ALABAMA STATE UNIVERSITY

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED

SEPTEMBER 30, 2020 AND 2019

Warren Averett
CPAs AND ADVISORS

ALABAMA STATE UNIVERSITY
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SEPTEMBER 30, 2020 AND 2019

Warren Averett
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Alabama State University

We have audited the accompanying financial statements of Alabama State University (the University), a component unit of the State of Alabama, and its aggregate discretely presented component units, as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Alabama State University Foundation, Inc. (the Foundation) for the year ended September 30, 2020, and the related notes to the financial statements, which represent 1.10 percent, 4.99 percent, and 2.88 percent, respectively, of the assets, net position, and revenues of the University. Those 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 the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Trust for Educational Excellence at Alabama State University and the Alabama State University Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its aggregate discretely presented component units, as of September 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16 and the supplementary information on pages 73 through 75 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 audits 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 Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Warren Averett, LLC

Montgomery, Alabama
June 10, 2021

ALABAMA STATE UNIVERSITY
Management's Discussion and Analysis
September 30, 2020 and 2019
(Unaudited)

Management's Discussion and Analysis

This section of the Alabama State University (the University) annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended September 30, 2020. This discussion has been prepared by management along with the financial statements and related footnote disclosures. This report should be read in conjunction with the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting change, and currently known facts. The financial statements, footnotes, and this discussion are the responsibility of management. The financial statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

Using the Annual Report

One of the most important questions asked about university finances is whether the University as a whole is better off or worse off as a result of the year's activities. The keys to understanding this question are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The University's net position is one indicator of its financial health. Over time, increases or decreases in net position are indicators of the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

In January 2020, the World Health Organization declared the novel Coronavirus (COVID-19) a public health emergency of international concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and has impacted the University's financial statements as further discussed within this section and Note 16.

The Statement of Net Position includes all assets, deferred outflows and inflows, and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating viability is the University's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing and investing activities. The Statement of Cash Flows also helps users assess the ability to generate future net cash flows, the ability to meet obligations as they come due, and a need for external financing.

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(Unaudited)

The University is considered a discretely presented component unit of the State of Alabama and as such, the University's financial activity is also included within the State of Alabama's Comprehensive Annual Financial Report.

The Trust for Educational Excellence at Alabama State University and the Alabama State University Foundation, Inc. are discretely presented component units of the University that are discussed on pages 62 through 64. Complete financial statements of the individual component units can be obtained directly from the Vice President for Business and Finance.

Since the focus of this discussion is on the University, these component units are not included in the amounts below.

Condensed Statements of Net Position

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
Current assets	$ 70,024,213	$ 56,771,110
Noncurrent assets		
Capital assets, net	254,801,097	263,583,480
Other	711,775	1,262,004
Deferred outflows	25,414,221	26,123,806
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 350,951,306	$ 347,740,400
LIABILITIES AND DEFERRED INFLOWS		
Current liabilities	$ 37,114,431	$ 38,411,274
Noncurrent liabilities	280,083,776	308,459,287
Deferred inflows	37,115,428	17,848,235
TOTAL LIABILITIES AND DEFERRED INFLOWS	354,313,635	364,718,796
NET POSITION		
Net investment in capital assets	65,835,724	67,898,979
Restricted	20,063,941	16,056,723
Unrestricted	(89,261,994)	(100,934,098)
TOTAL NET POSITION	$ (3,362,329)	$ (16,978,396)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Cash and Cash Equivalents
Cash and cash equivalents consist of cash in the University's bank accounts and investments in cash equivalents of operating funds held by investment managers. The investments are recorded at fair market value.

Accounts Receivable
Accounts receivable relate to several transactions including student tuition and fee billings and auxiliary enterprise sales, such as food service and residence halls. In addition, receivables arise from grant awards and financial aid. The receivables are shown net of allowance for doubtful accounts in the amount of $14.7 million.

Endowment Investments
Endowment investments include marketable securities relating to the Endowment funds. These investments are recorded at fair market value. The investments are managed and held by investment managers.

Other Short-Term Investments
Other short-term investments include marketable securities held and managed by investment managers and banking institutions.

Capital Assets, Net
Capital assets, net of related accumulated depreciation, consist of land, infrastructure, buildings, equipment, library collections and holdings, and construction in progress totaling $255 million at September 30, 2020. The amount reported is net of accumulated depreciation of $173 million. The decrease of $9 million between fiscal years 2019 and 2020 is primarily a result of current year depreciation expense which totaled $10.8 million, an increase in buildings of $1 million, and an increase in equipment of $0.8 million.

LIABILITIES

Accounts Payable and Accrued Liabilities

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

Long-Term Debt

At the end of the fiscal year 2020, the University had debt outstanding of $195.9 million. Of this amount, $195.1 million was comprised of bonds, $825,000 in long-term leases, and $360,000 in a note payable. The $195.9 million of bonds include $138.6 million of bonds issued through the Rice Capital Access Program (RCAP) in 2018. Proceeds from the bonds were used to defease $131.1 million of existing bonds in an advance refunding. In addition, the University paid $2.2 million to terminate the Swap Agreement with JP Morgan. The University was required to establish an escrow account totaling 5% of the total loan draw. As of September 30, 2020, $7 million was held in an escrow account to be used by the program trustee to satisfy any participant defaults in the program.

Net Pension Liability

At the end of the fiscal year 2020, the University had a net pension liability of $70.9 million. The increase in net pension liability is a result of the state's actuarial valuation and actual versus expected experience of the Teacher's Retirement System of Alabama (TRS), of which the University's proportionate share was 0.64%.

Postemployment Benefits Other Than Pensions

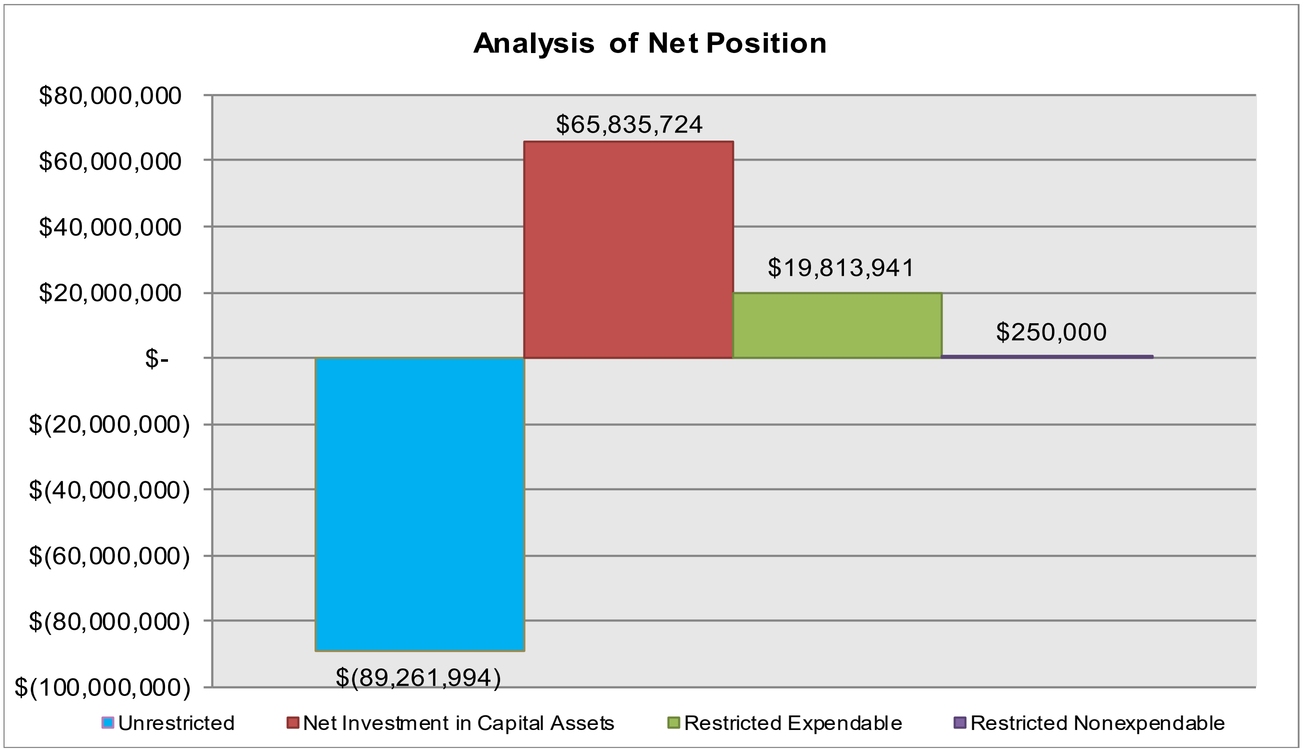
At the end of the fiscal year 2020, the University had a postemployment benefit other than pensions (OPEB) liability of $18.5 million. The decrease is based on the valuation as determined by employer contribution rates of 12.43% of payroll for Tier I members and 11.32% of payroll for Tier II members for the fiscal year ending September 30, 2022 to include market fluctuations. This is a result of the state's valuation of the Alabama Public Education Employee's Health Insurance Plan. The University's proportionate share of the OPEB liability was 0.49%.

Unearned Revenue

Unearned revenue represents payments received for tuition, fees, and room and board of $12.5 million net of deferred scholarships, allowances, and discounts of $4.5 million relating to a future period. Examples of unearned revenue are fall tuition, fees, room and board, and grants where funding has been received but not expended.

NET POSITION

Net position represents the difference between University assets and liabilities. Total net position at September 30, 2020, was ($3.4) million.



Restricted expendable net position consists of income from endowment funds, gifts, and pledges with specific temporary restrictions; grants from third party agencies with expenditure restrictions; and certain loan funds. Restricted expendable funds also include funds that have been designated by the governing board for specific purposes as well as amounts that have been contractually committed for goods and services which have not yet been received.

Unrestricted net position represents those balances from operational activities that have not been restricted by parties external to the University, such as donors or grant agencies. Also included in unrestricted net position are working capital and unrestricted endowments. None of the unrestricted net assets were designated as of year-end. The negative $89 million is primarily the result of recognizing the University's proportionate share of the employers' net pension liability and total OPEB liability, as well as the resulting deferred inflows and outflows due to changes in actuarial expenses and assumptions.

The decrease of approximately $2.1 million in the University's net investment in capital assets net position is primarily attributable to the following: 1) Depreciation expense of $10.8 million and 2) Transfers in and out of other funds for debt service and capital assets of $14.7 million and $6 million, respectively.

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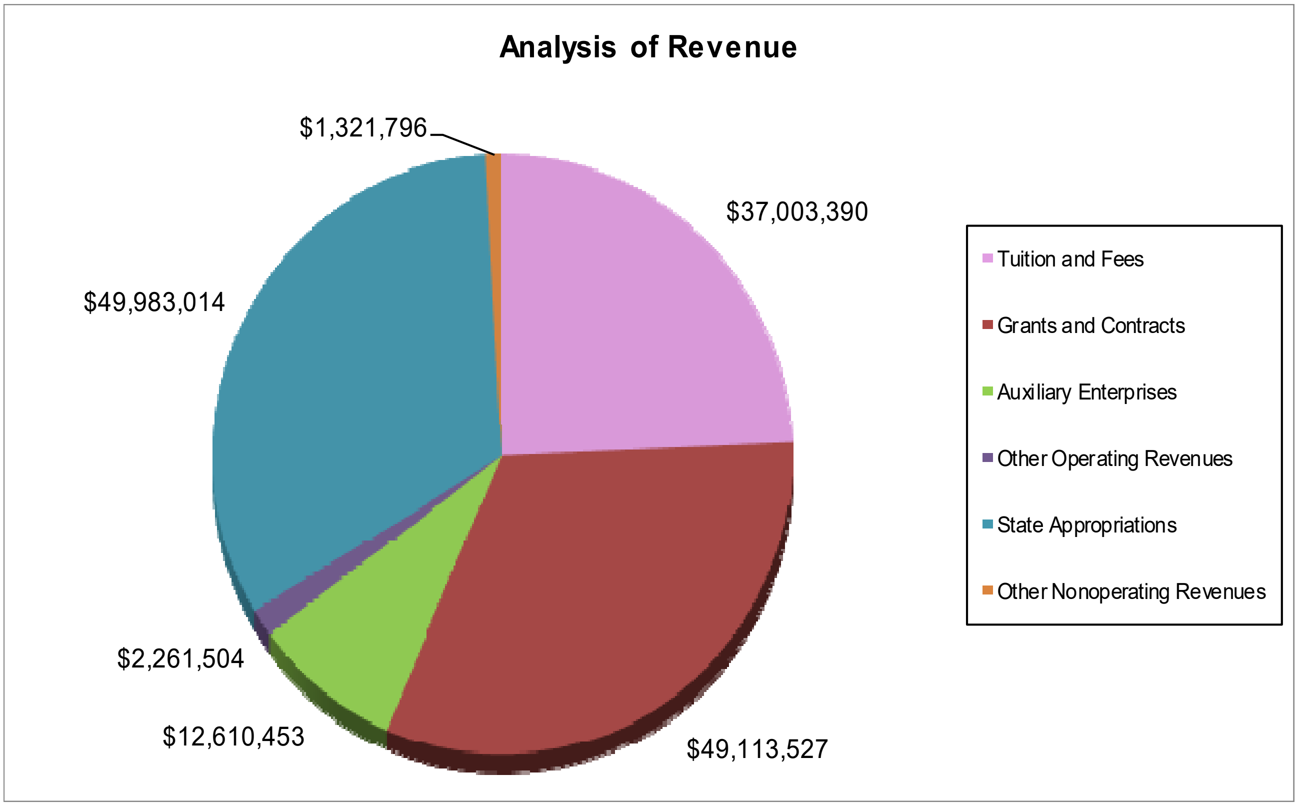
(Unaudited)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2020	2019
OPERATING REVENUES		
Tuition and fees	$ 37,003,390	$ 40,677,087
Grants and contracts	49,113,527	36,860,586
Auxiliary enterprises	12,610,453	14,709,005
Other operating revenues	2,261,504	3,029,413
Total operating revenues	100,988,874	95,276,091
OPERATING EXPENSES	130,630,127	136,876,625
Operating loss	(29,641,253)	(41,600,534)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	49,983,014	46,919,592
Other nonoperating revenues (expenses), net	(7,076,944)	(7,516,214)
Net nonoperating revenues (expenses)	42,906,070	39,403,378
Gain (loss) before other changes in net position	13,264,817	(2,197,156)
OTHER CHANGES IN NET POSITION		
Capital appropriations	351,250	-
Change in net position	13,616,067	(2,197,156)
NET POSITION		
Net position at beginning of year	(16,978,396)	(14,781,240)
Net position at end of year	$ (3,362,329)	$ (16,978,396)

REVENUES



Tuition and Fees for Services of Educational Activities

Tuition and fees assessed for educational purposes totaled $49.8 million. The tuition discounts and allowances were $12.8 million, resulting in net tuition and fees of $37 million. This represents a $3.7 million decrease in net tuition and fees between fiscal years 2019 and 2020. This is primarily due to declining enrollment during the year.

Grants and Contracts

This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent the funds have been expended for exchange transactions. Deferred or non-reimbursable revenues are recorded when received, or when eligibility criteria have been met. Grants and contracts revenue increased by $12.3 million between fiscal years 2019 and 2020. The increase is primarily due to funding received as a result of the Higher Education Emergency Relief Fund, Coronavirus Aid, Relief and Economic Security Act.

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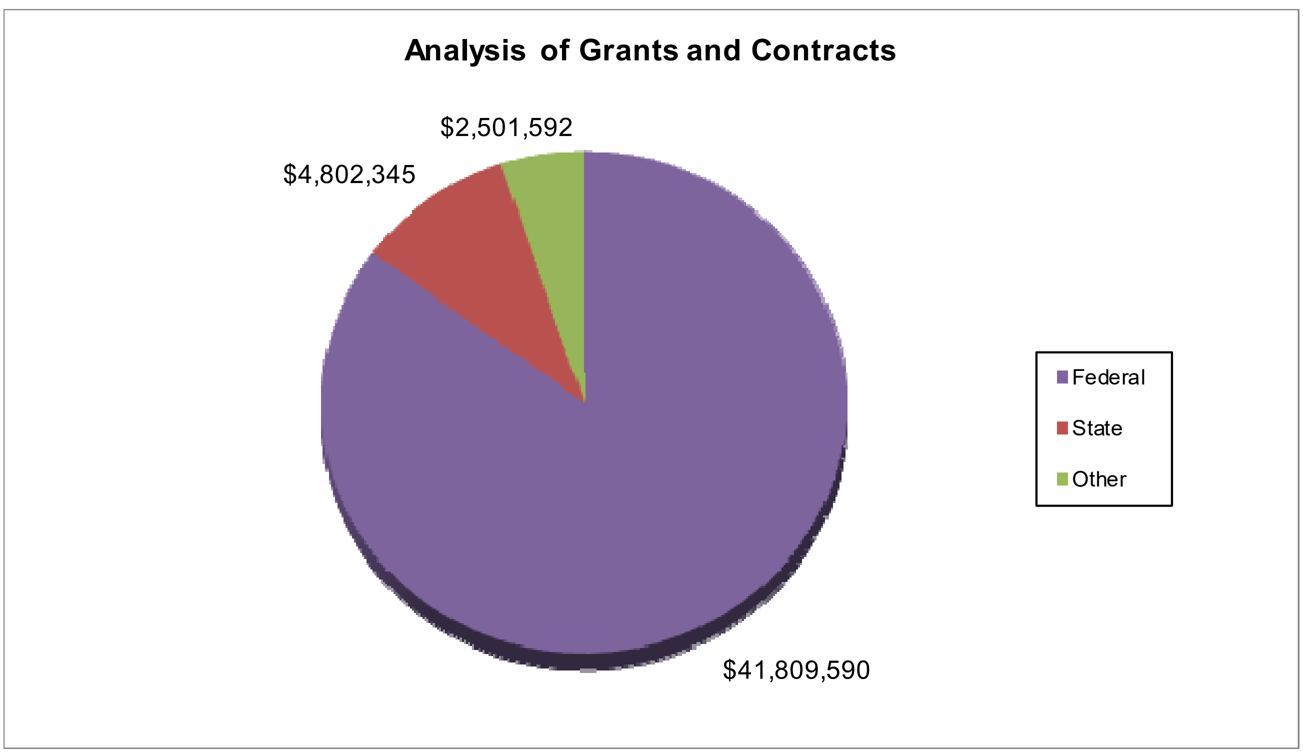
The following table details the University's grant and contract awards for the fiscal years ended September 30, 2020 and 2019:

	2020	2019
FEDERAL SOURCES		
Financial aid	$ 12,363,722	$ 15,879,890
Department of Education	24,214,546	12,478,573
Department of the Treasury	2,475,097	-
National Science Foundation	1,055,303	634,590
Department of Health and Human Services	720,186	688,873
Other federal agencies	980,736	886,579
Total federal sources	41,809,590	30,568,505
STATE AND OTHER SOURCES		
Grants and contracts	4,802,345	3,546,356
Other sources	2,501,592	2,745,725
Total state and other sources	7,303,937	6,292,081
	$ 49,113,527	$ 36,860,586

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



Auxiliary Enterprises
Auxiliary enterprises consist of various enterprise entities that exist predominantly to furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of those goods or services.

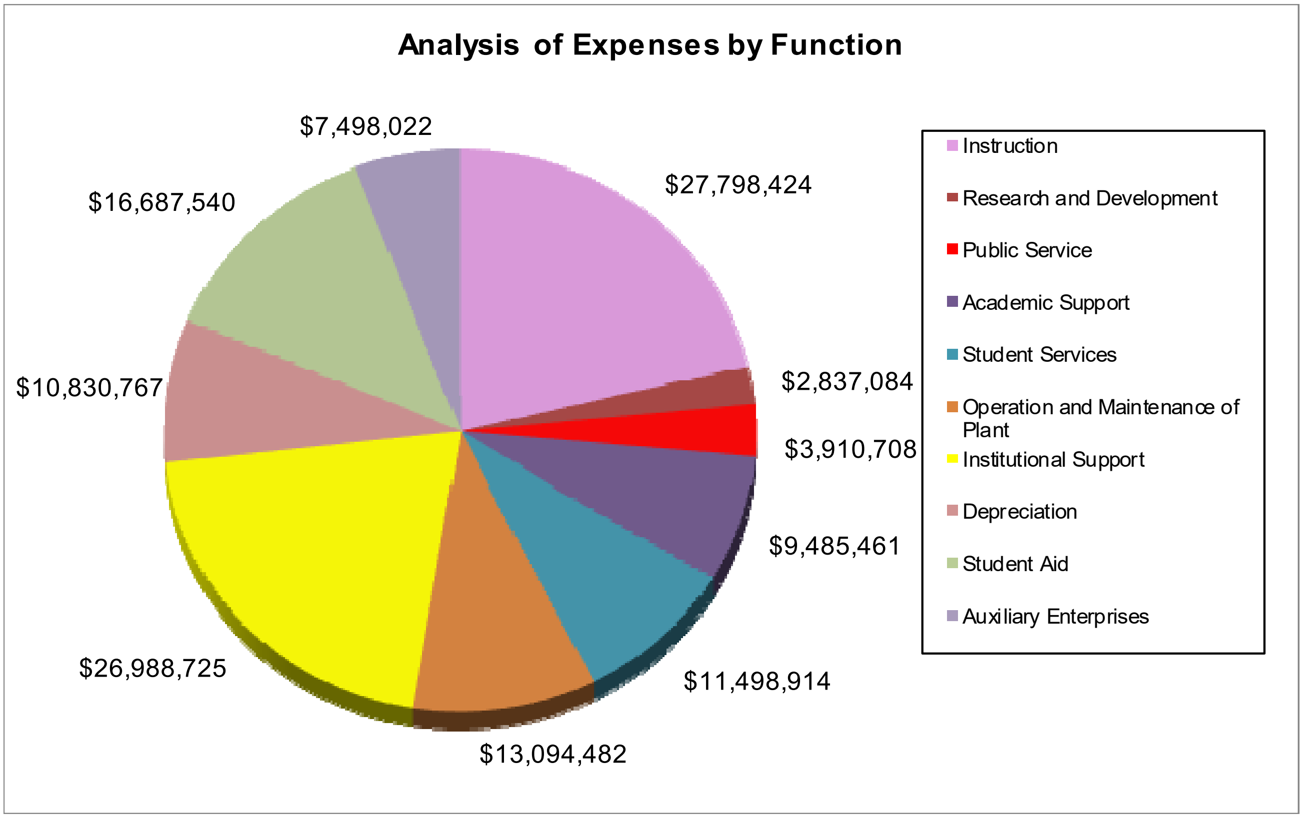
These include residence halls, apartments, food services, vending machines, and ticket sales, and are intended to be self-supporting. Auxiliary enterprise revenue decreased by $300,000 between fiscal years 2019 and 2020 primarily due to occupancy rates.

OPERATING EXPENSES

Operating expenses totaling $130.6 million include salaries and benefits of $69.2 million, materials and services of $50.6 million, and depreciation of $10.8 million. This represents a $6.2 million decrease between fiscal years 2019 and 2020, due primarily to decreases in instructional and institutional support expenses.

Expenses by Function

	2020	2019
Educational and General:		
Instruction	$ 27,798,424	$ 28,975,092
Research and development	2,837,084	2,577,218
Public service	3,910,708	3,823,497
Academic support	9,485,461	9,124,700
Student services	11,498,914	11,771,013
Operation and maintenance of plant	13,094,482	13,517,880
Institutional support	26,988,725	29,171,959
Depreciation	10,830,767	11,186,367
Student aid	16,687,540	18,929,986
Auxiliary Enterprises:		
Residential life	6,628,068	6,892,506
Other auxiliary expenses	869,954	906,407
Total operating expenses	$ 130,630,127	$ 136,876,625



NONOPERATING REVENUES (EXPENSES)

State Appropriations

Annually, the State of Alabama appropriates funding for higher education. The University received $50 million for fiscal year 2020 for operations and maintenance. State appropriations increased by $3.1 million between fiscal years 2019 and 2020.

Investment Income, Net

Included in investment income are the earnings from endowment funds, pooled cash, and plant investments, as well as the realized and unrealized gains and losses on investments. Investment income declined by $223,000 between fiscal years 2019 and 2020.

Interest on Capital Assets Related Debt

This includes the interest incurred for fiscal year 2020 on bond debt. The interest expense decreased $383,000.

STATEMENTS OF CASH FLOWS

The Statements of Cash Flows present the significant sources and uses of cash.

	2020	2019
Cash and cash equivalents provided by (used in):		
Operating activities	$ (23,173,340)	$ (28,625,685)
Noncapital financing activities	54,119,711	42,726,437
Capital and related financing activities	(19,749,327)	(19,744,106)
Investing activities	(5,471,370)	7,799,762
Net increase in cash and cash equivalents	5,725,674	2,156,408
Cash and cash equivalents at beginning of year	28,373,736	26,217,328
Cash and cash equivalents at end of year	$ 34,099,410	$ 28,373,736

The increase in cash and cash equivalents of $5.7 million is primarily due to decreases in principal and interest paid on capital debt and leases and net proceeds from short-term debt.

ENROLLMENT

The following table indicates the total historical on-campus enrollment of undergraduate and graduate students for the 2016 through 2020 academic years. Also indicated are the full-time equivalent students and the total number of on-campus credit hours taken by the students attending the University.

Fall Headcount Enrollment and Full-Time Equivalent

Academic Year	Undergraduate	Graduate	Total	Full-Time Equivalent	Total Credit Hours Taken
2020	3,614	458	4,072	3,903	57,425
2019	3,750	440	4,190	4,026	57,978
2018	3,903	510	4,413	4,234	61,363
2017	4,208	552	4,760	4,539	67,786
2016	4,727	591	5,318	5,090	77,870

Student Admissions

The following tables show the total of new freshmen and transfer applications received, the number accepted, and the number who enrolled for the fall semesters of 2016 through 2020:

Fall Semester Freshmen Student Admissions

Academic Year	Number of Applicants	Number Accepted	Percent Accepted	Number Enrolled	Percent Enrolled
2020	7,027	6,948	98.9%	975	14.0%
2019	6,674	6,470	96.9%	1,028	15.9%
2018	7,783	7,607	97.7%	1,038	13.6%
2017	6,842	6,696	97.9%	967	14.4%
2016	9,053	4,155	45.9%	1,163	28.0%

Fall Semester Transfer Student Admissions

Academic Year	Number of Applicants	Number Accepted	Percent Accepted	Number Enrolled	Percent Enrolled
2020	363	325	89.5%	137	42.2%
2019	395	343	86.8%	146	42.6%
2018	370	305	82.4%	147	48.2%
2017	436	132	30.3%	102	77.3%
2016	825	280	33.9%	154	55.0%

Student Cost per Credit Hour

Student tuition is based on a student's classification, full or part time, in-state or out-of-state. Tuition for graduate and part-time students is based on the number of credit hours taken. The tuition rates for an on-campus student, for the academic years indicated, are set forth below:

Student Cost Per Hour

Student Classification	2020–21	2019–20	2018–19	2017–18	2016–17
Undergraduate, resident	$ 347	$ 347	$ 347	$ 347	$ 289
Undergraduate, nonresident	694	694	694	694	578
Graduate, resident	412	412	412	412	343
Graduate, nonresident	824	824	824	824	686

Annual Full-Time

Student Classification	2020–21	2019–20	2018–19	2017–18	2016–17
Undergraduate, resident	$ 8,328	$ 8,328	$ 8,328	$ 8,328	$ 6,936
Undergraduate, nonresident	16,656	16,656	16,656	16,656	13,872
Graduate, resident	7,416	7,416	7,416	7,416	6,174
Graduate, nonresident	14,832	14,832	14,832	14,832	12,348

Annual Estimated Total Costs

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

Annual Room and Board and Estimated Total Costs

Academic Year	Room and Board	Estimated Tuition, Fees, Books, and Miscellaneous	Estimated Total Costs
2020	$ 6,050	$ 12,848	$ 18,898
2019	6,050	12,668	18,718
2018	6,050	12,668	18,718
2017	5,422	12,668	18,090
2016	5,422	10,820	16,242

The University has enjoyed a very high residence hall occupancy rate for the past several years and the expectation is that in the future the occupancy will continue to increase.

Residence Hall Occupancy Analysis

Fall Semester	Number of Occupants	Percent of Occupancy
2020	1,675	76.00%
2019	2,151	98.00%
2018	2,075	92.00%
2017	2,136	91.32%
2016	2,223	89.24%

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Management's Discussion and Analysis
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(Unaudited)

The Administration continues to be committed to a strong and vibrant future for the University. Management continues to evaluate and review existing policies and procedures and organizational structure to enhance operational efficiency, budgetary control and fiscal stability while providing excellent services to the student body and the campus community. Resources have been and continue to be strategically allocated to priorities that support the University's mission.

The COVID – 19 pandemic has presented the University with a number of challenges, but with most challenges new opportunities have been discovered. The University's response has been to expand remote learning, enhance technology and improve delivery processes. Recently the University has been notified that a significant amount of long-term debt has been forgiven.

During the past three years, the Administration has undertaken a strategic initiative to address years of neglected deferred maintenance. The Administration expects Fiscal Year 2020-2021 to end with a surplus.

President Ross continues his focus on building strategic partnerships with local businesses, community leaders and Community Colleges through the State of Alabama. Several Memorandum of Understanding between Alabama State University and member colleges of the Alabama Community College System have been signed providing interested community college students an opportunity to participate in a seamless enrollment process, which means that qualified students may obtain a four-year degree from ASU. The University's partnership with the Montgomery County Community Action continues the expansion of quality preschool opportunities in Montgomery County and the State of Alabama.

The Administration continues to enhance student enhancement efforts to increase new and transfer students both through on-campus classes and expanded online offerings. The President has continued his efforts with the State Legislature to provide opportunities for out of state students to qualify for instate tuition in a manner similar to other Public Colleges and Universities in Alabama and seeking additional state funding.

Bill Hopper
Interim Vice President for Business and Finance
June 10, 2021

ALABAMA STATE UNIVERSITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$ 4,881,766	$ 6,314,589
Stadium Fund:		
Cash and cash equivalents	948	940
Endowments:		
Cash and cash equivalents	2,586,359	27,288
Short-term investments	8,452,931	1,813,021
Accounts receivable (net of allowance of $14,730,876 and $10,219,944, respectively)	13,719,528	14,182,157
Prepaid expenses	7,137	178,163
Inventories	5,211	3,902
Total unrestricted assets	29,653,880	22,520,060
Restricted Assets:		
Grants and Contracts:		
Cash and cash equivalents	12,530,025	9,139,085
Grants receivable	6,886,511	9,916,039
Accounts receivable	14,855	13,727
Student Loans:		
Cash and cash equivalents	305,398	213,170
Endowments:		
Cash and cash equivalents	797,520	92,830
Short-term investments	1,394,962	2,056,253
Capital Projects and Debt Service:		
Cash and cash equivalents	12,997,394	12,585,834
Short-term investments	186,139	186,563
Other receivables	5,209,980	-
Agency Funds:		
Other receivables	47,549	47,549
Total restricted assets	40,370,333	34,251,050
Total current assets	70,024,213	56,771,110
NONCURRENT ASSETS		
Student loans receivable	711,775	1,262,004
Capital assets, net	254,801,097	263,583,480
Total noncurrent assets	255,512,872	264,845,484
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on debt refunding	7,189,683	7,739,581
Deferred outflows related to pensions	11,233,219	10,834,435
Deferred outflows related to OPEB	6,991,319	7,549,790
Total deferred outflows of resources	25,414,221	26,123,806
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 350,951,306	$ 347,740,400

See notes to the financial statements.

ALABAMA STATE UNIVERSITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
LIABILITIES		
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable and accrued liabilities	$ 5,097,073	$ 5,965,420
Student accounts payable	6,284	6,044
Unearned revenue	12,506,866	15,594,012
Line of credit	5,214,685	1,149,473
Current portion of other long-term liabilities	485,549	577,316
Total payable from unrestricted assets	23,310,457	23,292,265
Payable from Restricted Assets:		
Grants and contracts accounts payable	3,003,794	4,546,167
Unearned revenue	1,115,194	173,047
Current portion of long-term liabilities	9,684,986	10,399,795
Total payable from restricted assets	13,803,974	15,119,009
Total current liabilities	37,114,431	38,411,274
NONCURRENT LIABILITIES		
Long-term liabilities	188,411,926	195,082,768
Net pension liability	70,894,091	66,769,800
Postemployment benefits other than pensions	18,459,776	46,260,910
HBCU Capital Finance Program interest deferral	2,005,189	-
Other accrued liabilities	312,794	345,809
Total noncurrent liabilities	280,083,776	308,459,287
Total liabilities	317,198,207	346,870,561
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	8,196,000	13,034,000
Deferred inflows related to OPEB	28,919,428	4,814,235
Total deferred inflows of resources	37,115,428	17,848,235
Total liabilities and deferred inflows	354,313,635	364,718,796
NET POSITION		
Net investment in capital assets	65,835,724	67,898,979
Restricted:		
Nonexpendable:		
Scholarships	250,000	250,000
Expendable:		
Scholarships	898,561	855,160
Other	18,915,380	14,951,563
Total restricted expendable	19,813,941	15,806,723
Total restricted	20,063,941	16,056,723
Unrestricted	(89,261,994)	(100,934,098)
Total net position	$ (3,362,329)	$ (16,978,396)

See notes to the financial statements.

ALABAMA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Student tuition and fees (net of scholarships of $12,827,000 and $11,733,034, respectively)	$ 37,003,390	$ 40,677,087
Federal grants and contracts	41,809,590	30,568,505
State grants and contracts	4,802,345	3,546,356
Nongovernmental grants and contracts	2,501,592	2,745,725
Sales and services of auxiliary enterprises	10,955,090	12,316,929
Intercollegiate athletics	1,655,363	2,392,076
Other operating revenue	2,261,504	3,029,413
Total operating revenues	100,988,874	95,276,091
OPERATING EXPENSES		
Educational and General:		
Instruction	27,798,424	28,975,092
Research and development	2,837,084	2,577,218
Public service	3,910,708	3,823,497
Academic support	9,485,461	9,124,700
Student services	11,498,914	11,771,013
Operation and maintenance of plant	13,094,482	13,517,880
Institutional support	26,988,725	29,171,959
Depreciation	10,830,767	11,186,367
Student aid	16,687,540	18,929,986
Auxiliary Enterprises:		
Residential life	6,628,068	6,892,506
Other auxiliary expenses	869,954	906,407
Total operating expenses	130,630,127	136,876,625
Operating loss	(29,641,253)	(41,600,534)

See notes to the financial statements.

ALABAMA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
NONOPERATING REVENUES (EXPENSES)		
State appropriations	$ 49,983,014	$ 46,919,592
Investment income, net	506,827	729,754
Interest expense	(8,021,332)	(8,404,003)
Amortization expense	(549,898)	(549,898)
Gifts and donations	223,867	439,846
Federal subsidies for interest on Build America and Recovery Bonds	1,097,929	1,116,387
Other nonoperating expenses	(334,337)	(848,300)
Net nonoperating revenues (expenses)	42,906,070	39,403,378
Gain (loss) before other changes in net position	13,264,817	(2,197,156)
OTHER CHANGES IN NET POSITION		
Capital appropriations	351,250	-
CHANGE IN NET POSITION		
Change in net position	13,616,067	(2,197,156)
Net position at beginning of year	(16,978,396)	(14,781,240)
Net position at end of year	$ (3,362,329)	$ (16,978,396)

See notes to the financial statements.

ALABAMA STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tuition and fees	$ 35,120,026	$ 45,647,117
Cash received from grants and contracts	53,424,238	32,778,649
Cash received from auxiliary enterprises	12,610,453	14,709,005
Cash received from other sources	1,730,417	3,756,286
Cash paid to suppliers for goods and services	(55,136,394)	(55,132,504)
Cash paid to employees for services	(54,234,540)	(51,454,252)
Cash paid for scholarships	(16,687,540)	(18,929,986)
Net cash used in operating activities	(23,173,340)	(28,625,685)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	49,983,014	46,919,592
Gifts and donations	223,867	439,846
Gifts and grants for other than capital purposes:		
FFEL lending receipts	31,404,716	43,743,915
FFEL lending disbursements	(31,404,716)	(43,743,915)
SEOG lending receipts	289,100	303,888
SEOG lending disbursements	(289,100)	(303,888)
Proceeds from short-term debt	92,993,302	93,471,146
Principal paid on short-term debt	(88,928,090)	(97,952,042)
Interest paid on short-term debt	(152,382)	(152,105)
Net cash provided by noncapital financing activities	54,119,711	42,726,437
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations received	351,250	-
Purchase of capital assets	(2,049,044)	(1,361,665)
Principal paid on capital debt and leases	(10,399,795)	(10,410,728)
Interest paid on capital debt and leases	(7,865,899)	(8,239,800)
Other Rice Capital Access Program expenses	(334,337)	(848,300)
Federal subsidies for interest on Build America and Recovery Bonds	548,498	1,116,387
Net cash used in capital and related financing activities	(19,749,327)	(19,744,106)

See notes to the financial statements.

ALABAMA STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends on investments	$ 149,305	$ 150,692
Proceeds from sale of investments	4,833,473	20,029,190
Purchase of investments	(10,454,148)	(12,380,120)
Net cash (used in) provided by investing activities	(5,471,370)	7,799,762
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,725,674	2,156,408
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,373,736	26,217,328
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 34,099,410	$ 28,373,736
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (29,641,253)	$ (41,600,534)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	10,830,767	11,186,367
Loss on disposal of capital assets	660	198,371
Changes in assets and liabilities:		
Accounts receivable, net	461,501	6,932,897
Grants receivable	3,029,528	(4,114,917)
Prepaid expenses	171,026	(156,746)
Inventories	(1,309)	1,950
Student loans receivable	550,229	358,616
Other long-term liabilities	231,117	56,822
Accounts payable and accrued liabilities	(2,377,710)	238,526
Other accrued liabilities	(32,934)	(32,934)
Net pension liability	(1,112,493)	(2,349,008)
Postemployment benefits other than pensions	(3,137,470)	2,311,943
Unearned revenue	(2,144,999)	(1,657,038)
Net cash used in operating activities	$ (23,173,340)	$ (28,625,685)

See notes to the financial statements.

ALABAMA STATE UNIVERSITY
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF FINANCIAL POSITION
2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$ 1,886,783	$ 1,189,169
Due from ASU Foundation	60,025	-
Due from Alabama State University	225,051	145,042
Total unrestricted assets	2,171,859	1,334,211
Restricted Assets:		
Grants and Contracts:		
Cash and cash equivalents	532,540	532,665
Short-term investments	2,553,481	1,940,968
Endowments:		
Cash and cash equivalents	9,212,739	8,287,583
Short-term investments	88,403,616	82,131,579
Accrued interest and dividends	35,586	48,862
Total restricted assets	100,737,962	92,941,657
Total current assets	102,909,821	94,275,868
TOTAL ASSETS	$ 102,909,821	$ 94,275,868
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 6,119	$ 26,243
TOTAL LIABILITIES	6,119	26,243
NET ASSETS		
Without restrictions	932,108	591,894
With restrictions	101,971,594	93,657,731
TOTAL NET ASSETS	102,903,702	94,249,625
TOTAL LIABILITIES AND NET ASSETS	$ 102,909,821	$ 94,275,868

See notes to the financial statements.

ALABAMA STATE UNIVERSITY
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Contributions	$ 3,154,011	$ 3,189,452
Total operating revenues	3,154,011	3,189,452
OPERATING EXPENSES		
Educational and General:		
Program services	3,040,091	4,683,474
Supporting services	31,086	73,087
Total operating expenses	3,071,177	4,756,561
Operating income (loss)	82,834	(1,567,109)
NONOPERATING REVENUES		
Investment income, net	1,610,144	1,773,357
Realized and unrealized gains on investments	6,961,099	2,968,913
Net nonoperating revenues	8,571,243	4,742,270
CHANGE IN NET ASSETS	8,654,077	3,175,161
NET ASSETS AT BEGINNING OF YEAR	94,249,625	91,074,464
NET ASSETS AT END OF YEAR	$ 102,903,702	$ 94,249,625

See notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Alabama State University (the University) are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity
The accompanying basic financial statements present the financial position and activities of the University, which is a component unit of the State of Alabama. The financial statements of the University are intended to present the financial position, changes in financial position and, where applicable, cash flows of only that portion of the basic financial statements and the aggregate discretely presented component units of the State of Alabama that are attributable to the transactions of the University.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government and all of its component units. Component units are legally separate organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization is included as a component unit. Accordingly, the basic financial statements include the accounts of the University, as the primary government, and the accounts of the entities discussed below as component units.

The University has adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which amends GASB Statements No. 14 and No. 39, and provides criteria for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government. Such criteria include the appointment of a voting majority of the board of the organization, the ability to impose the will of the primary government on the organization, and the financial benefits/burden between the primary government and the potential component unit. Based on the criteria as of September 30, 2020 and 2019, the University reports the Alabama State University Foundation, Inc. (the Foundation) and the Trust for Educational Excellence at Alabama State University (the Trust) as discretely presented component units. These component units are described in greater detail in Note 12.

The fiscal years of the Trust and the Foundation are different from that of the University. The fiscal years of the Trust are July 31, 2020 and 2019 and the fiscal years of the Foundation are December 31, 2019 and 2018. These component units are presented in the report on their respective fiscal years. Complete financial statements of the individual component units can be obtained directly from the University's administrative office.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reporting Entity – Continued

The Trust and the Foundation financial statements have been prepared on the accrual basis, reporting under the Financial Accounting Standards Board (FASB). Net assets and revenues, expenses, gains, and losses are based on the existence or absence of donor-imposed restrictions. Net assets of the component units and changes therein are classified as follows in their separately issued financial statements:

- Net assets without donor restrictions are not subject to donor-imposed restrictions and are available for use in general operations. Items in this net asset category include unrestricted gifts and earnings on idle funds and on unrestricted endowments.

- Net assets with donor restrictions may be temporary in nature or may be perpetual in nature, as specified by the donor. Those net assets whose restrictions are temporary in nature are subject to donor-imposed restrictions that may or will be met either by actions of the Trust, Foundation, or the passage of time. Items in this net asset category include pledges to unrestricted and temporarily restricted accounts, temporarily restricted gifts and earnings on endowment funds expendable for the purpose stipulated by the donor. These amounts are reclassified to unrestricted net assets when such restrictions, primarily purpose restrictions, are met or have expired.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

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

Revenue and Expense Recognition

The University classifies its revenues and expenses as operating or nonoperating in the accompanying statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University’s principal ongoing operations.

Operating revenues include activities that have characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (3) certain federal, state, and local grants and contracts that are essentially contracts for services, and (4) interest earned on loans.

The University recognizes grant and contract revenue in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue and Expense Recognition – Continued
Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources such as state appropriations and investment income.

Subsequent Events
Management has evaluated subsequent events through June 10, 2021, which is the date the financial statements were issued.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and demand deposits.

Investments
In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, investments are reported at fair value in the statements of net position, and investment income, including realized and unrealized gains and losses on investments, is presented in the statements of revenues, expenses, and changes in net position.

Receivables
Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

Inventories
Inventories are valued at the lower of cost or market and are recorded as expenditures when consumed rather than when purchased.

Restricted Assets
Restricted assets consist of monies and other resources which are restricted legally as described below:

> **Grants and Contracts** – These assets represent federal, state, and local government grants and contract revenues restricted for student aid, research and development, and other educational programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Projects and Debt Service – These assets represent capital debt proceeds that are restricted for designated capital projects and portions of bond proceeds deposited in the Debt Service Reserve Account or Capital Projects Account, pursuant to the terms of the trust indenture.

Capital Assets
Capital assets, which include property, plant, equipment, software, and library holdings, are reported in the statements of net position at historical cost or at fair value at date of donation, less accumulated depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives by asset category are as follows:

Buildings	10–35 years
Infrastructure improvements	5–30 years
Machinery and equipment	5–15 years
Furniture and fixtures	5–15 years
Library holdings	15 years

In accordance with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, interest costs incurred before the end of a construction period are expensed. No depreciation is provided on construction in progress until construction is substantially complete and the asset is placed in service.

For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year.

The University charges a full year of depreciation in the year of acquisitions for all items except equipment. For equipment, the University begins depreciation on the date of acquisition.

When property and equipment are disposed, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in current operations. Maintenance and repairs are expensed as incurred.

The University evaluates impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. For the year ended September 30, 2020, no impairments were recorded.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Unearned Revenue

Unearned revenue represents payments received for services, goods, tuition and fees, room and board, or property damage liability charges relating to a future period. Unearned revenue also includes amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement. The amounts are recognized as revenue in the following fiscal year.

Bond Issuance Costs and Loss on Bond Refunding

Bond premium and discounts, and loss on refunding on long-term indebtedness are deferred and amortized over the term of the related debt.

Bond issuance costs are expensed during the current period.

Compensated Absences

The University's employees earn vacation leave at graduated rates based on their length of service (one day per month of service initially) and up to 36 days of unused leave may be carried over to the following year. Sick leave is earned at the rate of eight hours for each month of service. The University funds sick leave as taken.

An accrual is recorded for accumulated unpaid vacation pay. As of September 30, 2020 and 2019, accrued vacation pay totaled $2,640,988 and $2,409,873, respectively. Because sick pay does not vest and will only be paid to employees on approved sick leave, no accrued liability has been recorded.

Pensions

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement System of Alabama (TRS or the Plan). The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Postemployment Benefits Other Than Pensions (OPEB)
Employees of the University are covered by a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the Alabama Retired Education Employees' Health Care Trust (Health Care Trust). The Health Care Trust financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust and additions to/deductions from the Health Care 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.

Deferred Outflows of Resources
Deferred outflows of resources consist of bond deferred refunding amounts, pension obligations, and OPEB obligations. Pension obligations include employer contributions to the Teachers' Retirement System subsequent to the Plan's measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions, net difference between projected and actual earnings on pension plan investments, and changes in actuarial and other assumptions. OPEB obligations include employer contributions to the Health Care Trust subsequent to the Health Care Trust's measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions, net difference between projected and actual earnings on OPEB plan investments, and changes in actuarial and other assumptions.

Deferred Inflows of Resources
Deferred inflows of resources are composed of both pension and OPEB obligations. Pension obligations include differences between expected and actual experience, changes in proportion and differences between employer contributions and proportionate share of contributions, and net difference between projected and actual earnings on pension plan investments. OPEB obligations include changes in actuarial and other assumptions and net difference between projected and actual earnings on OPEB plan investments.

Net Position
Net position is classified into the following four categories according to external donor restrictions or availability of assets for satisfaction of University obligations:

- Net investment in capital assets – this component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position – Continued

- Restricted-nonexpendable – this component of net position consists of endowments and similar type assets whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity.

- Restricted-expendable – this component of net position consists of resources for which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

- Unrestricted – this component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income. While unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees, it is available for use at the discretion of the governing board to meet current expenses for any purpose.

Scholarship Allowances and Student Aid

Financial aid to students is reported under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student’s account as if the student made the payment). All other aid is reflected as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents that portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, on the ratio of using aid not considered to be third party aid to total aid.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Tax Status
The University is exempt from federal income taxes under the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The University's discretely presented component units follow the provisions of FASB Accounting Standards Codification (ASC) guidance relating to uncertainty in income taxes. This guidance requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with this guidance, the component units have determined that there are no positions at their respective year-ends, which they would be unable to substantiate. The component units have filed their tax returns through 2020. The tax returns for years ended 2018 and thereafter are subject to audit by the taxing authorities.

Implementation of New Standard
During 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The standard was applied to all periods presented.

2. CASH AND CASH EQUIVALENTS

The University's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements,* as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures related to interest rate and credit risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations.

Custodial Credit Risk of Bank Deposits
At year-end, the bank balance of the University's funds was either covered by federal depository insurance or secured by collateral through the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the University's funds are protected through a collateral pool administered by the Alabama State Treasury.

2. CASH AND CASH EQUIVALENTS – CONTINUED

Custodial Credit Risk of Bank Deposits – Continued
As of September 30, 2020, the University has $26,119,949 on deposit in money market funds that are exposed to custodial risk because they are uninsured and collateralized with investment securities held by a financial institution's trust department, but not in the University's name. The underlying securities of the money market funds are direct obligations of, or fully guaranteed by, the United States of America.

3. INVESTMENTS

In accordance with the policies of the Board of Trustees of the University, the types of investments which may be purchased include United States government securities, federal agency securities, obligations of commercial banks, including certificates of deposit, money markets, repurchase agreements, banker's acceptances, treasury bills, commercial paper, obligations of corporations, municipal notes and bonds, and investment programs offered through the Pooled Endowment Fund (the Fund). The Fund, which includes the Trust, as well as other endowment holdings of the University, is subject to review by the Board of Trustees.

The University's investments consisted of the following as of September 30:

Type of Investment	2020	2019
U.S. Government Guaranteed Securities	$ 186,139	$ 186,563
Mutual Funds – Bonds Only	3,761,093	1,441,173
Mutual Funds – Bonds and Equity Mix or Equity Only	3,450,340	781,977
Domestic Common and Preferred Stocks	2,636,460	1,646,124
Total	$ 10,034,032	$ 4,055,837

Investment Risk Factors
Many factors can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk
The University's Investment Policies limit investment in U.S. Government agency or corporate bonds to securities with a minimum "BBB" rating, at the time of purchase, by Moody's or Standard and Poor's. Additionally, the University's Investment Policies require that not more than 10% of the fixed income may be invested in high yield bonds or global bonds.

3. INVESTMENTS – CONTINUED

Credit Risk – Continued

The University's exposure to credit risk and concentration of credit risk at September 30, 2020 is as follows:

Credit Rating		Carrying and Fair Value	% of Total
Aaa	U.S. Treasury Obligations	$ 186,139	4.72%
Aa2	Ishares Core Total US Aggregate Bond ETF	3,237,559	82.02%
Aa2	PIMCO Low Duration Active ETF	100,954	2.56%
A3	PIMCO Active Bond ETF	142,786	3.62%
A1	JP Morgan Ultra-Short Income ETF	91,787	2.33%
BB	INVESCO Senior Loan ETF	188,007	4.75%
		$ 3,947,232	100.00%

The University's exposure to credit risk and concentration of credit risk at September 30, 2019 is as follows:

Credit Rating		Carrying and Fair Value	% of Total
Aaa	U.S. Treasury Obligations	$ 186,563	11.46%
Aa2	Ishares Core Total US Aggregate Bond ETF	1,042,862	64.08%
Aa2	PIMCO Low Duration Active ETF	65,726	4.04%
A3	PIMCO Active Bond ETF	91,694	5.63%
A1	JP Morgan Ultra-Short Income ETF	60,409	3.71%
BB	INVESCO Senior Loan ETF	129,486	7.95%
BB	Putnam Premier Income Trust	50,996	3.13%
		$ 1,627,736	100.00%

3. INVESTMENTS – CONTINUED

Interest Rate Risk

At September 30, 2020, the maturity dates of the University's debt instruments were as follows:

	Investment Maturities at Fair Value (in Years)				
Type of Investment	**Less Than 1**	**1 – 5**	**6 – 10**	**More Than 10**	**Totals 9/30/20**
Debt Securities:					
U.S. Government					
Guaranteed Securities	$ 186,139	$ -	$ -	$ -	$ 186,139
Mutual Funds –					
Bonds Only	-	192,741	3,568,352	-	3,761,093
Total Debt Securities	$ 186,139	$ 192,741	$ 3,568,352	$ -	$ 3,947,232

4. CHANGE IN CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2020 and 2019, was as follows:

	Balance 10/1/19	Additions	Reductions/ Transfers	Balance 9/30/20
Land	$ 21,200,141	$ -	$ -	$ 21,200,141
Construction in progress	-	101,250	-	101,250
Buildings	280,674,552	1,012,045	-	281,686,597
Equipment	15,129,001	884,035	26,390	15,986,646
Library holdings	10,182,646	51,714	-	10,234,360
Intangible software	11,744,019	-	-	11,744,019
Infrastructure	86,942,823	-	-	86,942,823
Total capital assets	425,873,182	2,049,044	26,390	427,895,836
Less accumulated depreciation for:				
Buildings	109,538,338	6,314,337	-	115,852,675
Equipment	10,912,735	866,031	25,730	11,753,036
Library holdings	9,856,861	102,945	-	9,959,806
Intangible software	4,697,608	587,201	-	5,284,809
Infrastructure	27,284,160	2,960,253	-	30,244,413
Total accumulated depreciation	162,289,702	10,830,767	25,730	173,094,739
Capital assets, net	$ 263,583,480	$ (8,781,723)	$ 660	$ 254,801,097

4. CHANGE IN CAPITAL ASSETS – CONTINUED

	Balance 10/1/18	Additions	Reductions/ Transfers	Balance 9/30/19
Land	$ 21,200,141	$ -	$ -	$ 21,200,141
Construction in progress	182,915	476,741	659,656	-
Buildings	280,014,896	-	(659,656)	280,674,552
Equipment	15,270,001	884,923	1,025,923	15,129,001
Library holdings	10,182,646	-	-	10,182,646
Intangible software	11,744,019	-	-	11,744,019
Infrastructure	86,942,823	-	-	86,942,823
Total capital assets	425,537,441	1,361,664	1,025,923	425,873,182
Less accumulated depreciation for:				
Buildings	103,249,303	6,289,035	-	109,538,338
Equipment	10,513,373	1,226,915	827,553	10,912,735
Library holdings	9,736,802	120,059	-	9,856,861
Intangible software	4,110,407	587,201	-	4,697,608
Infrastructure	24,321,003	2,963,157	-	27,284,160
Total accumulated depreciation	151,930,888	11,186,367	827,553	162,289,702
Capital assets, net	$ 273,606,553	$ (9,824,703)	$ 198,370	$ 263,583,480

Depreciation expense for the years ended September 30, 2020 and 2019, totaled $10,830,767 and $11,186,367, respectively.

5. ACCOUNTS RECEIVABLE

Accounts receivable include State appropriations, federal grants and contracts, local grants and contracts, uncollected student tuition, fees, and room and board charges.

Accounts Receivable

	2020	2019
Tuition, fees, room and board	$ 24,743,666	$ 21,623,352
State grants and contracts	409,416	748,451
Federal Student Loans	1,958,274	981,981
Other	1,339,048	1,048,317
	28,450,404	24,402,101
Allowance for doubtful accounts	(14,730,876)	(10,219,944)
Total	$ 13,719,528	$ 14,182,157

Student Loans Receivable

	2020	2019
Perkins Loans:		
Loans advanced	$ 11,077,608	$ 11,077,608
Less:		
Loans assigned to U.S. Government	(660,236)	(658,160)
Principal collected	(9,006,673)	(8,460,278)
Principal cancellations	(698,924)	(697,166)
	(10,365,833)	(9,815,604)
Total	$ 711,775	$ 1,262,004

6. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended September 30, 2020, was as follows:

	Balance 10/1/19	Additions	Reductions	Balance 9/30/20	Current Portion
General tuition, fee, and revenue bonds					
Series 1982 Dormitory Revenue Bonds, 3% interest, due semi-annually through 2022	$ 165,000	$ -	$ 55,000	$ 110,000	$ 55,000
Series 2009 General Tuition and Fee Revenue Bonds, 2.00% – 5.43% interest, due semi-annually through 2039 on March 1 and September 1	2,705,000	-	865,000	1,840,000	-
Series 2010 General Tuition and Fee Revenue Bonds, 2.40% – 7.25% interest, due semi-annually through 2040 on March 1 and September 1	46,150,000	-	1,405,000	44,745,000	1,455,000
Series 2012-A General Tuition and Fee Revenue Bonds, 2.00% – 5.00% interest, due semi-annually through 2042 on March 1 and September 1	6,850,000	-	-	6,850,000	-
Series 2012-B General Tuition and Fee Revenue Bonds, 2.00% – 5.40% interest, due semi-annually through 2039 on March 1 and September 1	5,755,000	-	2,600,000	3,155,000	2,555,000
Total general tuition, fee, and revenue bonds	61,625,000	-	4,925,000	56,700,000	4,065,000
Unamortized bond discount	(574,271)	-	(41,007)	(533,264)	-
Unamortized bond premium	25,941	-	5,188	20,753	-
Total general tuition, fee, and revenue bonds, net	61,076,670	-	4,889,181	56,187,489	4,065,000
Direct borrowing and direct placements					
Series 2018-1 Future Advance Project Funding Bond, 2.919% interest due semi-annually through 2038 on March 1 and September 1	96,037,521	-	1,920,506	94,117,015	3,959,543
Series 2018-2 Future Advance Project Funding Bond, 2.963% interest due semi-annually through 2042 on March 1 and September 1	45,170,815	-	718,846	44,451,969	1,480,443
Capital lease obligations	825,000	-	-	825,000	-
Notes payable	540,000	-	180,000	360,000	180,000
Total direct borrowing and direct placements	142,573,336	-	2,819,352	139,753,984	5,619,986
Other liabilities					
Compensated absences	2,409,873	808,431	577,316	2,640,988	485,549
Total long-term liabilities	$ 206,059,879	$ 808,431	$ 8,285,849	$ 198,582,461	$ 10,170,535

6. LONG-TERM LIABILITIES – CONTINUED

Long-term liabilities activity for the year ended September 30, 2019, was as follows:

	Balance 10/1/18	Additions	Reductions	Balance 9/30/19	Current Portion
General tuition, fee, and revenue bonds					
Series 1982 Dormitory Revenue Bonds, 3% interest, due semi-annually through 2022	$ 215,000	$ -	$ 50,000	$ 165,000	$ 55,000
Series 2008 General Tuition and Fee Revenue Bonds, 4.00% – 5.00% interest, due semi-annually through 2038 on May 1 and November 1	970,000	-	970,000	-	-
Series 2009 General Tuition and Fee Revenue Bonds, 2.00% – 5.43% interest, due semi-annually through 2039 on March 1 and September 1	3,535,000	-	830,000	2,705,000	865,000
Series 2010 General Tuition and Fee Revenue Bonds, 2.40% – 7.25% interest, due semi-annually through 2040 on March 1 and September 1	47,515,000	-	1,365,000	46,150,000	1,405,000
Series 2012-A General Tuition and Fee Revenue Bonds, 2.00% – 5.00% interest, due semi-annually through 2042 on March 1 and September 1	8,865,000	-	2,015,000	6,850,000	-
Series 2012-B General Tuition and Fee Revenue Bonds, 2.00% – 5.40% interest, due semi-annually through 2039 on March 1 and September 1	5,990,000	-	235,000	5,755,000	2,600,000
Total general tuition, fee, and revenue bonds	67,090,000	-	5,465,000	61,625,000	4,925,000
Unamortized bond discount	(627,376)	-	(53,105)	(574,271)	-
Unamortized bond premium	31,129	-	5,188	25,941	-
Total general tuition, fee, and revenue bonds, net	66,493,753	-	5,417,083	61,076,670	4,925,000
Direct borrowing and direct placements					
Series 2018-1 Future Advance Project Funding Bond, 2.919% interest due semi-annually through 2038 on March 1 and September 1	99,782,279	-	3,744,758	96,037,521	3,853,758
Series 2018-2 Future Advance Project Funding Bond, 2.963% interest due semi-annually through 2042 on March 1 and September 1	46,570,528	-	1,399,713	45,170,815	1,441,037
Capital lease obligations	825,000	-	-	825,000	-
Notes payable	720,000	-	180,000	540,000	180,000
Total direct borrowing and direct placements	147,897,807	-	5,324,471	142,573,336	5,474,795
Other liabilities					
Compensated absences	2,353,051	644,651	587,829	2,409,873	577,316
Total long-term liabilities	$ 216,744,611	$ 644,651	$ 11,329,383	$ 206,059,879	$ 10,977,111

6. LONG-TERM LIABILITIES – CONTINUED

Bonds Payable

Series 2018-1 and the Series 2018-2 Future Advance Project Funding Bonds

On March 6, 2018, the University issued the Series 2018-1 Future Advance Project Funding Bonds (Series 2018-1 Bonds) in the amount of $99,782,279 and the Series 2018-2 Future Advance Project Funding Bonds (Series 2018-2 Bonds) in the amount of $46,570,528, to fully defease certain indebtedness of the University in an advanced refunding. The bonds were issued through the RCAP. The RCAP is a program established pursuant to the Higher Education Act of 1965, as amended, that provides historically black colleges and universities with access to funds on favorable terms for capital projects and to refinance existing debt related to such projects.

Participants in the RCAP are required to deposit 5% of any loan draws under this program into an escrow account to be held and used by the program trustee to satisfy any payment defaults the borrower may incur related to its outstanding obligations under the program. Any escrowed funds used by the trustee for debt service payments are required to be replenished by the borrower. If a program participant defaults on its obligations, the program trustee is required to use the defaulted borrower's escrow accounts to satisfy the debt service requirements of the defaulted borrower until those accounts are depleted. If the escrow accounts of this defaulted borrower are insufficient to satisfy the defaulted borrower's total debt service obligation, the program trustee may use the escrowed funds of all program participants, on a prorated basis, based on each program participant's level of participation in the program, to satisfy any additional debt service not covered by the defaulted borrower's escrowed accounts. As of September 30, 2020, $7,055,874 as held in an escrow account to be used by the program trustee to satisfy any defaults under the program. This amount is included as cash restricted for capital projects and debt service on the 2020 statement of net position. As of September 30, 2020, there was one program participant that was in default under the program. The University's portion of the annual debt service related to the defaulted program participant was approximately $60,000 in 2020. Expenses related to defaulted program participants for the years ended September 30, 2020 and 2019 totaled $18,709 and $515,995, respectively.

Revenues and receipts from general tuition, other fees, and housing facilities payable by enrolled students are pledged to secure the bonds. In the event of default, bonds may be terminated, principle and interest may become immediately due and payable, and/or a receiver, trustee, liquidator, or conservator may be appointed for pledged revenues. Events of default are considered failure to pay amounts outstanding; failure to perform or observe covenants, terms or conditions; materially false or incorrect representations or warranties; foreclosure or other proceedings against the University by junior or subordinated lienholders of the pledged revenues; bankruptcy; money judgement, writ, or warrant against the University for its property and remains unvacated, unbonded, or unstayed for 60 days from filing; or any material, unrepaired or unreplaced, damage or destruction to any part of its project property.

See Note 17 for subsequent event disclosure relating to the forgiveness of the RCAP bonds discussed above.

6. LONG-TERM LIABILITIES – CONTINUED

Bonds Payable – Continued

Series 2012-A and 2012-B General Tuition and Fee Revenue Bonds

On March 1, 2012, the University issued the General Tuition and Fee Revenue Bonds, Series 2012-A (Tax Exempt), in the amount of $31,475,000 and the General Tuition and Fee Revenue Bonds, Series 2012-B (Taxable), in the amount of $11,550,000 (Series 2012 Bonds). The Series 2012 Bonds were for the purposes of (1) refunding certain indebtedness of the University, (2) paying amounts due under an option agreement and a debt service deposit agreement relating to the refunded indebtedness, (3) providing funds to complete the acquisition, construction, and equipping of a football stadium on the campus of the University and related improvements.

The Series 2012-A and 2012-B Bonds will fully mature by March 1, 2042 and March 1, 2039, respectively. Interest payments are due semi-annually on March 1 and September 1, of each year, beginning September 1, 2012, at rates ranging from 2.00% to 5.40%.

Revenues and receipts from general tuition, other fees, and housing facilities payable by enrolled students are pledged to secure the bonds. In the event of default, bond principal of and accrued interest may become immediately due and payable. Events of default are considered failure to pay the principal or the interest on or the premium as they become due; failure to perform and observe agreements and covenants; and bankruptcy.

Series 2010 General Tuition and Fee Revenue Bonds

On December 1, 2010, the University issued the General Tuition and Fee Revenue Bonds, Series 2010 (Series 2010 Bonds), in the amount of $55,000,000. The Series 2010 Bonds were for the purpose of providing funds to pay a portion of the costs of acquiring, constructing, and equipping a football stadium on the campus. General Tuition and Fee Revenue Bonds issued in 2011 include $55,000,000 of fixed rate taxable Build America and Recovery Bonds.

The Series 2010 Bonds will fully mature by September 1, 2040. Interest payments are due semi-annually on March 1 and September 1, of each year, beginning March 1, 2011, at rates ranging from 2.40% to 7.25%.

Revenues and receipts from general tuition, other fees, and housing facilities payable by enrolled students and interest subsidy payments are pledged to secure the bonds. In the event of default, bond principal and accrued interest may become immediately due and payable. Events of default are considered failure to pay the principal or the interest on or the premium as they become due; failure to perform and observe agreements and covenants; and bankruptcy.

6. LONG-TERM LIABILITIES – CONTINUED

Bonds Payable – Continued

Series 2009 General Tuition and Fee Revenue Bonds
On August 1, 2009, the University issued the Alabama State University General Tuition and Fee Revenue Bonds, Series 2009 (Series 2009 Bonds), in the amount of $35,000,000. The Series 2009 Bonds were for the purposes of providing funds (1) to pay a portion of the costs of acquiring, constructing, and renovating certain capital improvements to the facilities of the University, (2) to pay for the purchase and implementation of an Enterprise Resource Planning (ERP) System for internal information management, (3) to pay for the acquisition of real property adjacent to and surrounding the University's campus, and (4) to pay for minor renovations to existing facilities on the University's campus.

The Series 2009 Bonds will fully mature by September 1, 2039. Interest payments are due semi-annually on March 1 and September 1, of each year, beginning March 1, 2010, at rates ranging from 2.00% to 5.43%.

Revenues and receipts from general tuition, other fees, and housing facilities payable by enrolled students are pledged to secure the bonds. In the event of default, bond principal and accrued interest may become immediately due and payable. Events of default are considered failure to pay the principal or the interest on or the premium as they become due; failure to perform and observe agreements and covenants; and bankruptcy.

The University is to maintain a minimum amount in a debt service reserve fund for the Series 2009 Bonds. The minimum amount was maintained at September 30, 2020.

Series 2008 General Tuition and Fee Revenue Bonds
On May 1, 2008, the University issued the Alabama State University General Tuition and Fee Revenue Bonds, Series 2008 (Series 2008 Bonds), in the amount of $37,615,000. The Series 2008 Bonds were issued for the purposes of providing funds (1) to pay a portion of the costs of acquiring, constructing, and renovating certain capital improvements to the facilities of the University, (2) to pay the premium on a surety bond to be furnished by Assured Guaranty Corporation in respect of a debt service reserve fund, (3) to deposit an amount sufficient to pay six months interest into the capitalized interest fund, and (4) to pay the costs incurred in connection with the issuance of the Series 2008 Bonds.

Interest payments are due semi-annually on May 1 and November 1, of each year, beginning on November 1, 2008, at rates ranging from 4.00% to 5.00%.

The Series 2008 Bonds were paid off during the year ended September 30, 2019.

6. LONG-TERM LIABILITIES – CONTINUED

Bonds Payable – Continued

Series 1982 Dormitory Revenue Bonds

On February 1, 1982, the University issued $1,293,000 in Dormitory Revenue Bonds (Series 1982 Bonds). The Series 1982 Bonds were issued for the purposes of providing funds to construct student housing.

The Series 1982 Bonds will fully mature by February 1, 2022. Interest payments are due semi-annually on February 1 and August 1, of each year, beginning on August 1, 1982, at 3%.

The trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenues from the dormitory revenue sufficient to pay the annual debt service are pledged to secure the bonds. In the event of default, the University is required to fix and collect fees, rents, or other charges in connection with the bonds so that pledged revenues are sufficient to meet the provisions of the Series 1982 Bonds. Events of default are considered a failure to perform any part of the Series 1982 Dormitory Revenue Bond agreement.

Note Payable

On August 30, 2012, the University entered into a note payable with BBVA Compass in the amount of $1,800,000. The note was for the purpose of providing funds to purchase a scoreboard for the football stadium. The note will mature on December 1, 2022. Principal and interest payments are due semi-annually beginning on December 1, 2012, at a rate of 4.5%.

Revenues and receipts from general tuition and other fees by enrolled students are collateralized to secure the note. In the event of default, the obligation to provide credit will be terminated; outstanding balance, at the option of the Bank, will be immediately due and payable; and/or take possession of collateral. Events of default are considered failure to pay when due or payable; comply with terms, conditions, warranties, covenants, or other requirements; failure to furnish financial information; bankruptcy; event of default of other debt; fraud or misrepresentation; change in condition or affairs; unpaid, unstayed, or undismissed final judgment; and a discontinuation of business of more than five days.

6. LONG-TERM LIABILITIES – CONTINUED

Principal and interest maturity requirements on long-term liabilities are as follows:

	General Tuition, Fee, and Revenue Bonds			Direct Borrowing and Direct Placements		
	Principal	**Interest**	**Net Cash Flows**	**Principal**	**Interest**	**Net Cash Flows**
2021	$ 4,065,000	$ 3,508,944	$ 7,573,944	$ 5,619,986	$ 4,000,120	$ 9,620,106
2022	2,165,000	3,361,026	5,526,026	5,780,598	3,833,908	9,614,506
2023	6,440,000	3,174,851	9,614,851	5,890,953	3,660,486	9,551,439
2024	3,470,000	2,997,601	6,467,601	6,127,806	3,509,578	9,637,384
2025	1,695,000	2,817,001	4,512,001	6,354,469	3,285,970	9,640,439
2026-2030	9,680,000	12,223,035	21,903,035	33,602,270	13,581,203	47,183,473
2031-2035	12,085,000	8,521,947	20,606,947	38,590,290	8,341,752	46,932,042
2036-2040	15,120,000	3,785,527	18,905,527	31,103,579	2,585,851	33,689,430
2041-2043	1,980,000	122,513	2,102,513	6,684,033	2,124,253	8,808,286
	$ 56,700,000	$ 40,512,445	$ 97,212,445	$ 139,753,984	$ 44,923,121	$ 184,677,105

Interest expense for the years ended September 30, 2020 and 2019, totaled $8,021,332 and $8,404,003, respectively.

Historically Black College and University Capital Financing Program Deferral
On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and the provisions provided for the deferment of loans facilitated by the federal government through its Historically Black College and University (HBCU) Capital Financing Program. During the year ended September 30, 2020, the University applied to receive a deferment under the CARES Act through the HBCU Capital Financing Program. On September 15, 2020, the University entered into a promissory note related to the Series 2018-1 and Series 2018-2 bonds. The initial deferment period began retroactively on April 1, 2020 and ended on September 30, 2020, and represented a temporary postponement of principal and interest payments. The interest was not capitalized during the deferment and did not continue to accrue beyond the stated maturity date. The University was obligated to repay the principal amount of its loan, with any interest accrued during the deferment, which would cause an extension of the loan’s maturity. As a result of entering into the promissory note, subsequent to September 30, 2020, the U.S. Department of Education refunded the University’s principal and interest payments for the 2018-1 and 2018-2 bond payments that were made during the deferment period, which totaled approximately $3,288,000 and $1,372,900, respectively. Interest refunded for the 2018-1 and 2018-2 bond payments totaled $1,354,425 and $650,764, respectively, and are reflected as noncurrent liabilities at September 30, 2020. Repayment of the principal and interest will be paid subsequent to the initial final term of the 2018-1 and 2018-2 bonds.

See Note 17 for disclosure of subsequent event related to the forgiveness of the outstanding balances on the University’s Series 2018-1 and Series 2018-2 bonds.

6. LONG-TERM LIABILITIES – CONTINUED

Bond Covenants

The University's bonds have specific reporting requirements. These requirements include the completion of the annual audited financial statements within a specific number of days after year-end.

The Series 2018-1 and the 2018-2 bonds state that the University shall set rates and charges such that each year, Net Income Available for Debt Service is equal to at least 120% of Maximum Annual Debt Service (the Net Income Available for Debt Service Covenant).

In the event that the University does not comply with the Net Income Available for Debt Service Covenant, it will be required to create the Alabama State University Liquidity Reserve Account (Series A 2018). The University would be required to fund this account annually in the amount of $200,000 until the amount on deposit in such funds totaled $1,000,000.

In 2019, the University was not in compliance with these bond covenants and was required to establish the "Alabama State University Liquidity Reserve Account". On May 20, 2020, the University opened the "Alabama State University Liquidity Reserve Account" at Regions Bank with a deposit of $200,000. The University made an additional deposit of $200,000 in September 2020. In 2020, the University was not in compliance with these bond covenants.

Line of Credit

The University has a line of credit with Regions Bank for $7,000,000. The line of credit matures on September 15, 2021 and has an interest rate of LIBOR plus 2.75%. Short-term debt activity for the years ended September 30, 2020 and 2019, is as follows:

	2020	2019
Balance at beginning of year	$ 1,149,473	$ 5,630,369
Draws	92,993,302	93,471,146
Payments	(88,928,090)	(97,952,042)
Balance at end of year	$ 5,214,685	$ 1,149,473

The line of credit is secured by a pledge of student revenues. The amount of the unused line of credit totaled $1,785,315 at September 30, 2020.

Capital Lease Obligations

The University has entered into lease agreements as lessee for financing the acquisition of property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets acquired through capital leases were fully depreciated as of September 30, 2020 and 2019.

6. LONG-TERM LIABILITIES – CONTINUED

Capital Lease Obligations – Continued
The future minimum lease obligations and the net present value of these lease payments as of September 30 are:

2021	$ 43,313
2022	43,313
2023	165,031
2024	250,975
2025	254,031
2026	251,431
Total minimum lease payments	1,008,094
Less amount representing interest	183,094
Present value of minimum lease payments	$ 825,000

7. FAIR VALUE MEASUREMENT

The University follows GASB Statement No. 72 – *Fair Value Measurement and Application* for guidance related to fair value measurements and disclosures. This guidance provides a framework for measuring fair value and a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 three levels of the fair value hierarchy are described below:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities. These inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs are unobservable inputs for the assets or liabilities and may require a degree of professional judgement.

7. FAIR VALUE MEASUREMENT – CONTINUED

The 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the University's investments as of September 30, 2020 and 2019 were classified as Level 1.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The University's Level 1 investments primarily consist of investments in U.S. government guaranteed securities, mutual funds, and domestic common and preferred stocks. When quoted prices in active markets are not available, fair values are based on evaluated prices received from the University's custodian of investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods 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. There have been no changes in the methodologies used as of September 30, 2020 and 2019.

8. PENSION PLAN

Employees of the University are covered by a cost sharing multiple-employer defined benefit pension plan administered by the TRS.

Plan Description
The TRS was established as of September 15, 1939, pursuant to *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control, which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

8. PENSION PLAN – CONTINUED

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 ten years of creditable service. TRS members who retire after age sixty with ten years or more of creditable service or with twenty-five 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 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 three of the last ten 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 sixty-two with ten 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 five of the last ten years) for each year of service. Members are eligible for disability retirement if they have ten 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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

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 Tier 1 members of the TRS are required by statute to contribute 7.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute.

Participating employers' contractually required contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were $5,532,219 and $5,524,435 for the years ended September 30, 2020 and 2019, respectively.

8. PENSION PLAN – CONTINUED

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

At September 30, 2020 and 2019, the University reported a liability of $70,894,091 and $66,769,800, respectively, for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 and 2017. 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 and 2018, the University's proportion was 0.641175% and 0.671554%, respectively, which was a decrease of 0.030375% and 0.000789%, respectively, from its proportion measured as of September 30, 2018 and 2017.

For the years ended September 30, 2020 and 2019, the University recognized pension expense of approximately $4,441,977 and $3,179,600, 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:

September 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,048,000	$ 2,351,000
Net difference between projected and actual earnings on pension plan investments	2,469,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,845,000
Change of assumptions	2,184,000	-
Employer contributions subsequent to measurement date	5,532,219	-
	$ 11,233,219	$ 8,196,000

8. PENSION PLAN – CONTINUED

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

September 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,441,000	$ 2,034,000
Net difference between projected and actual earnings on pension plan investments	-	5,040,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	158,000	5,960,000
Change of assumptions	3,711,000	-
Employer contributions subsequent to measurement date	5,524,435	-
	$ 10,834,435	$ 13,034,000

Deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date in the amount of $5,532,219 will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	
2021	$ (2,500,000)
2022	(1,482,000)
2023	641,000
2024	936,000
2025	(90,000)
	$ (2,495,000)

Actuarial Assumptions

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

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

*Net of pension plan investment expense

8. PENSION PLAN – CONTINUED

Actuarial Assumptions – Continued

The actuarial assumptions used in the actuarial valuation as of September 30, 2018 and 2017, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015 and 2014. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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

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

* Includes assumed rate of inflation of 2.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. PENSION PLAN – CONTINUED

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 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 (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
University's proportionate share of collective net pension liability	$ 96,243,000	$ 70,894,000	$ 49,443,000

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 years ended September 30, 2019 and 2018. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019 and 2018. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

9. POST-EMPLOYMENT BENEFITS (OPEB)

The University offers post-employment health care benefits to all employees who officially retire from the University. Health care benefits are offered through the State of Alabama Public Education Employees' Health Insurance Plan (PEEHIP) with TRS or the University's self-insured Retiree Medical Plan (the Plan), which is available for select employees who are not eligible for PEEHIP or those who were grandfathered in as Civil Service employees.

Eligibility for benefits for either option begins at age 60 with at least 10 years of service or at any age with 25 years of service. Retirees must have been enrolled in the active employees' health care plan for the last six of those years in order to be eligible for coverage under the Plan.

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Health Care 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 Health Care 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 PEEHIP. In accordance with GASB, the Health Care 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 Health Care Trust.

Benefits Provided

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

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

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare 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.

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.

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Contributions – Continued

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

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

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

At September 30, 2020 and 2019, the University reported a liability of $18,459,776 and $46,260,910, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018 and 2017. 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 and 2018, the University's proportion was 0.48929% and 0.56287%, respectively, which was a decrease of 0.07358% and 0.03351% from its proportions measured as of September 30, 2019 and September 30, 2018, respectively.

For the years ended September 30, 2020 and 2019, the University recognized OPEB expense of ($1,510,675) and $2,901,547, respectively, with no special funding situations.

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

At September 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

September 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 611,220	$ 14,154,158
Changes of assumptions	882,488	7,646,148
Net difference between projected and actual earnings on OPEB plan investments	38,080	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	4,034,427	7,119,122
Employer contributions subsequent to the measurement date	1,425,104	-
	$ 6,991,319	$ 28,919,428

September 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 870,951	$ -
Changes of assumptions	-	2,253,333
Net difference between projected and actual earnings on OPEB plan investments	-	247,866
Changes in proportion and differences between Employer contributions and proportionate share of contributions	5,283,476	2,313,036
Employer contributions subsequent to the measurement date	1,395,363	-
	$ 7,549,790	$ 4,814,235

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

Deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date in the amount of $1,425,104 will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2021. 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 ending September 30,	
2021	$ (4,362,455)
2022	(4,362,455)
2023	(4,314,083)
2024	(4,702,679)
2025	(4,798,653)
Thereafter	(812,888)
	$ (23,353,213)

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[1]	3.25% - 5.00%
Long-Term Investment Rate of Return[2]	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 at the Measurement Date	5.50%
Single Equivalent Interest Rate at 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

[1]Includes 3.00% wage inflation.
[2]Compounded annually, net of investment expense, and includes inflation.
** Initial Medicare claims are set based on scheduled increases through plan year 2022.

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions – Continued
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 Optional 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.

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

Actuarial Assumptions – Continued

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

	Target Allocation	Long-Term Expected 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%
	100.00%	

* Geometric mean, includes 2.5% inflation

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.

9. POST-EMPLOYMENT BENEFITS (OPEB) – CONTINUED

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

The following table presents the University's proportionate share of the net OPEB liability 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	Current Health Care Trend Rate	1% Increase
University's proportionate share of collective net OPEB liability	$ 14,801,420	$ 18,459,776	$ 23,067,310

The following table presents the University's 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%)
University's proportionate share of collective net OPEB liability	$ 22,312,918	$ 18,459,776	$ 15,313,030

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is located in the Health Care Trust's financial statements for the fiscal years ended September 30, 2019 and 2018. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019 and 2018. Additional financial and actuarial information is available at www.rsa-al.gov.

10. OPERATING LEASES

In December 2018, the University entered into an agreement for the lease of a copier fleet. The term of the lease requires 60 monthly installments of $33,306. In January 2019, the University entered into an agreement for the lease of LED fixtures and bulbs. The term of the lease requires 60 monthly installments of $7,219.

Future minimum lease payments are as follows:

2021	$ 492,385
2022	492,385
2023	492,385
2024	159,324
	$ 1,636,479

Rent expense for all operating leases totaled $730,632 and $786,433 for the years ended September 30, 2020 and 2019, respectively.

11. CONSTRUCTION COMMITMENTS

As of September 30, 2020, the University had commitments on construction of capital projects as follows:

Gross commitments	$ 7,281,854
Spent-to-date	(6,195,673)
Net commitments	$ 1,086,181

12. COMPONENT UNITS

Details of the Foundation's net assets at December 31, 2019 and 2018, and the Trust's net assets at July 31, 2020 and 2019, are as follows:

	FY 2020–2019			FY 2019–2018		
	Foundation	**Trust**	**Totals**	**Foundation**	**Trust**	**Totals**
ASSETS						
CURRENT ASSETS						
Unrestricted assets:						
Cash and cash equivalents	$ 1,886,783	$ -	$ 1,886,783	$ 1,189,169	$ -	$ 1,189,169
Due from University Foundation	-	60,025	60,025	-	-	-
Due from Alabama State University	-	225,051	225,051	-	145,042	145,042
Total unrestricted assets	1,886,783	285,076	2,171,859	1,189,169	145,042	1,334,211
Restricted assets:						
Grants and contracts:						
Cash and cash equivalents	532,540	-	532,540	532,665	-	532,665
Short-term investments	2,553,481	-	2,553,481	1,940,968	-	1,940,968
Endowments:						
Cash and cash equivalents	-	9,212,739	9,212,739	-	8,287,583	8,287,583
Short-term investments	-	88,403,616	88,403,616	-	82,131,579	82,131,579
Accrued interest and dividends	-	35,586	35,586	-	48,862	48,862
Total restricted assets	3,086,021	97,651,941	100,737,962	2,473,633	90,468,024	92,941,657
Total current assets	4,972,804	97,937,017	102,909,821	3,662,802	90,613,066	94,275,868
TOTAL ASSETS	$ 4,972,804	$ 97,937,017	$ 102,909,821	$ 3,662,802	$ 90,613,066	$ 94,275,868
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	$ 6,119	$ -	$ 6,119	$ 26,243	$ -	$ 26,243
Total current liabilities	6,119	-	6,119	26,243	-	26,243
TOTAL LIABILITIES	6,119	-	6,119	26,243	-	26,243
NET ASSETS						
Without donor restrictions	932,108	-	932,108	591,894	-	591,894
With donor restrictions	4,034,577	97,937,017	101,971,594	3,044,665	90,613,066	93,657,731
TOTAL NET ASSETS	4,966,685	97,937,017	102,903,702	3,636,559	90,613,066	94,249,625
TOTAL LIABILITIES AND NET ASSETS	$ 4,972,804	$ 97,937,017	$ 102,909,821	$ 3,662,802	$ 90,613,066	$ 94,275,868

12. COMPONENT UNITS – CONTINUED

Details of the Foundation's revenues, expenses, and changes in net assets for the years ended December 31, 2019 and 2018, and the Trust's revenues, expenses, and changes in net assets for the years ended July 31, 2020 and 2019, are as follows:

	FY 2020–2019			FY 2019–2018		
	Foundation	Trust	Totals	Foundation	Trust	Totals
OPERATING REVENUES						
Contributions	$ 2,996,814	$ 157,197	$ 3,154,011	$ 3,133,676	$ 55,776	$ 3,189,452
Total operating revenues	2,996,814	157,197	3,154,011	3,133,676	55,776	3,189,452
OPERATING EXPENSES						
Educational and general:						
Program services	2,144,205	895,886	3,040,091	2,368,172	2,315,302	4,683,474
Supporting services	31,086	-	31,086	73,087	-	73,087
Total operating expenses	2,175,291	895,886	3,071,177	2,441,259	2,315,302	4,756,561
Operating income (loss)	821,523	(738,689)	82,834	692,417	(2,259,526)	(1,567,109)
NONOPERATING REVENUES (EXPENSES)						
Investment income, net	(19,365)	1,629,509	1,610,144	13,430	1,759,927	1,773,357
Realized and unrealized gains (losses) on investments	527,968	6,433,131	6,961,099	(223,353)	3,192,266	2,968,913
Net nonoperating revenues (expenses)	508,603	8,062,640	8,571,243	(209,923)	4,952,193	4,742,270
CHANGE IN NET ASSETS	1,330,126	7,323,951	8,654,077	482,494	2,692,667	3,175,161
NET ASSETS AT BEGINNING OF YEAR	3,636,559	90,613,066	94,249,625	3,154,065	87,920,399	91,074,464
NET ASSETS AT END OF YEAR	$ 4,966,685	$ 97,937,017	$ 102,903,702	$ 3,636,559	$ 90,613,066	$ 94,249,625

Fair Value Measurement

The discretely presented component units of the University follow the provisions of the FASB ASC 820, *Fair Value Measurement*, for fair value measurement of financial assets and liabilities. These provisions define fair value, establish a framework for measuring fair value and expand disclosure about fair value measurement. These provisions also emphasize that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the provisions of the FASB ASC 820, fair value measurements are disclosed by level within that hierarchy.

For each asset and liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated for purposes of applying these provisions. The valuation premise is a concept that determines whether an asset is measured on a stand-alone basis or in combination with other assets. For purposes of applying these provisions, the discretely presented component units measure their assets and liabilities on a stand-alone basis then aggregate assets and liabilities with similar characteristics for disclosure purposes.

12. COMPONENT UNITS – CONTINUED

Fair Value Measurement – Continued

The provisions of the FASB ASC 820 establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Component Units. Unobservable inputs are inputs that reflect the discretely presented component unit's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the discretely presented component units have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations based on observable inputs, including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatilities and default rates, and inputs that are derived principally from or corroborated by observable market data.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

If the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability measured.

All of the University's discretely presented component units' investments as of September 30, 2020 and 2019 were classified as Level 1.

13. ENDOWMENTS

University Endowments
The University's endowment pool consists of one donor-restricted endowment fund and several board-designated endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of restrictions imposed by the donor.

All endowment funds are managed by a professional investment advisor. The investment advisor invests all endowment funds consistent with the University approved Statement of Investment Policies and Objectives (the Statement). The Statement is intended to provide guidance for the management of the pooled endowment fund subject to review by the Board of Trustees. The Statement is consistent with the United States District Court Decree in Knight v. the State of Alabama entered August 1, 1995.

University endowment net assets consist of the following as of September 30, 2020:

	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Donor-restricted endowment funds	$ -	$ 1,942,482	$ 250,000	$ 2,192,482
Board-designated endowment funds	11,040,238	-	-	11,040,238
	$ 11,040,238	$ 1,942,482	$ 250,000	$ 13,232,720

University endowment net assets consisted of the following as of September 30, 2019:

	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Donor-restricted endowment funds	$ -	$ 1,899,082	$ 250,000	$ 2,149,082
Board-designated endowment funds	1,841,249	-	-	1,841,249
	$ 1,841,249	$ 1,899,082	$ 250,000	$ 3,990,331

13. ENDOWMENTS – CONTINUED

University Endowments – Continued

Changes in the University's endowment net assets consist of the following for the year ended September 30, 2020:

	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Endowment net assets at beginning of year	$ 1,841,249	$ 1,899,082	$ 250,000	$ 3,990,331
Interest and dividends, net of investment expenses	127,191	19,571	-	146,762
Realized and unrealized gains on investments	71,791	23,829	-	95,620
Repayment of loan from endowment assets	9,000,007	-	-	9,000,007
Change in endowment net assets	9,198,989	43,400	-	9,242,389
	$ 11,040,238	$ 1,942,482	$ 250,000	$ 13,232,720

Changes in the University's endowment net assets consist of the following for the year ended September 30, 2019:

	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Endowment net assets at beginning of year	$ 9,187,508	$ 1,906,155	$ 250,000	$ 11,343,663
Interest and dividends, net of investment expenses	139,479	9,427	-	148,906
Realized and unrealized gains (losses) on investments	98,591	(16,500)	-	82,091
Appropriation of endowment assets for expenditure	(3,782)	-	-	(3,782)
Loan of endowment assets for operational expenditures	(7,580,547)	-	-	(7,580,547)
Change in endowment net assets	(7,346,259)	(7,073)	-	(7,353,332)
	$ 1,841,249	$ 1,899,082	$ 250,000	$ 3,990,331

13. ENDOWMENTS – CONTINUED

Endowments of the University's Component Units
The endowments of the University's discretely presented component units consist of individual funds established for a variety of purposes. The endowments include donor-restricted endowment funds and funds restricted pursuant to a Judge's Decree from the United States District Court, Northern District of Alabama, Southern Division (Knight v. the State of Alabama) (the Decree). Net assets associated with endowment funds are classified and reported based on the existence or absence of restrictions imposed by donors and by the Decree.

Interpretation of Relevant Law
The State of Alabama adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009. The Board of Trustees of the University's discretely presented component units have determined the Component Units must adhere first and foremost to the Judge's Decree. The Component Units seek to support and improve educational excellence at the University.

The endowment net assets of the University's discretely presented component units are comprised of nonexpendable (restricted in perpetuity) and restricted as to time or purpose endowment funds restricted by donors and the Decree.

The following depicts the endowment funds, as well as the activity for the endowment funds for the Trust and the Foundation for the years ended July 31, 2020 and December 31, 2019, respectively.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 591,894	$ 93,657,731	$ 94,249,625
Investment return:			
Interest and dividends, net of investment expenses	25,216	1,635,299	1,660,515
Realized and unrealized gains on investments	-	6,961,099	6,961,099
Total investment return	25,216	8,596,398	8,621,614
Contributions and additions	346,083	2,807,928	3,154,011
Appropriation of endowment assets for expenditure	(31,085)	(3,090,463)	(3,121,548)
Endowment net assets at end of year	$ 932,108	$ 101,971,594	$ 102,903,702

13. ENDOWMENTS – CONTINUED

Endowments of the University's Component Units – Continued
The following depicts the endowment funds, as well as the activity for the endowment funds for the Trust and the Foundation for the years ended July 31, 2019 and December 31, 2018, respectively.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 692,921	$ 90,381,543	$ 91,074,464
Investment return:			
Interest and dividends, net of investment expenses	-	1,800,332	1,800,332
Realized and unrealized losses on investments	-	2,968,913	2,968,913
Total investment return	-	4,769,245	4,769,245
Contributions and additions	480	3,188,972	3,189,452
Appropriation of endowment assets for expenditure	(101,507)	(4,682,029)	(4,783,536)
Endowment net assets at end of year	$ 591,894	$ 93,657,731	$ 94,249,625

Return Objectives and Risk Parameters
The primary investment objectives are: (1) to maximize the total financial return on assets, using prudent management techniques and (2) to preserve the growth of principal in constant dollars so as to provide under a prudent spending rule policy a consistent level of real growth of budgetary support from the endowment funds. Endowment gifts will serve to increase rather than maintain the real purchasing power of the endowment funds, thereby fostering growth and enhancement of the Component Units' financial resources. The endowment fund will be substantially enlarged by virtue of superior investment management and limitation of cash withdrawals.

Strategies Employed for Achieving Objectives
To satisfy these long-term rate-of-return objectives, the University's component units rely 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 component units target a diversified asset allocation to achieve these long-term objectives within prudent risk parameters.

The following are recommended allocations. Decisions on actual allocations will be made by the investment manager taking into consideration market conditions and risks.

- Equities ratio of 50% – 75%.
- Fixed income ratio of 25% – 50%.
- Real estate (for example, real estate investment trusts) to be determined based on the size of the portfolio. However, should not exceed 10% – 15%.
- Venture capital not permitted unless specifically approved by the finance committee.

13. ENDOWMENTS – CONTINUED

Endowments of the University's Component Units – Continued

Spending Policy and How the Investment Objectives Relate to the Spending Policy
The current spending policy is to distribute an amount equal to 3% to 4% of a trailing three-year market value. According to the Decree, the principal of any public funds, gifts, grants, monies or property received by the component units shall be maintained in perpetuity with at least 25% of the annual income earned thereon to be reinvested in the corpus. Accordingly, the investment income included in nonexpendable (permanently restricted) net assets has been calculated as 25% of total investment income, net of Trustee fees.

The portion of income not annually reinvested is to be used for educational purposes at Alabama State University and is, therefore, included in restricted expendable (temporarily restricted) net position in the accompanying financial statements until the related expenses have been incurred.

14. CONTINGENT LIABILITIES

The University is a defendant in various lawsuits whose outcome is not presently determinable. In the opinion of the University's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the University.

15. RECENTLY ISSUED ACCOUNTING STANDARDS

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the University.

GASB 87, *Leases*. 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. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2021.

GASB 91, *Conduit Debt Obligations.* This Statement provides a single method for government issuers to report conduit debt obligations and related commitments. The enhanced guidance is designed to eliminate diversity in practice associated with these issues. The Statement clarifies how government issuers should account for and report 1) commitments they extend or voluntarily provide, 2) arrangements associated with conduit debt obligations, which often are characterized in practice as leases, but are not leases for financial reporting purposes; and 3) enhances note disclosures. Requirements for this Statement will take effect for financial statements whose fiscal year begins after December 15, 2021.

15. RECENTLY ISSUED ACCOUNTING STANDARDS – CONTINUED

GASB 92, *Omnibus 2020.* This Statement establishes accounting and financial reporting requirements for specific issues related to leases, inter-equity transfers or assets, postemployment benefits, government acquisitions, risk financing and related insurance-related activities of public entity risk pools, fair value instruments and derivative instruments. Requirements for this Statement will take effect for financial statements whose fiscal year begins after June 15, 2020.

GASB 93, *Replacement of Interbank Offered Rate.* This Statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates (IBORs) in hedging derivatives and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. Requirements for this Statement will take effect for financial statements whose fiscal year begins after December 31, 2021.

GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The 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 or later.

GASB 96, *Subscription-Based Information Technology Arrangements.* This Statement provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). 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 GASB 87, *Leases*, as amended. Requirements for this Statement will take effect for financial statements whose fiscal year begins after June 15, 2022.

16. COVID-19 PANDEMIC

In January 2020, the World Health Organization declared the novel Coronavirus (COVID-19) a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education. The outbreak has also negatively impacted both the global financial markets and the University's investments and may continue to do so. Other adverse consequences of COVID-19 in the future may include, but are not limited to, decline in enrollment, decline in demand for University housing, decline in demand for University programs that involve travel, and additional volatility within the University's investments. The University believes it has sufficient liquidity to meet its operating and financing needs; however, given the difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on the University, the economy and the financial markets, the ultimate impact is unknown and cannot be reasonably quantified at this time.

The CARES Act was signed into law in March 2020 in order to provide economic assistance for businesses and individuals that have been negatively impacted by the COVID-19 pandemic. During 2020, the University received payments primarily from two CARES Act programs, the Higher Education Emergency Relief Fund ("HEERF") and the Coronavirus Relief Fund ("CRF") which are included in nonoperating grants in the accompanying statements of revenues, expenses and changes in net position.

The Higher Education Emergency Relief Fund is administered through the U.S. Department of Education and was designed to facilitate the distribution of emergency financial aid grants directly to students, as well as to provide funding for institutions negatively impacted by the COVID-19 pandemic. Under the terms of the student portion of this program, revenue is recognized once eligible expenditures associated with the distribution of aid to students have been incurred. For the institutional portions of this program, revenue is recognized as the University identifies eligible expenditures or lost revenues which qualify for reimbursement. The University received $16,869,892 from the HEERF for the year ended September 30, 2020.

The Coronavirus Relief Fund is administered through the State of Alabama Department of Finance. The purpose of the Coronavirus Relief Fund appropriation is for the funds to be used to prevent, prepare for, and respond to coronavirus only. The CRF covers only those costs that are necessary expenditures incurred due to the public health emergency with respect to COVID-19. Eligibility to receive payment from the State's portion of funds from the CRF is contingent upon certifying that the University will: (1) use the funds in a lawful manner consistent with Section 601(d) of the Coronavirus Relief Fund and (2) will comply with any and all policies and directives issued by the Alabama Department of Finance related to the Coronavirus Relief Funds. The University received $2,475,097 from the CRF for the year ended September 30, 2020.

17. SUBSEQUENT EVENTS

Subsequent to year-end, the Consolidated Appropriations Act, 2021 was passed, providing for the forgiveness by the Department of Education of the remaining outstanding balances of the University's Series 2018-1 and Series 2018-2 Future Advance Project Funding Bonds issued through the Rice Capital Access Program (RCAP) as of December 27, 2020, which amounted to $138,658,901, as disclosed in Note 6 of the financial statements.

On March 19, 2021, the University was notified by Rice Capital Access Program, LLC, that the principal and accrued interest related to the Series 2018-1 and Series 2018-2 Future Advance Project Funding Bonds issued through the Rice Capital Access Program (RCAP) had been completely forgiven.

On April 5, 2021, Regions Bank refunded the University approximately $15,741,000. These funds were previously held in various escrow accounts related to the Series 2018-1 and Series 2018-2 Future Advance Project Funding Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

ALABAMA STATE UNIVERSITY
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.641175%	0.671550%	0.67234%	0.71222%	0.77107%	0.71222%
Employer's proportionate share of the collective net pension liability	$ 70,894,091	$ 66,769,800	$ 66,081,091	$ 77,104,865	$ 80,697,982	$ 73,602,774
Employer's covered payroll during the measurement period	$ 45,861,391	$ 45,658,735	$ 45,563,104	$ 46,022,196	$ 47,310,904	$ 49,256,359
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	154.58%	146.24%	145.03%	167.54%	170.57%	149.43%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Schedule of the University's Contributions – Teachers' Retirement Plan of Alabama

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 5,532,219	$ 5,524,435	$ 5,427,718	$ 5,354,299	$ 5,689,859	$ 5,819,937
Contributions in relation to the contractually required contribution	$ 5,532,219	$ 5,524,435	$ 5,427,718	$ 5,354,299	$ 5,689,859	$ 5,819,937
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 45,861,391	$ 45,658,735	$ 45,563,104	$ 46,022,196	$ 47,310,904	$ 49,256,359
Contributions as a percentage of covered payroll	12.06%	12.10%	11.91%	11.63%	12.03%	11.82%

Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.

Notes to Schedules

Employer's Covered payroll: The payroll on which contributions to a pension plan are based.

Measurement period:
For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019
For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018
For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017
For fiscal year 2017, the measurement period is October 1, 2015 – September 30, 2016
For fiscal year 2016, the measurement period is October 1, 2014 – September 30, 2015
For fiscal year 2015, the measurement period is October 1, 2013 – September 30, 2014

ALABAMA STATE UNIVERSITY
SCHEDULES OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND EMPLOYER CONTRIBUTIONS (UNAUDITED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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

	2020	2019	2018
Employer's proportion of collective net OPEB liability	0.48929%	0.56287%	0.59637%
Employer's proportionate share of the collective net OPEB liability	$ 18,459,776	$ 46,260,910	$ 44,295,403
Employer's covered payroll during the measurement period	$ 45,861,391	$ 45,658,735	$ 45,563,104
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	40.25%	101.32%	97.22%
Plan fiduciary net position as a percentage of the total collective net OPEB liability	28.14%	14.81%	15.37%

Schedule of the University's Contributions – Alabama Retired Education Employees' Health Care Trust

	2020	2019	2018
Contractually required contribution	$ 1,425,104	$ 1,395,363	$ 1,384,486
Contributions in relation to the contractually required contribution	$ 1,425,104	$ 1,395,363	$ 1,384,486
Contribution deficiency (excess)	$ -	$ -	$ -
Employer's covered payroll	$ 45,861,391	$ 45,658,735	$ 45,563,104
Contributions as a percentage of covered payroll	3.11%	3.06%	3.04%

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

Notes to Required Supplementary Information for the Year Ended September 30, 2020

Covered payroll: The payroll on which contributions to an OPEB plan are based.

Measurement periods: For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. For fiscal year 2019, the measurement period is October 1, 2017 through September 30, 2018. For fiscal year 2018, the measurement period is October 1, 2016 through September 30, 2017.

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 Medicare Advantage Plan with Prescription Drug Coverage (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 Plan is changed each year to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions
The actuarially determined contribution rates in the schedule of the University's proportionate share of the net OPEB liability and employer contributions (unaudited) are calculated as of September 30, 2016, 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, closed
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market value of assets
Inflation	2.875%
Health Care 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