principal of any trust or separate gift, devise, bequest, or fund as the Board in its sole discretion shall determine. As a result of the ability to distribute the original principal, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation’s spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to exceed an absolute rate of return equal to the minimum payout obligation, plus all management fees, brokerage and custodial expenses, plus 3% in order to combat the economic impact of long-term inflation. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation targets a diversified asset allocation that places an emphasis on U.S. Treasury securities, high quality corporate and municipal bonds and equity- based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation’s various endowed funds, for grant making and administration. The current spending policy is to distribute an amount equal to 4% of the average quarterly total balance for the previous twelve quarters at year end (December 31). Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 2% annually. This is consistent with the Foundation’s objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment assets are included in net assets with donor restrictions on the statements of financial position.

Jacksonville State University
Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

Changes in endowment net assets as of December 31, 2019 are as follows:

	<u>Endowment</u>
Balance Beginning of Year	\$ 11,783,068
Endowment Activity:	
Contributions	<u>490,390</u>
Balance End of Year	<u>\$ 12,273,458</u>

Changes in endowment net assets as of December 31, 2018 are as follows:

	<u>Endowment</u>
Balance Beginning of Year	\$ 11,611,653
Endowment Activity:	
Contributions	<u>171,415</u>
Balance End of Year	<u>\$ 11,783,068</u>

Investment income earned on endowment scholarship funds was \$567,904 and \$439,511 for the years ended December 31, 2019 and 2018, respectively. Net appreciation of investments was \$2,714,565 for 2019 and net depreciation of investments was \$475,075 for 2018. Amounts appropriated for expenditures was \$1,293,554 and \$515,627 for these funds for 2019 and 2018, respectively.

At December 31, 2018, the Foundation had nine endowment scholarship funds for which the fair value of the fund was less than the original endowment gifts (“underwater”). Scholarships awarded from these funds were funded by net assets without donor restrictions. The fair value of these funds totaled \$441,088, and the underwater amount of these funds totaled \$12,526. There were no underwater endowment funds at December 31, 2019.

20.E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 132,043	\$ 132,043
Buildings	44,607,948	
Construction in Progress	-	36,128,425
Capitalized Interest	-	2,072,615
Less Accumulated Depreciation	<u>(1,486,808)</u>	<u>-</u>
Total, net	<u>\$ 43,253,183</u>	<u>\$ 38,333,083</u>

20.F – SPLIT INTEREST AGREEMENT

Of the \$1,826,701 held in trust, an investment in land with income from a ground lease was purchased in 2006 for \$262,500. The ground lease has an initial term that commenced on March 1, 2003. Initial minimum payments on the 20-year lease were \$1,750 per month from 2003 through 2013 increasing to \$2,067 per month beginning in 2014. The present value of the estimated future payments is \$86,140 at December 31, 2019.

The following is a schedule by years of future minimum rentals due under the ground lease at December 31, 2019:

2020	24,804
2021	24,804
2022	24,804
2023 and beyond	<u>4,133</u>
	<u>\$ 78,545</u>

Jacksonville State University
Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

20.G – REFUNDABLE ADVANCES

Refundable advances are amounts held on behalf of another organization.

20.H - BONDS PAYABLE

On October 31, 2017, the Public Education Building Authority of Jacksonville Foundation issued \$42,410,000 of Higher Educational Facilities Revenue Bonds (JSU Foundation Project), Series 2017-A and \$400,000 Higher Educational Facilities Taxable Revenue Bonds (JSU Foundation Project), Series 2017-B. The Foundation, which is considered the borrower of the funds, assumed all the obligations of the bonds. The bonds have varying fixed rates based on maturity dates which range from July 1, 2020 through July 1, 2057. The proceeds of the bonds are to be used for funding of the:

1. Costs of issuing the bonds (\$1,122,555);
2. Development, construction, furnishing and start-up expenses of a fitness and wellness center; and,
3. Interest on the bonds from the issuance date through the date the bond obligations are paid.

Interest is payable semi-annually on January 1 and July 1 beginning January 1, 2018 with annual interest rates ranging from 3% to 5%. The bonds were issued at a total premium of \$2,162,453 which is being amortized over the term of the bonds. Amortization for the year ended December 31, 2019 and 2018 was \$24,796 and \$23,883, respectively.

The University provides the cash flow necessary to service the bonds through a services agreement with the Foundation. These fees paid under this agreement are sufficient to service the debt, operating expenses and reserve requirements of the project. Termination of the services agreement triggers a termination fee to be paid by the University in an amount equal to the greater of the fair market value of the project or the outstanding principal amount of the bonds plus accrued interest through the date of termination.

Redemptions of bond principal are due each July 1 as follows:

2020	\$ 130,000
2021	270,000
2022	300,000
2023	300,000
2024	460,000
2025 and thereafter	<u>41,350,000</u>
	<u>\$ 42,810,000</u>

20.I – RESTRICTION/LIMITATIONS ON NET ASSETS

Net assets with donor restrictions were available for the following purposes at December 31, 2019:

Faculty awards and chairs	\$ 4,513,610
Scholarships and grants	31,893,517
For other purposes	<u>3,872,143</u>
Total	<u>\$ 40,279,270</u>

Net assets with donor restrictions consist of endowment fund assets and other assets with donor restrictions to be held indefinitely. The income from endowment funds can be used to fund scholarships.

Jacksonville State University

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

20.J – FAIR VALUE MEASUREMENTS

The Foundation adopted ASC 820, *Fair Value Measurements and Disclosures*. In accordance with ASC 820, fair value is defined as the price that the Foundation would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

There were no changes in the valuations techniques during the current year.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted in the guidance. The three techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e. replacement cost); and

Income approach: Techniques to convert future amounts to a single present amount based on market expectations utilizing present value techniques.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its calculation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Jacksonville State University
Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

The following tables set forth by level within the fair value hierarchy, the Foundation's assets that are measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 1,226,841	\$ 1,226,841	\$ -	\$ -
Mutual funds	33,424,400	33,424,400	-	-
Government obligations	896,403	-	896,403	-
Mortgage backed securities	456,858	-	456,858	-
Corporate obligations	1,683,817	-	1,683,817	-
Municipal bonds	273,806	-	273,806	-
Common stock	38,116	38,116	-	-
Real estate investment trust	303,060	-	303,060	-
Alternative investments	2,283,268	-	-	2,283,268
Total investments	\$ 40,586,569	\$ 34,689,357	\$ 3,613,944	\$ 2,283,268

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 3,621,189	\$ 3,621,189	\$ -	\$ -
Mutual funds	26,516,028	26,516,028	-	-
Government obligations	726,615	-	726,615	-
Mortgage backed securities	357,063	-	357,063	-
Corporate obligations	1,689,036	-	1,689,036	-
Municipal bonds	580,306	-	580,306	-
Common stock	29,701	29,701	-	-
Real estate investment trust	303,060	-	303,060	-
Alternative investments	3,844,105	-	-	3,844,105
Total investments	\$ 37,667,103	\$ 30,166,918	\$ 3,656,080	\$ 3,844,105

The following is a summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis:

Level 1 measurements

Mutual Funds: Comprised of pools of funds managed by an investment company that brings together funds from many investors and invests in stocks, bonds or other assets. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Foundation can access.

Common Stock: Comprised of actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Foundation can access.

Jacksonville State University
Notes to the Financial Statements
For the Years Ended September 30, 2020 and 2019

Level 2 measurements

Fixed income securities:

Government obligations: Comprised of financial debt instruments backed by the U.S Government including treasury bonds and bills. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active that the Foundation can access.

Mortgage backed securities: Comprised of U.S. Government agency securities including the Federal Home Loan Mortgage Corporation and the Government National Mortgage Association. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active that the Foundation can access.

Corporate obligations and Municipal bonds: Comprised of debt instruments issued by private corporations and municipalities which contain fixed interest rates and maturity dates. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads that the Foundation can access.

Real estate investment trust fund: The primary inputs for the valuation include quoted prices for identical or similar assets in markets that are not active.

Level 3 measurements

Alternative investments: Comprised of private market investments. The primary inputs for the valuation of these investments include prices paid for the securities in prior transactions, contractual cash flows, benchmark yields, appraisals, credit spreads and a discounted cash flow model that is widely accepted in the financial services industry which incorporates the credit quality and industry sector of the issuer.

The table below sets forth a summary of changes in the fair value of the Foundations Level 3 assets for the year ended December 31, 2019:

Balance at December 31, 2018	\$	3,844,105
Realized gains		(8,958)
Unrealized gains		34,346
Purchases		293,081
Donations to University		(1,763,000)
Settlements		(32,673)
Return of capital		(83,633)
Balance at December 31, 2019	\$	<u>2,283,268</u>

20.K - RELATED PARTIES

The Foundation operates as a separate entity supported by contributions from unrelated donors and income from pooled fund investments. Each pooled fund investment is charged a management fee by the Foundation totaling \$324,540 and \$330,151 for the years ended December 31, 2019 and 2018, respectively. The fees approximate the costs of the administrative services performed by the University on behalf of the Foundation. Additional management fees are charged to external entities for administrative services that are provided by the Foundation and are included in unrestricted revenue and support on the statement of activities.

On July 17, 2017, the Foundation entered into a services agreement with the University in order to develop and continue fitness and wellness programs provided for the students, faculty, employees and alumni of the University. The services provided include but are not limited to the management of the development and construction of a fitness and wellness center (the "Center") expected to open in 2019.

Jacksonville State University

Notes to the Financial Statements

For the Years Ended September 30, 2020 and 2019

Other services to be provided to the University by the Foundation include procuring financing for the development and construction, arranging staffing, licensing, insurance, marketing, security and other services required for the operation of the Center prior to and after opening. In return, the Foundation will receive a fee for services.

In order to facilitate the construction and start-up of the Center, the University paid a one-time up-front service fee of \$4 million during 2017. Thereafter, an annual fee defined by the terms of the agreement will be paid on March 1 and September 1 to the Foundation. The annual fee paid to the Foundation was \$3,888,162 for 2019 and \$734,000 for 2018 and is included in revenues gains and support on the statements of activities. The services agreement expires on October 31, 2062.

On October 17, 2017, the Foundation entered into a ground lease with the University for a period of 45 years. The ground lease is for the land on which the Center will be located and requires the Foundation to make annual rental payments to the University of \$100 in base rent and additional rent as specified in the agreement. An initial rent payment of \$4 million was due and payable on the commencement date of the agreement.

The \$4 million received in 2017 by the Foundation from the University to fund the project costs incurred prior to the bond issuance was repaid by the Foundation in the form of an initial \$4 million rent payment and was funded by the proceeds of the bonds. Management concluded that these two transactions were in essence an advance and repayment with no impact on revenues and expenses.

20.L – CREDIT RISK AND CONCENTRATIONS

Financial instruments that are exposed to concentrations of credit risk consisted of cash, accounts receivable and investments. The cash and investments in common trust investments are in high quality institutions and companies with high credit ratings. Cash balances in the Foundation's bank accounts are insured up to the amount of \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times cash balances may exceed FDIC insured limits.

Promises to give are primarily due from various individuals and carried at net realizable value. Realization of these items is dependent on these individuals and general economic conditions. Investment values are based on quoted market prices in active and inactive markets and estimates of value based on cash flows, benchmark gifts and credit spreads. Realization of investment principal and related returns is dependent on the viability of the underlying entities and the reliability of the methods of valuation used.

20.M – SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2019 financial statements for subsequent events through the date the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact or delay anticipated future contributions and other funding. Other financial impacts could occur and are uncertain at this time.



JACKSONVILLE
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Required Supplementary Information

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

For the Measurement Period Ended	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Proportion of the Net Pension Liability	0.770578%	0.780339%	0.744717%	0.748031%	0.736438%	0.732539%
Proportionate Share of the Net Pension Liability	\$85,222,000	\$77,586,000	\$73,194,000	\$80,982,000	\$77,073,000	\$66,548,000
JSU's Covered-Employee Payroll ¹	\$54,018,000	\$52,486,000	\$49,516,590	\$47,766,000	\$46,684,000	\$46,482,000
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	157.77%	147.82%	147.82%	169.54%	165.10%	143.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

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

This schedule presents only six years of information, rather than ten years, as only six years of trend information are available.

Employer's covered payroll during the measurement period is the total covered payroll. For FY 2020 the measurement period is October 1, 2018 - September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY 2017.

See accompanying independent auditor's report.

Jacksonville State University
Schedule of Jacksonville State University's Proportionate Share of the Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust

For the Measurement Period Ended	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Proportion of the Net OPEB Liability	0.782694%	0.729542%	0.701339%
Proportionate Share of the Net OPEB Liability	\$29,529,228	\$59,959,061	\$52,091,455
JSU's Covered-Employee Payroll ¹	\$54,018,000	\$52,486,000	\$49,516,590
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	54.67%	114.24%	105.20%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	28.14%	15.37%	14.81%

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

This schedule presents only three years of information, rather than ten years, as only three years of trend information are available.

¹ Employer's covered payroll during the measurement period is the total covered payroll. For FY 2020 the measurement period is October 1, 2018 - September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with FY 2017.

See accompanying independent auditor's report.

Jacksonville State University
Schedule of Jacksonville State University's Contributions
Teachers' Retirement Plan of Alabama

For the Fiscal Year Ended	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Contractually Required Contribution	\$ 7,076,281	\$ 6,696,670	\$ 6,264,121	\$ 5,829,433	\$ 5,623,694	\$ 5,266,235
Contributions in relation to the contractually required contribution	(7,076,281)	(6,696,670)	(6,264,121)	(5,829,433)	(5,623,694)	(5,266,235)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
System's covered-employee payroll	\$ 59,996,862	\$ 54,018,000	\$ 52,486,000	\$ 49,517,000	\$ 47,766,000	\$ 46,684,000
Contributions as a percentage of covered-employee payroll	11.79%	12.40%	11.93%	11.77%	11.77%	11.28%

Notes to the Schedule of University Contributions

This schedule presents only six years of information, rather than ten years, as only six years of trend information is available at September 30, 2020.

Employer's covered payroll during the measurement period is the total covered payroll. For FY 2020 the measurement period is October 1, 2019 - September 30, 2020.

See accompanying independent auditor's report.

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

For the Fiscal Year Ended	9/30/2020	9/30/2019	9/30/2018
Contractually Required Contribution	\$ 2,276,033	\$ 2,110,331	\$ 1,791,355
Contributions in relation to the contractually required contribution	(2,276,033)	(2,110,331)	(1,791,355)
Contribution deficiency (excess)	-	-	-
System's covered-employee payroll	\$ 59,996,862	\$ 54,018,000	\$ 52,486,000
Contributions as a percentage of covered-employee payroll	3.79%	3.91%	3.41%

Notes to the Schedule of University OPEB Contributions

Changes in actuarial assumptions

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

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

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

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

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

Method and assumptions used in calculations of actuarially determined contributions

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	25 Years, Closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare cost trend rate	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate trend rate	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, Including Inflation

¹ Employer's covered payroll during the measurement period is the total covered payroll. For FY 2020 the measurement period is October 1, 2019 - September 30, 2020.

See accompanying independent auditor's report.



Additional Information



Jacksonville State University
Listing of Board of Trustees and University Officials
September 30, 2020

<u>Board Members</u>		<u>Term Expires</u>
Hon. Kay Ivey	Governor	Ex-Officio
Senator Vivian Davis Figures	Vice Chair	2023
Hon. Gale Saxon Main		2023
Hon. Gregory D. Brown		2021
Hon. Anthony A. Smoke		2022
Hon. Clarence W. Daugette, III		2023
Hon. Randall Earlie Jones	Chair	2021
Hon. Randy Y. Owen		2024
Hon. Tony L. Ingram		2021
Hon. Rusty Fuller		2021
Hon. Drew Linn		2025
<u>Officials</u>		
Dr. Don Killingsworth	President	
Mr. James Brigham	Vice President for Finance & Administration	



PART II
REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

To the Board of Trustees
Jacksonville State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jacksonville State University as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Jacksonville State University’s basic financial statements, and have issued our report thereon dated February 12, 2021. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of Jacksonville State University Foundation, Inc., a discretely presented component unit of Jacksonville State University, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Jacksonville State University Foundation, Inc.

Growing business. Adding value.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CDPA, PC

Athens, AL

February 12, 2021



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

To the Board of Trustees
Jacksonville State University

Report on Compliance for Each Major Federal Program

We have audited Jacksonville State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jacksonville State University's major federal programs for the year ended September 30, 2020. Jacksonville State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The financial statements of Jacksonville State University Foundation, Inc. were not audited in accordance with the *OMB Compliance Supplement*, and, accordingly, this report does not extend to Jacksonville State University Foundation, Inc.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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.

CDPA, PC

Athens, AL
February 12, 2021

A large, rectangular sign made of light-colored marble with dark veining. The sign is divided into three horizontal sections by thin dark lines. The text "JACKSONVILLE STATE UNIVERSITY" is engraved in a dark, serif font across these sections. The sign is set against a dark night background. To the left and above the sign, there are several bright, starburst lights. At the bottom of the sign, there is a dense row of smaller, warm-toned lights that create a shimmering effect. The overall scene is illuminated by these lights, creating a festive or celebratory atmosphere.

JACKSONVILLE
STATE
UNIVERSITY

PART III
SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

Jacksonville State University
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
MAJOR PROGRAMS					
<u>Student Financial Assistance Cluster</u>					
<u>U.S. Department of Education Direct Programs</u>					
Federal Pell Grant Program	84.063	N.A.	7/1/19-6/30/20	\$ -	\$ 8,640,420
Federal Pell Grant Program	84.063	N.A.	7/1/20-6/30/21	-	7,864,406
Federal Direct Student Loans	84.268	N.A.	7/1/18-6/30/19	-	(3,150)
Federal Direct Student Loans	84.268	N.A.	7/1/19-6/30/20	-	23,444,491
Federal Direct Student Loans	84.268	N.A.	7/1/20-6/30/21	-	20,516,948
Federal Work-Study Program	84.033	N.A.	7/1/19-6/30/20	-	234,441
Federal Work-Study Program	84.033	N.A.	7/1/20-6/30/21	-	56,054
Federal Supplemental Education Opportunity Grants	84.007	N.A.	7/1/18-6/30/19	-	12
Federal Supplemental Education Opportunity Grants	84.007	N.A.	7/1/19-6/30/20	-	318,109
Federal Supplemental Education Opportunity Grants	84.007	N.A.	7/1/20-6/30/21	-	125,757
Teacher Education Assistance for College and Higher Education (TEACH)	84.379	N.A.	7/1/19-6/30/20	-	15,485
Teacher Education Assistance for College and Higher Education (TEACH)	84.379	N.A.	7/1/20-6/30/21	-	6,587
Total U.S. Department of Education Direct Programs				-	61,219,560
Total Student Financial Assistance Cluster				-	61,219,560
<u>Higher Education Emergency Relief Fund</u>					
<u>U.S. Department of Education Direct Programs</u>					
CARES Act Student Portion	84.425E	N.A.	4/20/20-4/19/21	-	2,792,172
CARES Act Institution	84.425F	N.A.	5/7/20-5/6/21	-	1,577,510
Total U.S. Department of Education Direct Programs				-	4,369,682
<u>Research and Development Cluster</u>					
<u>U.S. Department of Education Direct Programs</u>					
Investing in Innovation (i3) Fund	84.411	U411B150025-15A	1/1/16-12-31-20	89,198	1,194,072
Total U.S. Department of Education Direct Programs				89,198	1,194,072
<u>National Science Foundation</u>					
Engineering Grants	47.041	N.A.	9/1/17-8/31/20	-	24,326

Jacksonville State University
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
<u>Passed Through Ouachita Baptist University</u>					
Biological Services	47.074	1827066	8/15/18-7/31/23	-	15,400
Total National Science Foundation				-	39,726
<u>U.S. Department of Interior, Fish and Wildlife Service</u>					
<u>Passed through the Gulf State Marine Fisheries Commission</u>					
Fish and Wildlife Management Assistance	15.608	FNA15NMF4340078	9/10/19-12/31/21	1,024	1,024
Total U.S. Department of Interior, Fish and Wildlife Service				1,024	1,024
Total Research and Development Cluster				90,222	1,234,822
<u>U.S. Department of Homeland Security</u>					
<u>Federal Emergency Management Agency</u>					
<u>Passed through the Alabama Emergency Management Agency</u>					
Disaster Grants - Public Assistance	97.036	N.A.	10/1/19-9/30/20	-	7,080,957
Total U.S. Department of Homeland Security				-	-
Total Major Programs				90,222	73,905,021
NON-MAJOR PROGRAMS					
<u>National Security Agency</u>					
DOD ISA Scholarship Program	12.902	N.A.	9/7/18-8/31/19	-	3,358
Total National Security Agency				-	3,358
<u>Appalachian Regional Commission</u>					
<u>Passed through Auburn University</u>					
Funds for the Improvement of Postsecondary Education	23.001	20-ACCN-210663	9/1/19-5/31/20	-	2,638
Total Appalachian Regional Commission				-	2,638
<u>U.S. Department of Education Direct Programs</u>					
Higher Education Institutional Aid	84.031	N.A.	10/1/14-9/30/20	-	231,632
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	N.A.	10/1/15-9/30/21	-	75,336

Jacksonville State University
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
<u>Passed through Alabama State Department of Education</u>					
Alabama Technology in Motion	84.367A	U90218	10/1/18-10/30/19	-	(22)
<u>Passed through the University of Alabama</u>					
Foster Care Title IV-E	93.658	UA18-020	10/1/18-9/30/19	-	14,881
Foster Care Title IV-E	93.658	A20-0007-S003	10/1/19-8/31/20	-	25,105
Total U.S. Department of Education				-	346,932
<u>U.S. Department of Health and Human Services</u>					
<u>Pass through State of Alabama Dept Early Childhood Education</u>					
Head Start	93.600	90TP0008-01-00	10/1/19-12/31/19	-	19,084
Total U.S. Department of Health and Human Services				-	19,084
<u>U.S. Small Business Administration</u>					
<u>Passed through the University of Alabama</u>					
Small Business Development Centers	59.037	A20-0035-S003	10/1/19-9/30/20	-	84,175
Small Business Development Centers	59.037	A20-0318-S002	4/1/20-3/31/21	-	5,324
Total U.S. Small Business Administration				-	89,499
<u>U.S. Department of Defense</u>					
<u>Passed through the University of Alabama</u>					
Procurement Technical Assistance for Business Firms	12.002	A19-0361-S003	8/1/19-7/31/20	-	36,129
Procurement Technical Assistance for Business Firms	12.002	A20-0345-S002	8/1/20-7/31/21	-	10,661
Total U.S. Department of Defense				-	46,790
<u>U.S. Department of Justice</u>					
<u>Passed through the Office of Violence Against Women</u>					
Grants to Reduce Domestic Violence, Dating Violence, and Stalking on Campus	16.525	2019-WA-AX-0025	10/1/19-9/30/22	-	51,927
<u>Passed through the Anniston Police Department</u>					
Strategies for Policing Innovation Program	16.738	BJA-2019-15126	10/1/19-9/30/22	-	17,744

Jacksonville State University
Schedule of Expenditures of Federal Awards
For the Year ended September 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Assistance Period	Passed Through To Sub-Recipients	Total Federal Expenditures
<u>Passed through the Alabama Department of Economic and Community Affairs</u>					
Edward Byrne Memorial JAG Program	16.738	17-DJ-ST-003	10/1/18-9/30/19	-	339
Edward Byrne Memorial JAG Program	16.738	19-DJ-ST-001	10/1/19-3/31/21	-	70,600
Total U.S. Department of Justice				-	140,610
<u>Centers for Disease Control Passed through the Alabama Department of Public Health</u>					
Public Health Preparedness Program	93.889	1U3REP190587-01-00	7/1/19-6/30/20	-	16,768
Total Centers for Disease Control				-	16,768
<u>General Services Administration Passed through the Alabama Department of Economic and Community Affairs</u>					
Donation of Federal Surplus Personal Property (N)	39.003	N.A.	10/1/19-9/30/20		4,252
Total General Services Administration				-	4,252
Total Non-Major Programs				-	669,931
Total Federal Awards				90,222	74,574,952

Jacksonville State University

Notes to the Expenditures of Federal Awards

For the Year ended September 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Jacksonville State University (the “University”) under programs of the federal government for the year ended September 30, 2020. 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. Expenditures for federal awards that were awarded before December 26, 2014 are recognized following the cost principles contained in OMB Circular A-102 Common Rule, OMB Circular A-110 or the OMB Cost Principles Circulars, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures for federal awards that were newly awarded or had incremental funding actions with changed terms and conditions on or after December 26, 2014 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 allowed under the Uniform Guidance.

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

Student Financial Assistance Cluster

Research and Development Cluster

Federal Emergency Management Agency (FEMA)

Higher Education Emergency Relief Fund

Federal CFDA Numbers

Catalog of Federal Domestic Assistance (CFDA) numbers are assigned to contracts and grants on the basis of program type.

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

The Direct Loan program enables an eligible student or parent to obtain a loan to pay for the student’s cost of attendance directly through the University rather than through private lenders. As a university qualified to originate loans, the University is responsible for handling the complete loan origination process, including funds management and promissory note functions. The University is not responsible for collection of these loans. During the program year, the University processed approximately \$44 million of student loans under the Direct Loan program.

Jacksonville State University
Notes to the Expenditures of Federal Awards
For the Year ended September 30, 2020

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

The following schedule is a reconciliation of total federal expenditures as shown on the Schedule of Expenditures of Federal Awards to the revenue items shown on the Statement of Revenues, Expenses and Changes in Net Position for the year ended September 30, 2020.

Federal Grants and Contracts– Operating Revenue	\$ 21,002,226
Federal Grants – Nonoperating Revenue	10,419,262
Fall 2019 Unearned Federal Grant Revenue	4,684,475
Fall 2018 Unearned Federal Grant Revenue	(5,489,660)
Federal Direct Student Loans	43,958,289
Other	<u>360</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 74,574,952</u>



JACKSONVILLE STATE UNIVERSITY

This Educational Center of
Northeast Alabama Traces its Origin to
Jacksonville Male Academy 1836
Jacksonville Female Academy 1837
Calhoun College 1871
Calhoun Grange College 1878
State Normal School 1883
State Teachers College 1929
Jacksonville State College 1957
Jacksonville State University 1966

ERECTED FEBRUARY 22, 1966, IN OBSERVANCE OF THE INSTITUTION'S CENTENNIAL CELEBRATION

PART IV
SCHEDULES OF FINDINGS AND QUESTIONED COSTS

Jacksonville State University
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	<u>Student Financial Assistance Cluster</u>
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.033	Federal Work-Study Program
84.007	Federal Supplemental Educational Opportunity Grants
84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)
	<u>Higher Education Emergency Relief Fund</u>
84.425E	CARES Act Student Portion
84.425F	CARES Act Institution
	<u>Federal Emergency Management Agency (FEMA)</u>
97.036	Disaster Grant-Public Assistance (PA)
	<u>Research and Development Cluster</u>
15.608	Fish and Wildlife Management Assistance
84.411	Investing in Innovation (i3) Fund
47.074	Biological Services
47.041	Engineering Grants

Dollar Threshold to Distinguish Between Type A and Type B Programs \$918,500

Auditee qualified as low-risk auditee? yes no

Jacksonville State University
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

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

Jacksonville State University
Status of Prior Year Findings and Questioned Costs
For the Year Ended September 30, 2020

There were no prior year findings and questioned costs to be reported.



Acknowledgements

Photography: Jacksonville State University Photographic Services
Compiled by the Office of Institutional Research and Effectiveness



Annual Financial Report Prepared By:

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