

2020 FINANCIAL REPORT

Annual Financial Report for the year ended September 30, 2020



AUBURN
UNIVERSITY

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AUBURN

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2020

FINANCIAL REPORT

INTRODUCTORY SECTION



January 22, 2021

Dear members of the Auburn community and Alabama citizens:

At the start of the current fiscal year, no one could have anticipated the ways our world would change. Like all institutions of higher education, Auburn has faced incredible operational and financial challenges during the past year due to the COVID-19 pandemic.

We continue to face these challenges from a position of strength thanks to our longstanding commitment to our institution's strategic goals and the Auburn Family's unwavering support. As a result, Auburn continues to fulfill its mission, regardless of the difficult choices we have tackled along the way.

Over the past year, *U.S. News & World Report* again ranked Auburn the top institution in the state, sponsored awards increased more than 41 percent, philanthropic support surpassed our goals and the demand for our exceptional student experience remains high, even during a pandemic.

This report summarizes our financial position and activity for the fiscal year ending September 30, 2020. We invite you to learn more at auburn.edu.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jay Gogue', written over a light gray rectangular background.

Jay Gogue
President

107 Samford Hall, Auburn, AL 36849-5113; Telephone: 334-844-4650; Fax: 334-844-6179

auburn.edu



January 22, 2021

The management of Auburn University (the "University") is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements. The financial statements, presented on pages 28 through 31, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The consolidated financial statements have been audited by our independent auditor PricewaterhouseCoopers, LLP, which was given unconditional access to all financial records and related data, including minutes of all meetings of the Board of Trustees. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers' audit opinion is presented on pages 10 and 11.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Trustees, through its Audit and Compliance Committee, is responsible for engaging the independent auditors. The Audit and Compliance Committee provides oversight of the internal and external audit functions of the University. Both internal auditors and the independent auditors have full and free access to the Audit and Compliance Committee.

Based on the above, we certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net position and cash flows of the University, which is a component of the State of Alabama, as of and for the years presented in this report.

Sincerely,

Handwritten signature of Kelli D. Shomaker in black ink.

Kelli D. Shomaker, CPA
Vice President for Business and Finance and CFO

Handwritten signature of Amy K. Douglas in black ink.

Amy K. Douglas, CPA
Associate Vice President for Financial Services/Controller





2020

FINANCIAL REPORT

FINANCIAL SECTION



Report of Independent Auditors

To the Board of Trustees of Auburn University:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Auburn University (the "University"), a component unit of the State of Alabama, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of cash flows (where applicable) for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements based on our audits. We did not audit the financial statements of Auburn University Foundation (the "Foundation") and Auburn Alumni Association (the "Association"), two of the University's discretely presented component units, as of and for the years ended September 30, 2020 and 2019. We also did not audit the financial statements of Tigers Unlimited Foundation ("TUF"), one of the University's discretely presented component units, as of and for the years ended June 30, 2020 and 2019. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned discretely presented component units of the University, is based solely on the reports 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the University'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 University'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, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Auburn University as of September 30, 2020 and 2019, and the respective changes in financial position and, where applicable, 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

The accompanying management's discussion and analysis and the required supplemental information on pages 12 through 27 and 101 through 106, respectively, are required by accounting principles generally accepted in the United States of America 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.

The University has omitted the management's discussion and analysis for the year ended September 30, 2019 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The introductory information on pages 6 through 7 and the supplemental divisional financial statements on pages 89 to 99 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on them.

PricewaterhouseCoopers LLP

Birmingham, AL
January 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following discussion and analysis provides an overview of the financial position and activities of Auburn University (the University) for the year ended September 30, 2020, with a comparison to the year ended September 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements, footnotes, and this discussion are the responsibility of University management.

The University is a land-grant institution with four divisions, including two campuses, Auburn (main campus) and Montgomery (AUM). Main campus is classified by the Carnegie Foundation as "Very High Research Activities," commonly referred to as "R1", while AUM is classified as "Master's I." Fall 2020 enrollment totaled 35,949 students at main campus and AUM. The University offers a diverse range of degree programs in 13 colleges and schools, and has approximately 5,900 full-time employees, including approximately 1,700 faculty members. The Alabama Agricultural Experiment Station conducts innovative fundamental and applied research that supports the advancement of Alabama's agriculture and forestry industries. The Alabama Cooperative Extension System delivers research-based educational programs in every county of the State. The four divisions contribute to the University's mission of improving the lives of the people of Alabama, the nation, and the world through forward-thinking education, life enhancing research and scholarship, and selfless service.

Using the Annual Report

The University's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. All references to "2020," "2019," or another year refer to the fiscal year ended September 30, unless otherwise noted.

The University's financial statements are summarized as follows:

The Statement of Net Position presents entity-wide assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) on the last day of the fiscal year. Distinctions are made in current and noncurrent assets and liabilities. Net position is segregated into unrestricted, restricted (expendable and nonexpendable), and net investment in capital assets. The University's net position is one indicator of the University's financial health. From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They may also determine how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position outlines the net resources available to the University.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Governmental accounting standards require state appropriations, gifts, and investment earnings to be classified as nonoperating revenues. As a result, the University will typically realize a significant operating loss. The utilization of capital assets is reflected in the Statement of Revenues, Expenses and Changes in Net Position as depreciation expense, which reflects the amortization of the cost of an asset over its expected useful life.

The Statement of Cash Flows reports the major sources and uses of cash and reveals further information for assessing the University's ability to meet financial obligations as they become due. Inflows and outflows of cash are summarized by operating, noncapital financing, capital and related financing, and investing activities.

In addition to the University's financial statements, related component unit Statements of Financial Position and Statements of Activities and Changes in Net Assets have been included in this annual report. GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, provides criteria for determining which related organizations should be reported as component units based on the nature and significance of their relationship with the primary government, which is the University. GASB Statement No. 39 clarifies financial reporting requirements for those organizations as amendments to GASB Statement No. 14, *The Financial Reporting Entity*. The University also evaluated GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, as well as GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, to ensure proper presentation and disclosure. The component units report financial results under principles prescribed by the Financial Accounting Standards Board (FASB) and are subject to standards under the Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles and present net assets in two classes: with donor restrictions and without donor restrictions. The four component units of the University reported herein are as follows:

(1) Auburn University Foundation (AUF) - AUF was organized on February 9, 1960, and is the fundraising foundation for the University. AUF holds endowments and distributes earnings from those endowments to the University. AUF is incorporated as a legally separate, tax-exempt nonprofit organization established to solicit individual and corporate donations for the direct benefit of the University. The Auburn University Real Estate Foundation, Inc. (AUREFI) has been consolidated into AUF's financial statements.

(2) Auburn Alumni Association (the Association) - The Association is a nonprofit corporation organized on April 14, 1945, which was created to promote mutually beneficial relationships between the University and its alumni, to encourage loyalty among alumni, and to undertake various

other actions for the benefit of the University, its alumni, and the State of Alabama. Membership is comprised of alumni, friends, and students of the University. The Association provides monetary support to the University in the form of faculty awards and student scholarships.

(3) Tigers Unlimited Foundation (TUF) - TUF is a legally separate nonprofit organization incorporated in December 2002, which began operations on April 21, 2004. TUF was organized exclusively for charitable purposes, pursuant to Sections 501(a) and 501(c)(3) of the Internal Revenue Code to support athletic fundraising and athletic programs. TUF has a June 30 fiscal year end. TUF provides economic resources to

the University for athletic scholarships, athletic building maintenance or new construction, and for athletic department programs.

(4) Auburn Research and Technology Foundation (ARTF) - ARTF was organized on August 24, 2004, as a separate nonprofit organization to develop and operate the Auburn Research Park and to assist the University with the attraction, development, and commercialization of technology. The vision of ARTF is to establish an entrepreneurial atmosphere for businesses to foster economic diversification and vitality of the local community, state, and region.

Financial Highlights

Statement of Net Position

A summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2020 and 2019, is as follows:

	2020	2019
Assets		
Current assets	\$ 493,916,451	\$ 535,403,881
Investment in plant, net	2,007,735,989	1,942,052,061
Other noncurrent assets	1,397,631,419	1,076,562,346
Total assets	3,899,283,859	3,554,018,288
Deferred Outflows of Resources		
Loss on refunding of bonds	39,204,267	41,950,072
Pension and OPEB	198,626,259	206,358,119
Total deferred outflows of resources	237,830,526	248,308,191
Liabilities		
Current liabilities	450,462,501	479,606,755
Noncurrent liabilities	2,060,290,401	1,940,020,143
Total liabilities	2,510,752,902	2,419,626,898
Deferred Inflows of Resources		
Nonexchange transactions	386,666	189,862
Pension and OPEB	243,611,982	109,235,612
Total deferred inflows of resources	243,998,648	109,425,474
Net Position		
Net investment in capital assets	1,375,760,121	1,289,198,648
Restricted-nonexpendable	30,075,058	29,862,295
Restricted-expendable	257,590,606	241,998,246
Unrestricted	(281,062,950)	(287,785,082)
Total net position	\$ 1,382,362,835	\$ 1,273,274,107

The University's Assets

Current assets consist of cash and cash equivalents, operating investments (those investments that are expected to be liquidated during the course of normal operations), net accounts receivable (primarily amounts due from the federal and state governments and other agencies as reimbursements for sponsored programs), net student accounts receivable (including amounts due from third parties on behalf of the students), current portion of loans receivable, accrued interest receivable, inventories, and prepaid expenses.

The University's current assets decreased \$41.5 million from 2019 to 2020. Of this decrease, cash and cash equivalents decreased \$31.2 million. The majority of this decrease was due to a reduction of \$19.8 million in uninvested cash at year-end, as compared to September 30, 2019, as the University continued

construction on several large projects. The remaining decrease in cash and cash equivalents is the result of investing \$11.4 million, net, in longer-term investments rather than money market instruments, due to reduced investment returns versus the long-term market. This shift towards longer-term investments also resulted in a reduction in the University's operating investments of \$2.3 million. The University's receivables decreased \$12.7 million. This decrease was primarily due to a large decrease in athletics receivables of \$12.8 million, related in large part to the delayed football season and reduced capacity for football attendance as a result of the COVID-19 pandemic. The COVID related changes to the football season resulted in a \$9.3 million reduction in receivables related to football television, radio, and concessions revenue. Another \$3.5 million for the Advocare

Classic game with Oregon in Texas was receivable at September 30, 2019, while no corresponding game was played in 2020. Other variances in the University's receivables offset this large athletics decrease by \$0.1 million. The University's prepaid expenses increased \$5.7 million. This increase was primarily due to an increase in scholarship expense paid and deferred at September 30, 2020 of \$5.5 million. The remaining reduction in current assets of \$1.0 million was a combination of other factors, including the bookstore limiting investment in physical inventory as a result of the COVID-19 pandemic.

The University's capital assets, net of depreciation, shown as "Investment in plant, net," on the Statement of Net Position

increased \$65.7 million from 2019 to 2020. Capital assets generally represent the historical cost of land, land improvements, buildings, construction in progress, infrastructure, equipment, library books, art and collectibles, software implementation, and livestock, less any accumulated depreciation, with buildings comprising approximately 73.6% of the total net capital asset value. The increase, offset by disposal activity, depreciation, and transfers, was the result of \$162.2 million of new additions to property, plant, and equipment, net of construction in progress transfers. The University expended \$161.4 million for new construction during fiscal year 2020.

The following building construction projects, totaling \$44.8 million, were either completed and placed into service or additional work was performed on a previously completed project during the current fiscal year:

Miller Poultry Center New Processing Plant	\$ 19.9 million
Goodwin Hall Renovation and Band Rehearsal Room	7.1 million
North Auburn Poultry Science Infectious Disease Lab	2.6 million
Auburn Arena - Main Court and Seating Bowl AV Equipment Replacement	2.4 million
Horton-Hardgrave Hall Graduate Business Education Building	1.9 million
Gogue Performing Arts Center	1.9 million
Engineering Achievement Center	1.4 million
Lowder Ground and First Floor Student Study Areas	1.2 million
Ramsey Roof Replacement	1.1 million
Leach Science Center Bldg Expansion & Renovation	1.0 million
Other Small Projects	4.3 million
	<u>\$ 44.8 million</u>

The University's Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net position that are applicable to a future reporting period. Deferred outflows of resources decreased \$10.5 million. In 2010, 2012, 2014, 2015, 2016, and 2020, the University defeased certain outstanding bonds. These refundings resulted in losses (the difference between the acquisition price of the new debt and the net carrying amount of the old debt). In accordance with GASB Statements No. 63 and No. 65, these losses are presented as deferred outflows of resources. The loss on refunding is amortized over the life of the old or new bonds, whichever is shorter. The University amortizes the losses over the life of the defeased bonds (see Note 8). During fiscal year 2020, the new loss on refunding amounted to \$5.6 million, while the amount amortized was \$8.3 million, for a net decrease in deferred outflows of resources related to loss on refunding of bonds of \$2.7 million.

In addition, in accordance with GASB Statement No. 68, deferred outflows of resources are a component of accounting and reporting of pensions (see Note 11). During fiscal year 2020, the deferred outflows of resources increased \$3.2 million relating to current year pension activity.

Similarly, GASB Statement No. 75 prescribes that deferred outflows of resources are a component of accounting and reporting of other post-employment benefits (OPEB) (see Note 12). During fiscal year 2020, the deferred outflows of resources decreased \$4.5 million relating to current year OPEB activity.

The University's Liabilities

Current liabilities consist of accounts payable, compensation-related liabilities, accrued interest payable, other accrued liabilities, student and other deposits (including Perkins and Health Professions loan liability), unearned revenues, and the current portion of noncurrent liabilities. Current liabilities decreased \$29.1 million from 2019 to 2020.

At year end, the University accrued \$30.2 million less in accounts payable than 2019. Contributing to this decrease were \$13.6 million in tax payments made before year end in 2020, while corresponding payments in 2019 were not made until October, as well as an \$8.2 million decrease in Athletics payables for game guarantees and concessions due to the pandemic. The remaining decrease in accounts payable of \$8.5 million was a result of a combination of factors, including timing of payments. Additionally, other accrued liabilities decreased \$6.1 million as a result of \$5.1 million in pollution remediation paid in fiscal year 2020 that had been accrued in 2019, and a reduction of \$2.0 million in incurred but not reported health insurance claims, offset by an increase of \$1.2 million in dental liabilities. Student deposits and deposits held in custody also decreased \$2.0 million. These decreases in current liabilities were partially offset by smaller increases including \$3.2 million in compensation-related liabilities as employees used less of their accrued leave as the University shifted to a remote operations model, and an increase in unearned revenue of \$3.6 million. Unearned revenue is comprised of tuition, room and board revenue that relates to fiscal year 2021, contracts and grants funding received prior to

expenditure, as well as athletic revenue related to games played subsequent to September 30. For Fall 2020, the Board of Trustees approved an approximately 2.5% tuition increase for main campus and a 3.0% increase for AUM. Sixty percent of Fall tuition is reported as unearned revenue due to the fiscal year end of September 30. Additionally, new bond issuances (see Note 9) led to slight increases in interest payable and the current portion of bonds and notes payable.

Noncurrent liabilities include principal amounts due on University bonds payable, capital lease obligations, pension, other post-employment benefit obligations, pollution remediation, and self-insured liabilities that are payable beyond September 30, 2021. Noncurrent liabilities increased \$120.3 million from 2019 to 2020. During fiscal year 2020, the University issued 2020A, 2020B, and 2020C General Fee Bonds (see Note 9), which increased the University's bonds and notes payable by \$262.0 million, net of 2009A, 2011A and 2012A General Fee Bonds that were partially defeased. This increase was offset by a decrease in pension and OPEB liabilities of \$140.3 million, based on actuarial valuations, and a decrease of approximately \$1.5 million related to lease obligations and other noncurrent liabilities, primarily due to the recognition of previously accrued interest on the capital appreciation bond.

The University's Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position that are applicable to a future reporting period. The University engages in certain voluntary nonexchange transactions (grants). Grant funds received for which all eligibility requirements have been met, other than time requirements, are presented as deferred inflows of resources in accordance with GASB Statements No. 63 and No. 65. In addition, in accordance with GASB Statement No. 68, the University reports deferred inflows of resources relating to the accounting and reporting of pensions. Similarly, GASB Statement No. 75 prescribes that deferred inflows of resources are a component of accounting and reporting of other post-employment benefits (OPEB).

The University's deferred inflows of resources increased \$134.6 million from 2019 to 2020. This increase was primarily the result of the accounting and reporting of current year pension and OPEB activity, in accordance with GASB Statement No. 68 (see Note 11) and GASB Statement No. 75 (see Note 12).

The University's Net Position

The three major net position categories are discussed below:

Net investment in capital assets represents the University's capital assets, net of accumulated depreciation and outstanding principal balances of debt as well as any deferred inflows or outflows of resources, attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets increased 6.7% from 2019 to 2020. This increase was due to capitalization of assets as previously described and payments made on outstanding debt.

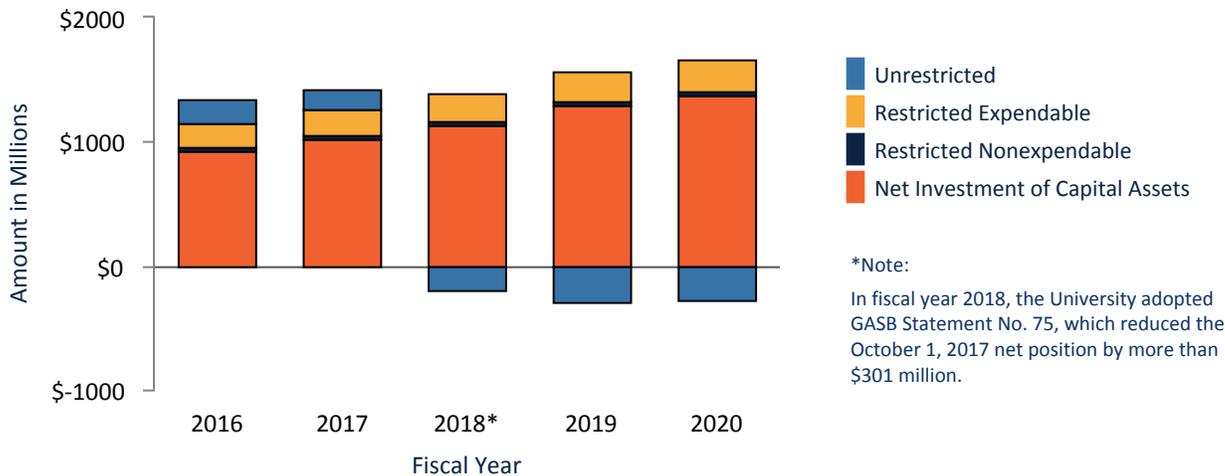
Restricted (nonexpendable and expendable) net position:

Restricted-nonexpendable net position is subject to external restrictions governing its use and consists of the University's permanent endowment funds. This net position increased 0.7% from 2019 to 2020. This increase was primarily the result of additional gifts to permanently endowed funds, as well as an increase in the cash value of life insurance.

Restricted-expendable net position is also subject to external restrictions governing its use. Items of this nature include gifts, contracts and grants restricted by federal, state, local governments, or private sources for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. Restricted funds functioning as endowments, restricted funds available for student loans, and funds restricted for construction purposes are also included in this category. Restricted-expendable net position increased 6.4% from 2019 to 2020. The majority of the increase was due to additional scholarship, fellowship, and gift receipts.

Unrestricted net position is the third major class of net position, and it is not subject to externally imposed stipulations; however, the majority of the University's unrestricted net position has been internally designated for various mission-related purposes. This category includes funds for general operations of the University, auxiliary operations (including athletics, housing, and the bookstores), unrestricted quasi-endowments, and capital projects. Unrestricted net position increased 2.3% from 2019 to 2020, or \$6.7 million, as a result of reduced operating expenditures and repairs and maintenance spending, combined with increases in state appropriations and tuition and fees revenue.

TOTAL NET POSITION



Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position are the result of activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the operating and nonoperating revenues, operating and nonoperating expenses, other revenues, expenses, gains, losses, and changes in net position. A condensed statement for the years ended September 30, 2020 and 2019, is provided below:

	2020	2019
Operating revenues	\$ 888,067,907	\$ 897,535,623
Operating expenses	1,195,852,118	1,209,593,678
Operating loss	(307,784,211)	(312,058,055)
Net nonoperating revenues and other changes in net position	416,872,939	391,021,290
Net increase in net position	109,088,728	78,963,235
Net position - beginning of year	1,273,274,107	1,194,310,872
Net position - end of year	<u>\$ 1,382,362,835</u>	<u>\$ 1,273,274,107</u>

The 2020 Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position at the end of the year of \$109.1 million, despite the effects on operations of the COVID-19 pandemic. The University transitioned from on-campus instruction to remote delivery beginning March 16, 2020, in response to concerns about the global COVID-19 pandemic. As a result of this transition, the University was unable to provide housing and dining services, and many other in-person programs and services. Prorated housing and dining refunds were given to students enrolled for Spring semester. While on-campus instruction resumed in August 2020, along with residence halls and dining services, modifications to normal operations were required to increase safety for University students and employees. Programs that are normally conducted on-campus, such as Camp War Eagle for incoming freshman, summer camps, and other outreach programs continue to be conducted remotely.

Operating revenues decreased 1.1% from 2019 to 2020. Despite the administrative decision to waive the student activities fee for Summer semester 2020, Board-approved increases in tuition for both main campus and AUM and a slight increase in enrollment led to an increase in tuition and fees revenue, net of discounts, of \$16.1 million over 2019. Additionally, the University saw a net increase in federal appropriations, federal, state, and nongovernmental contract and grant revenues of \$7.2 million. This increase was primarily the result of additional spending of sponsored funds appropriated and awarded for research. Offsetting these increases in operating revenues were significant decreases in other areas of the University's operations due to the COVID-19 pandemic, including sales and services of educational departments, which decreased \$8.2 million. This decrease was driven primarily by a \$6.1 million decrease in revenues associated with Camp War Eagle registration fees, orientation fees for transfer students, and other student sales revenues and a \$1.3 million decrease in conference and workshop revenues. The remaining decrease of \$0.8 million was made up of a decline in various clinical and product sales, particularly in areas of the University that provide services to the public. Auxiliary revenues decreased \$17.6 million, as the COVID-19 pandemic limited the operations of the University's auxiliary units, including the bookstore, which saw a reduction in sales of \$2.8 million. Athletics saw an \$8.4 million decrease in revenues, which included \$3.5 million earned in fiscal year 2019 related to the Advocare Classic game in Texas, for which there was no corresponding game in fiscal year 2020. There was also a \$5.0 million decrease in NCAA and Conference distributions, partially due to the men's basketball team making the Final Four in fiscal year 2019 and a shortened basketball season in fiscal year 2020 due to the COVID-19 pandemic. Additionally, there was a supplemental SEC distribution in fiscal year 2019 that was not made in fiscal year 2020.

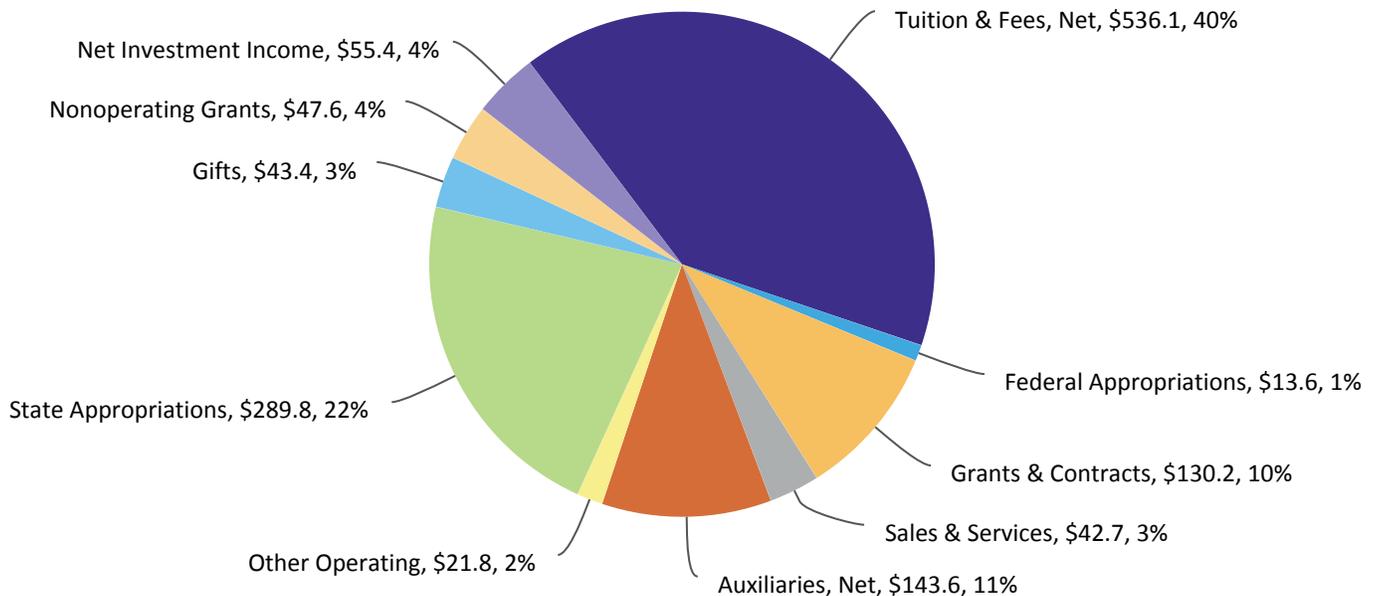
Operating expenses decreased 1.1% from 2019 to 2020. The largest decrease in this category was other supplies and services expense, which decreased 12.0% from 2019 to 2020. This decrease was caused by multiple factors. The University completed major work on several large new buildings at the end

of fiscal year 2019, leading to a decrease in repairs and maintenance spending in fiscal year 2020, partially offset by an increase in the purchase of capital equipment and computer services, including lab equipment for new faculty and increased spending on eBooks and other online resources for remote instruction. As a result of the COVID-19 pandemic, the University suspended all travel in March 2020, and correspondingly, spending in travel and entertainment were reduced significantly. Game expenses also decreased due to the delayed football season and reduced stadium capacity due to the pandemic. These decreases were partially offset by increases in other categories, including compensation and benefit costs, which increased 0.7% as a result of Board-approved salary increases and one-time supplement payments. Scholarships and fellowships spending also increased as a result of awarding \$9.4 million in Higher Education Emergency Relief Funds (HEERF) from the CARES Act as direct grants to students. Depreciation increased 17.5% as the new buildings completed in late fiscal year 2019 were placed into service and began depreciating.

Net nonoperating revenues and other changes in net position increased 6.6% from 2019 to 2020. This increase was driven by COVID-19 relief grant funding provided through the CARES Act of \$20.4 million and increased revenues from state appropriations of \$16.9 million, as well as a decrease in interest expense on capital debt of \$1.0 million as a result of issuing bonds to refund outstanding debt. These increases were partially offset by a decrease in net investment income of \$5.8 million, due largely to a reduction in realized and unrealized gains on investments of \$3.4 million, as well as a \$3.8 million decrease in interest income, related to market conditions as a result of the COVID-19 pandemic. Endowment income increased \$1.4 million, which partially offset these decreases. Gift income also decreased \$5.5 million from 2019 to 2020, due to TUF funding football facilities upgrades that were completed in fiscal year 2019. This decrease was partially offset by smaller increases in gift income from other sources.

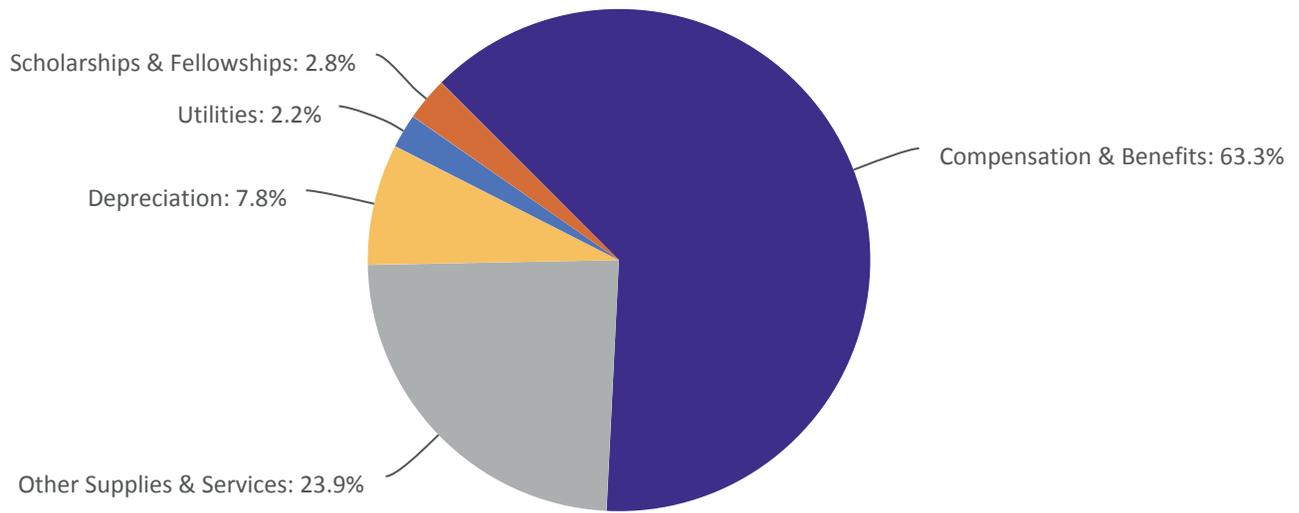
REVENUES BY SOURCE

For the year ended September 30, 2020
(in millions)



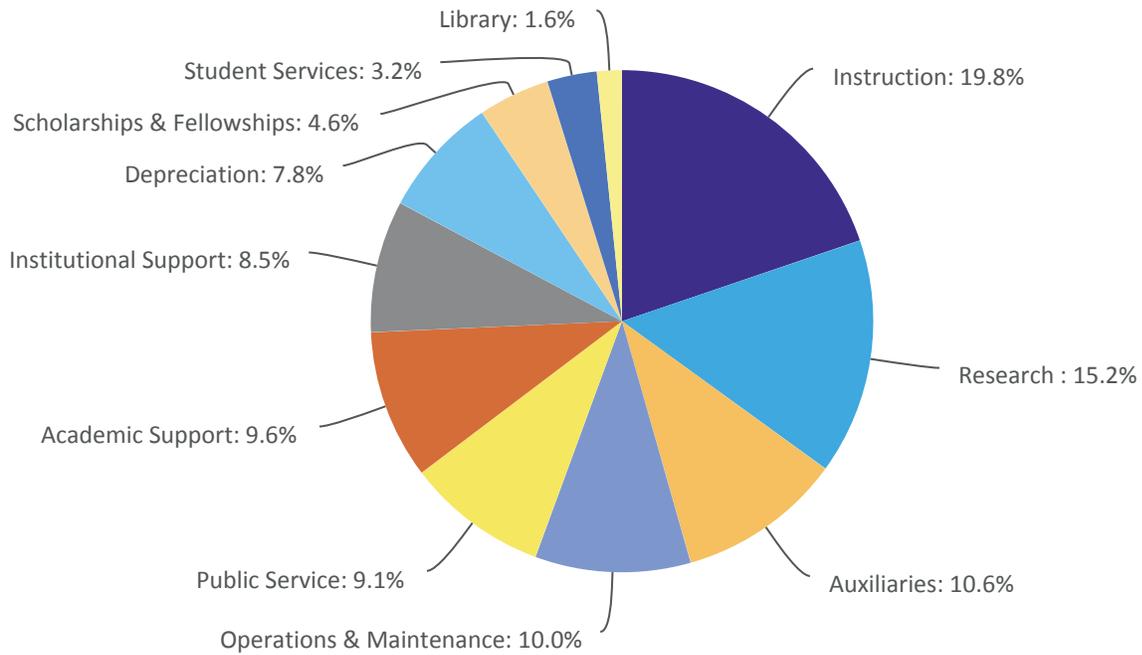
OPERATING EXPENSES BY NATURAL CLASSIFICATION

For the year ended September 30, 2020



OPERATING EXPENSES BY FUNCTION

For the year ended September 30, 2020



Statement of Cash Flows

The Statement of Cash Flows presents information about changes in the University's cash position using the direct method of reporting sources and uses of cash. The direct method reports all major gross cash inflows and outflows, differentiating these activities into operating activities; noncapital financing, such as nonexchange

grants and contributions; capital and related financing, including bond proceeds from debt issued to purchase or construct buildings; and investing activities. Operating activity uses of cash significantly exceed operating activity sources of cash due to classification of state appropriations and gifts as noncapital financing activities.

The University's cash flows for the years ended September 30, 2020 and 2019, are summarized below:

	2020	2019
Net cash provided by (used in):		
Operating activities	\$ (229,362,565)	\$ (159,821,235)
Noncapital financing activities	383,731,336	348,742,128
Capital and related financing activities	79,939,329	(268,465,034)
Investing activities	(265,461,106)	178,157,229
Net (decrease) increase in cash and cash equivalents	(31,153,006)	98,613,088
Cash and cash equivalents - beginning of year	246,342,322	147,729,234
Cash and cash equivalents - end of year	<u>\$ 215,189,316</u>	<u>\$ 246,342,322</u>

Net cash used in operating activities increased from 2019 to 2020 by 43.5%. The increase was due to additional cash paid to suppliers and utilities of \$21.5 million and additional payments for employee compensation and benefits of \$33.0 million as a result of the Board-approved salary increases and one-time supplement payments, as well as an increase in payments for scholarships and fellowships of \$11.4 million. Additionally, the University saw a reduction in cash inflows from auxiliary enterprises of \$21.5 million, sales and services of educational departments of \$8.4 million, and other operating revenues of \$3.3 million. These outflows were offset by additional cash provided from tuition and fees of \$16.8 million, federal appropriations/grants and contracts of \$12.7 million, and the net of student loans issued and collected of \$0.1 million.

The University saw an increase in net cash provided by noncapital financing activities of \$35.0 million. This increase was the result of an increase in state appropriations over fiscal year 2019 in the amount of \$16.9 million, an increase in direct and other loan receipts of \$11.6 million, and an increase in gifts and grants for other than capital purposes of \$13.8 million, offset by an increase in loan disbursements of \$7.4 million.

Net cash provided by capital and related financing activities was \$79.9 million in 2020 compared to net cash used in those activities in 2019 of \$268.5 million. This was predominantly the result of the University issuing the 2020A, 2020B, and 2020C General Fee Bonds in fiscal year 2020, which resulted in the receipt of \$302.6 million in bond proceeds, net of issuance costs and payments to escrow. While the University continued work on several large capital projects in 2020, expenditures for capital assets decreased by \$55.4 million. This was offset by reductions in capital gifts and grants received of \$6.9 million, and additional interest paid on debt and capital leases of \$2.6 million.

Net cash used in investing activities was \$265.5 million in fiscal year 2020 compared to net cash of \$178.2 million provided by these activities in fiscal year 2019. During fiscal year 2020, the University purchased \$1.4 billion of new investments. These expenditures were offset by \$1.1 billion of proceeds from sales

and maturities of investments/reinvestments and investment income of \$38.3 million.

Economic factors that will affect the future

While the University is impacted by general economic conditions and the COVID-19 pandemic, management believes the University will continue its high level of excellence in service to students, sponsors, the State of Alabama, and other constituents. The University's strong financial position and internal planning processes provide the University some protection against funding reductions and adverse economic conditions. Nonetheless, future reductions in state support must be anticipated and managed carefully to maintain excellence. Neither external nor internal efforts to mitigate the impact, however, are intended to eliminate the effects of future proration or decrease in state funding. As a labor intensive organization, the University faces competitive pressures related to attracting and retaining faculty and staff. The rising cost of health care remains a concern, particularly in light of the post-retirement health care benefits offered to retirees.

The University continues to address aging facilities with significant new construction, as well as modernization and renovation of existing facilities. Although funding of these projects through capital debt issuances, gifts, federal and state funds, and deferred maintenance budget allocations continues, the costs of operating the new and renovated facilities, as well as servicing the capital debt, will continue to place additional resource demands on the operating budget of the institution.

The University continues to take steps to enhance student recruitment, both in marketing efforts and in providing additional scholarship funding. Applications, acceptances, and retention are monitored closely to assess the potential impact of general economic conditions on future enrollment. We are cautiously optimistic that demand will remain strong.

The University will continue to employ its long-term investment strategy to maximize total returns at an appropriate level of risk, while utilizing a spending rate policy to insulate the University's operations from temporary market volatility. Preservation of capital is regarded as the highest priority in the investing of the

University's Non-Endowment Cash Pool (the Cash Pool). Diversification through asset allocation is utilized as a fundamental risk strategy for endowed funds.

Cautionary note regarding forward-looking statements

Certain information provided by the University, including written, as outlined above, or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

All statements, other than statements of historical fact, which address activities, events, or developments that the University expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions.

UNDERGRADUATE TUITION FOR THE ACADEMIC YEAR

	2016-17	2017-18	2018-19	2019-20	2020-21
Auburn Main Campus/ Auburn University at Montgomery					
Full Time Students:					
In-State	\$10,696/ \$9,640	\$10,968/ \$9,910	\$11,276/ \$8,404*	\$11,492/ \$8,620	\$11,796/ \$8,860
Out-of-State	\$28,840/ \$20,710	\$29,640/ \$21,310	\$30,524/ \$17,812*	\$31,124/ \$18,292	\$31,956/ \$18,820

*Beginning in 2018–19, AUM's undergraduate tuition was calculated using 12 credit hours per semester. This is a change from previous years, when the calculation used 15 credit hours per semester.

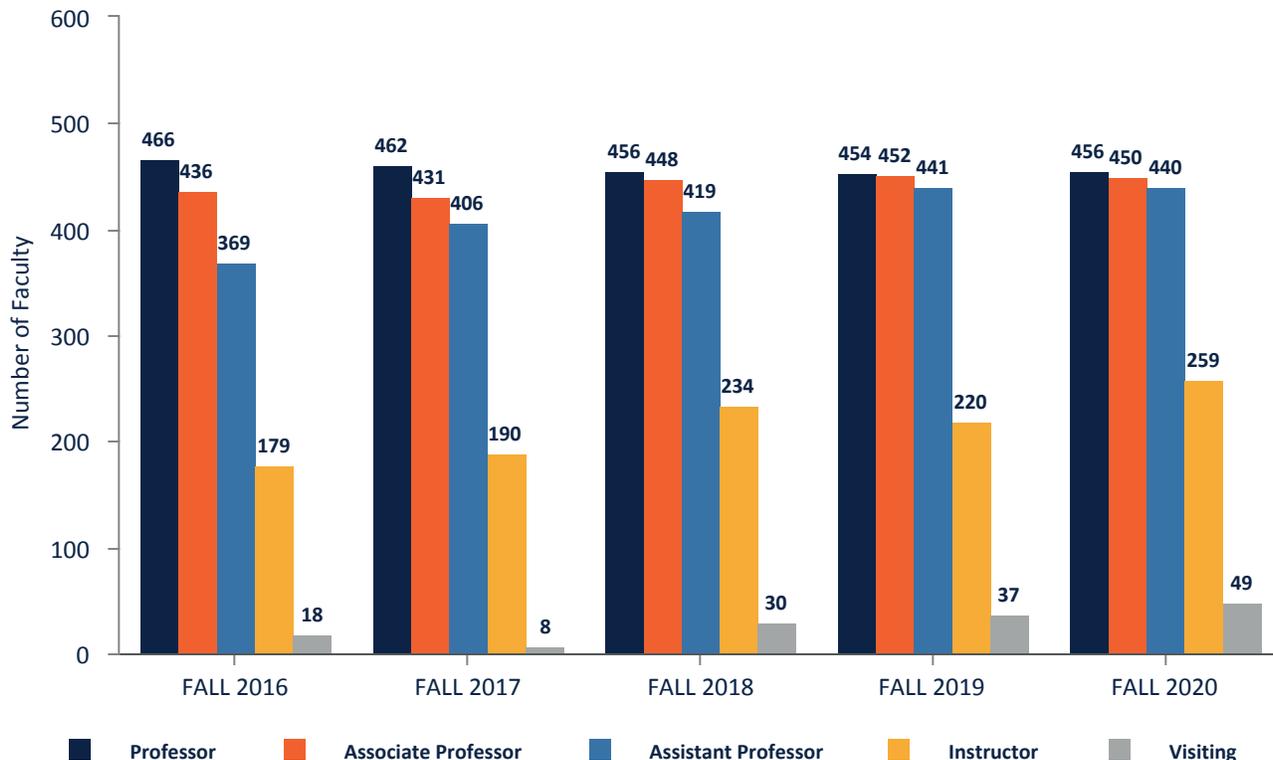
FALL STUDENT ENROLLMENT

	2016	2017	2018	2019	2020
Auburn Main Campus and Auburn University at Montgomery					
Undergraduate	26,931	28,277	29,260	29,117	28,880
Graduate and Professional	6,237	6,393	6,391	6,531	7,069

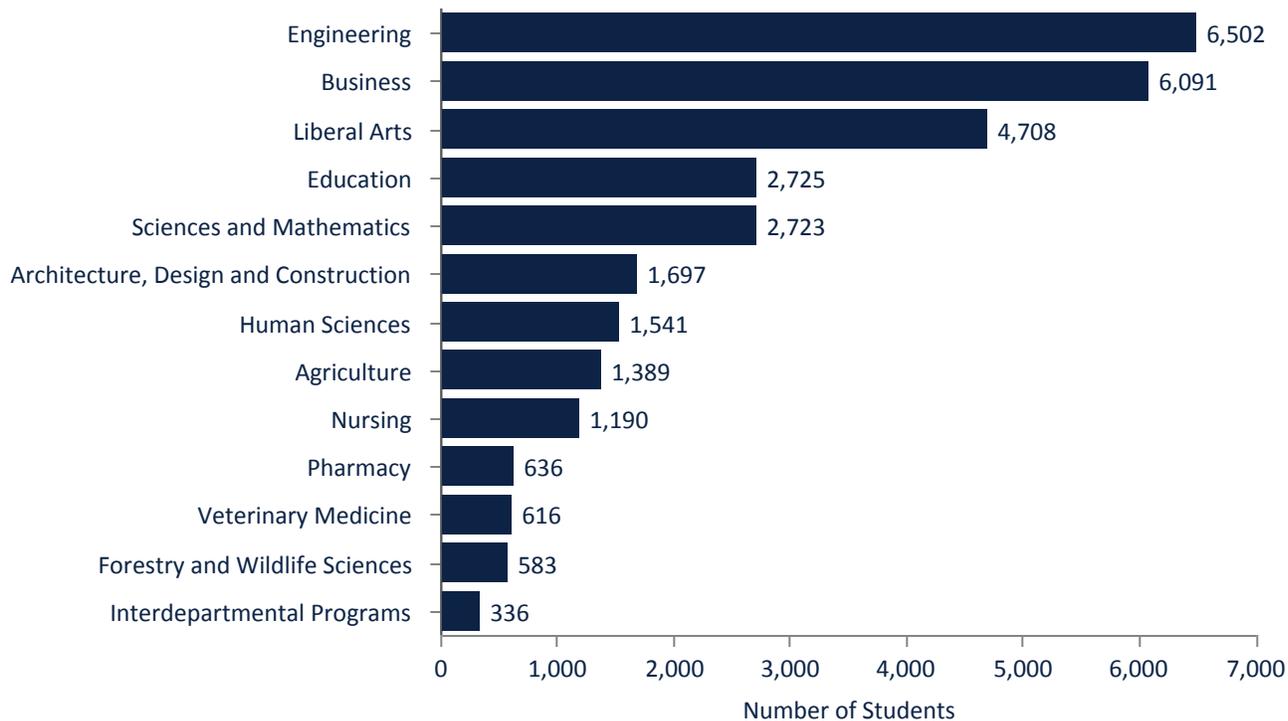
DEGREES AWARDED FOR THE ACADEMIC YEAR

	2015-16	2016-17	2017-18	2018-19	2019-20
Auburn Main Campus and Auburn University at Montgomery					
Bachelor	5,019	5,049	5,539	5,928	6,275
Advanced	2,007	2,061	2,134	2,121	2,077

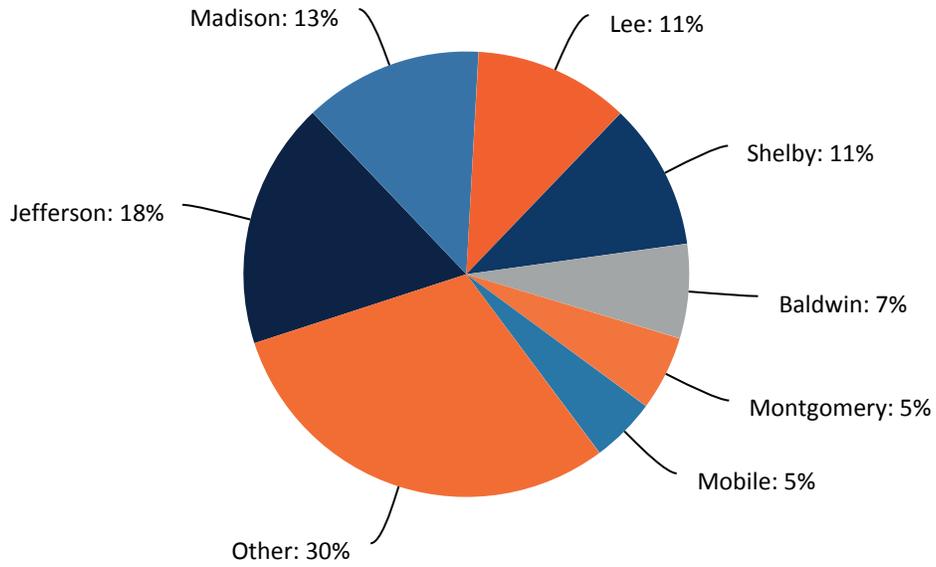
**AUBURN UNIVERSITY MAIN CAMPUS AND AUBURN UNIVERSITY AT MONTGOMERY
FULL-TIME FACULTY BY RANK**



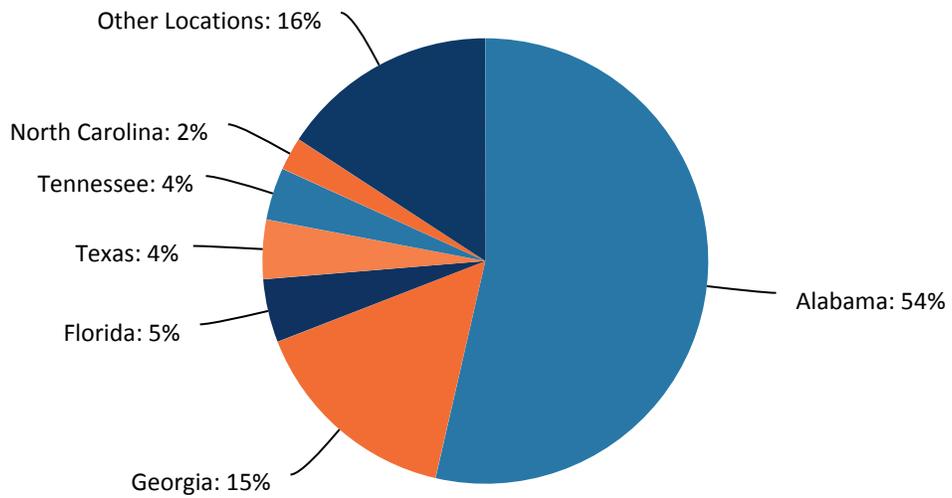
**AUBURN UNIVERSITY MAIN CAMPUS
ENROLLMENT BY COLLEGE/SCHOOL FALL 2020**



**AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN
ENROLLMENT BY ALABAMA COUNTIES
SUMMER/FALL TERMS 2020**



**AUBURN UNIVERSITY MAIN CAMPUS FRESHMEN
ENROLLMENT BY STATE
SUMMER/FALL TERMS 2020**





AUBURN UNIVERSITY

TEN YEAR HIGHLIGHTS (MILLIONS OF DOLLARS) FOR THE FISCAL YEARS ENDED SEPTEMBER 30

	2011	2012	2013
Revenues by Source			
Tuition and fees, net	\$ 294.7	\$ 323.1	\$ 349.2
Federal appropriations	38.8 *	11.8 *	13.0
State appropriations	235.7	247.8	238.6
Grants and contracts	136.6	134.5	121.1
Gifts	32.3	36.6	35.4
Capital gifts and grants	48.2	17.2	28.2
Sales and services, investments and other income, net of interest expense	58.8	72.8	60.7
Auxiliary revenue, net	106.2	101.5	104.8
Total Revenues by Source	\$ 951.3	\$ 945.3	\$ 951.0
Expenditures by Function			
Instruction	\$ 230.4	\$ 239.5	\$ 242.6
Research	102.8	102.6	97.4
Public service	106.0	107.4	104.7
Academic support	38.8	38.8	43.7
Library	8.3	10.1	8.3
Student services	23.6	24.9	27.6
Institutional support	74.1	73.3	70.0
Operation and maintenance	77.8	66.3	84.5
Scholarships and fellowships	33.7	35.0	39.5
Auxiliaries	102.5	99.1	106.9
Depreciation	53.8	61.1	66.1
Total Expenditures by Function	\$ 851.8	\$ 858.1	\$ 891.3
Expenditures by Natural Classification			
Compensation	\$ 536.6	\$ 539.2	\$ 558.0
Scholarships and fellowships	17.3	18.4	21.6
Utilities	23.3	23.2	22.8
Other supplies and services	220.8	216.2	222.8
Depreciation	53.8	61.1	66.1
Total Expenditures by Natural Classification	\$ 851.8	\$ 858.1	\$ 891.3

*Includes appropriation from The American Recovery and Reinvestment Act of 2009.

AUBURN UNIVERSITY

TEN YEAR HIGHLIGHTS (MILLIONS OF DOLLARS) FOR THE FISCAL YEARS ENDED SEPTEMBER 30

2014	2015	2016	2017	2018	2019	2020
\$ 365.9	\$ 395.6	\$ 414.8	\$ 451.7	\$ 492.2	\$ 520.0	\$ 536.1
12.9	14.3	13.2	15.3	13.8	16.9	13.6
243.0	245.5	248.1	254.7	256.6	272.9	289.8
118.4	120.5	126.8	130.2	139.7	147.3	177.8 **
36.6	43.9	50.6	46.0	48.3	48.9	43.4
3.8	4.8	22.8	21.5	26.1	15.1	14.5
89.2	79.6	88.4	95.6	80.7	106.1	86.0
123.4	136.3	174.3	157.5	184.0	161.2	143.6
<u>\$ 993.2</u>	<u>\$ 1,040.5</u>	<u>\$ 1,139.0</u>	<u>\$ 1,172.5</u>	<u>\$ 1,241.4</u>	<u>\$ 1,288.4</u>	<u>\$ 1,304.8</u>
\$ 249.0	\$ 254.6	\$ 270.1	\$ 295.0	\$ 286.9	\$ 249.9	\$ 236.1
99.2	97.3	110.1	122.1	146.1	177.9	182.2
102.5	106.7	107.6	112.9	111.0	111.1	109.0
53.3	55.4	56.2	61.5	72.8	110.7	115.3
9.7	9.0	7.9	9.6	18.9	18.7	19.2
30.2	33.0	35.0	38.0	39.7	40.7	38.3
70.5	78.5	87.3	88.9	100.6	105.4	101.9
78.8	78.8	85.4	102.2	105.5	121.8	119.8
40.2	39.3	42.0	42.4	47.8	47.8	54.5
123.1	122.6	131.8	143.2	153.7	146.6	126.8
71.8	74.3	75.7	77.4	79.5	79.0	92.8
<u>\$ 928.3</u>	<u>\$ 949.5</u>	<u>\$ 1,009.1</u>	<u>\$ 1,093.2</u>	<u>\$ 1,162.5</u>	<u>\$ 1,209.6</u>	<u>\$ 1,195.9</u>
\$ 578.2	\$ 598.4	\$ 627.2	\$ 688.8	\$ 727.7	\$ 752.6	\$ 757.9
22.7	20.7	22.4	22.7	26.5	27.0	33.6
26.0	24.5	24.1	24.9	24.5	26.3	25.8
229.6	231.6	259.6	279.4	304.2	324.7	285.7
71.8	74.3	75.8	77.4	79.6	79.0	92.8
<u>\$ 928.3</u>	<u>\$ 949.5</u>	<u>\$ 1,009.1</u>	<u>\$ 1,093.2</u>	<u>\$ 1,162.5</u>	<u>\$ 1,209.6</u>	<u>\$ 1,195.8</u>

**Includes funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.

AUBURN UNIVERSITY

FINANCIAL RATIOS** FOR THE FISCAL YEARS ENDED SEPTEMBER 30

Primary Reserve Ratio

The Primary Reserve Ratio measures the financial strength of the institution by indicating how many years it could operate using expendable net position without relying on additional revenue. This ratio is calculated by dividing expendable net position by total operating expenses. It is generally recommended that the ratio be at least 0.40.

Although the primary reserve ratio was significantly impacted by the implementation of GASB Statement No. 68 in 2015 and by the implementation of GASB Statement No. 75 in 2018, management believes the University has sufficient expendable net position to continue to operate.



Viability Ratio

This ratio measures the availability of expendable net position to cover debt obligations. It is calculated by dividing expendable net position by total outstanding debt. A ratio of 1.0 indicates that the institution could pay off all debts.

New debt issuances in 2011 dropped the ratio below 1.0%. The ratio rebounded in 2012 through 2014, and then was significantly impacted by the implementation of GASB Statement No. 68 in 2015 and by the implementation of GASB Statement No. 75 in 2018. Management believes the University has sufficient expendable net position to cover debt obligations.



*In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the October 1, 2014 net position by more than \$558 million. In fiscal year 2018, the University adopted GASB Statement No. 75, which reduced the October 1, 2017 net position by more than \$301 million.

**These financial ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. These ratios include only the University's financial statements and may not be comparable to other institutions.

AUBURN UNIVERSITY

FINANCIAL RATIOS** FOR THE FISCAL YEARS ENDED SEPTEMBER 30

Return on Net Position Ratio

This ratio measures total economic return and can be used to indicate whether the institution is financially stronger or weaker over time. It is calculated by dividing the change in net position by the total net position at the beginning of the year. It is generally recommended that the goal be a 3.0% - 4.0% return over the long-term.

The University's return on net position ratio remains strong. The implementation of GASB Statement No. 68 lowered the beginning net position, which resulted in a higher ratio for 2015. In 2017, an increase in net pension obligations and the use of unrestricted net position for capital projects, such as the Mell Classroom Building and deferred maintenance needs, led to a 15.4% decrease in Unrestricted Net Position, which impacted this ratio. The implementation of GASB Statement No. 75 again lowered the beginning net position, which resulted in a higher ratio for 2018, well above the recommended level.



Net Income Ratio

This ratio measures the success of financial operations for a given year. It is calculated by dividing the total change in unrestricted net position by total unrestricted revenue. It is generally recommended that the goal be 2.0%–4.0% return over the long-term.

The University's net income ratio was significantly impacted by the implementation of GASB Statement No. 68 in fiscal year 2015. It rebounded to the recommended levels in 2016. Like the Return on Net Position ratio, this ratio was impacted by the decrease in Unrestricted Net Position in 2017. The implementation of GASB Statement No. 75 in fiscal year 2018 significantly impacted this ratio. Management believes the University will continue to operate successfully within available resources.



*In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the October 1, 2014 net position by more than \$558 million. In fiscal year 2018, the University adopted GASB Statement No. 75, which reduced the October 1, 2017 net position by more than \$301 million.

**These financial ratios are presented for purposes of additional analysis and are not a required part of the basic financial statements. These ratios include only the University's financial statements and may not be comparable to other institutions.

AUBURN UNIVERSITY

STATEMENTS OF NET POSITION SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 215,189,316	\$ 246,342,322
Operating investments	115,137,723	117,467,546
Accounts receivable, net	50,939,238	64,047,965
Student accounts receivable, net	49,193,361	48,739,917
Loans receivable, net	2,970,659	3,059,064
Accrued interest receivable	3,149,546	3,826,416
Inventories	6,227,980	6,532,014
Prepaid expenses	51,108,628	45,388,637
Total current assets	493,916,451	535,403,881
Noncurrent assets		
Investments	1,386,134,667	1,062,267,000
Loans receivable, net	11,496,752	14,295,346
Investment in plant, net	2,007,735,989	1,942,052,061
Total noncurrent assets	3,405,367,408	3,018,614,407
Total assets	3,899,283,859	3,554,018,288
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	39,204,267	41,950,072
Pension and OPEB	198,626,259	206,358,119
Total deferred outflows of resources	237,830,526	248,308,191
LIABILITIES		
Current liabilities		
Accounts payable	73,072,423	103,313,744
Accrued salaries and wages	5,609,944	5,101,947
Accrued compensated absences	23,478,844	20,836,407
Accrued interest payable	14,831,656	14,101,944
Other accrued liabilities	7,672,805	13,815,288
Student deposits	4,196,339	3,952,819
Deposits held in custody	21,283,547	23,508,988
Unearned revenues	261,097,077	257,518,024
Noncurrent liabilities-current portion	39,219,866	37,457,594
Total current liabilities	450,462,501	479,606,755
Noncurrent liabilities		
Bonds and notes payable	1,110,434,853	848,385,408
Lease obligation	11,375,638	12,431,342
Pension and OPEB	927,402,579	1,067,656,451
Other noncurrent liabilities	11,077,331	11,546,942
Total noncurrent liabilities	2,060,290,401	1,940,020,143
Total liabilities	2,510,752,902	2,419,626,898
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	386,666	189,862
Pension and OPEB	243,611,982	109,235,612
Total deferred inflows of resources	243,998,648	109,425,474
NET POSITION		
Net investment in capital assets	1,375,760,121	1,289,198,648
Restricted		
Nonexpendable	30,075,058	29,862,295
Expendable:		
Scholarships, research, instruction, other	210,650,416	195,294,682
Loans	4,979,319	5,475,851
Capital projects	41,960,871	41,227,713
Unrestricted	(281,062,950)	(287,785,082)
Total net position	\$ 1,382,362,835	\$ 1,273,274,107

See accompanying notes to financial statements.

AUBURN UNIVERSITY

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

	2020	2019
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$138,724,605 and \$136,806,904, respectively	\$ 536,140,726	\$ 520,045,194
Federal appropriations	13,603,341	16,853,970
Federal grants and contracts, net	90,674,871	82,718,181
State and local grants and contracts, net	19,351,169	19,480,365
Nongovernmental grants and contracts, net	20,144,794	17,547,732
Sales and services of educational departments	42,675,718	50,923,638
Auxiliary revenue, net of scholarship allowances of \$7,768,374 and \$9,403,338, respectively	143,629,086	161,189,992
Other operating revenues	21,848,202	28,776,551
Total operating revenues	888,067,907	897,535,623
OPERATING EXPENSES		
Compensation and benefits	757,883,558	752,596,464
Scholarships and fellowships	33,635,809	26,983,778
Utilities	25,849,921	26,310,840
Other supplies and services	285,666,641	324,727,182
Depreciation	92,816,189	78,975,414
Total operating expenses	1,195,852,118	1,209,593,678
Operating loss	(307,784,211)	(312,058,055)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	289,838,448	272,928,855
Gifts	43,413,542	48,949,125
Grants	47,638,999	27,587,740
Net investment income	55,399,868	61,175,549
Interest expense on capital debt	(34,163,962)	(35,209,347)
Nonoperating revenues, net	402,126,895	375,431,922
Income before other changes in net position	94,342,684	63,373,867
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	14,533,281	15,132,371
Additions to permanent endowments	212,763	456,997
Net increase in net position	109,088,728	78,963,235
Net position - beginning of year	1,273,274,107	1,194,310,872
Net position - end of year	\$ 1,382,362,835	\$ 1,273,274,107

See accompanying notes to financial statements.

AUBURN UNIVERSITY

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 537,324,982	\$ 520,531,270
Federal appropriations	14,506,944	16,664,314
Grants and contracts	133,610,904	118,800,805
Sales and services of educational departments	45,276,704	53,697,376
Auxiliary enterprises	149,644,479	171,153,640
Other operating revenues	24,587,359	27,910,465
Payments to suppliers	(320,147,332)	(298,167,239)
Payments for utilities	(25,849,921)	(26,310,839)
Payments for employee compensation and benefits	(751,975,830)	(718,996,886)
Payments for scholarships and fellowships	(38,532,722)	(27,148,601)
Student loans issued	(930,478)	(1,038,658)
Student loans collected	3,122,346	3,083,118
Net cash used in operating activities	<u>(229,362,565)</u>	<u>(159,821,235)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	289,838,448	272,928,855
Gifts and grants for other than capital purposes	91,264,210	77,422,854
Direct and other loan receipts	220,974,062	209,346,732
Direct and other loan disbursements	(218,345,384)	(210,956,313)
Net cash provided by noncapital financing activities	<u>383,731,336</u>	<u>348,742,128</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt, net of issuance costs and payments to escrow	302,614,930	—
Capital gifts and grants received	5,835,721	12,783,768
Purchases of capital assets	(155,879,500)	(211,260,157)
Proceeds received from sale of capital assets	242,195	395,125
Principal paid on debt and capital leases	(30,072,865)	(30,162,818)
Interest paid on debt and capital leases	(42,801,152)	(40,220,952)
Net cash provided by (used in) capital and related financing activities	<u>79,939,329</u>	<u>(268,465,034)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments and reinvestments	1,100,922,863	644,318,093
Investment income	38,318,262	39,480,781
Purchases of investments	(1,404,702,231)	(505,641,645)
Net cash (used in) provided by investing activities	<u>(265,461,106)</u>	<u>178,157,229</u>
Net (decrease) increase in cash and cash equivalents	(31,153,006)	98,613,088
Cash and cash equivalents - beginning of year	<u>246,342,322</u>	<u>147,729,234</u>
Cash and cash equivalents - end of year	<u>\$ 215,189,316</u>	<u>\$ 246,342,322</u>

See accompanying notes to financial statements.

AUBURN UNIVERSITY

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

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (307,784,211)	\$ (312,058,055)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	92,816,189	78,975,414
Write-off of loans receivable	695,131	184,945
Loss on sale of capital assets	3,479,674	2,410,659
Changes in assets and liabilities:		
Accounts receivable	13,708,462	(579,904)
Student accounts receivable	(453,444)	(5,655,792)
Inventories	304,034	(460,917)
Unearned revenue	3,579,053	17,934,268
Accounts payable	(29,812,328)	21,629,546
Prepaid expenses	(5,729,047)	1,282,044
Accrued salaries, wages and compensated absences	3,150,434	2,584,199
Student deposits and deposits held in custody	(3,286,510)	(329,533)
Loans receivable	2,191,868	2,044,461
Other accrued liabilities	(6,142,483)	1,486,188
Nonexchange transactions	196,804	19,328
Pension and OPEB obligation	1,854,358	30,363,688
Other noncurrent liabilities	1,869,451	348,226
Net cash used in operating activities	<u>\$ (229,362,565)</u>	<u>\$ (159,821,235)</u>

SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION

Capital assets acquired with a liability at year-end	\$ 12,715,275	\$ 13,144,268
Gifts of capital assets	6,782,871	2,833,310
Payments to escrow on advanced refunding of debt deducted from proceeds	143,155,623	—

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2020 AND 2019

	Auburn University Foundation		Auburn Alumni Association	
	2020	2019	2020	2019
ASSETS				
Cash and cash equivalents	\$ 5,233,675	\$ 5,522,693	\$ 33,742	\$ 112,151
Investments	619,546,472	577,482,004	4,503,416	4,151,942
Investment in Auburn University Foundation Securities Pool	—	—	9,002,226	8,983,857
Accrued interest receivable	151,325	420,548	8,292	19,743
Contributions receivable, net	71,526,426	85,014,804	195,160	190,000
Other assets	152,425	9,212	13,390	31,747
Investment in real estate	5,919,008	6,918,921	674,799	674,799
Cash surrender value of life insurance	7,613,389	7,500,445	—	—
Beneficial interest in outside trusts	4,738,219	4,620,839	—	—
Property and equipment, net	173,634	214,538	1,691,551	1,774,801
Prepaid	—	—	1,016	48
Due from Auburn University	360,579	90,315	60	—
Due from Auburn University Foundation	—	—	9,387	636
Due from Auburn Alumni Association	144,145	51,698	—	—
Total assets	\$ 715,559,297	\$ 687,846,017	\$ 16,133,039	\$ 15,939,724
LIABILITIES				
Accounts payable and accrued liabilities	\$ 193,241	\$ 517,347	\$ 74,113	\$ 145,938
Annuities payable	11,354,029	11,183,870	—	—
Due to Auburn University	—	—	13,265	25,067
Due to Auburn University Foundation	—	—	144,565	230,030
Due to Auburn Alumni Association	9,015,699	8,983,857	—	—
Due to Tigers Unlimited Foundation	9,320,341	9,296,567	—	—
Due to outside beneficiaries	2,439,854	2,187,245	—	—
Retained life commitment	1,563,346	1,806,313	—	—
Deferred revenue	88,596	39,671	8,501,334	8,434,744
Total liabilities	33,975,106	34,014,870	8,733,277	8,835,779
NET ASSETS				
Without donor restrictions				
Undesignated	14,860,186	11,499,080	4,081,723	6,603,945
Designated by board, uncommitted	9,589,205	9,582,360	3,318,039	500,000
Designated by board, committed for programs	10,724,487	10,714,635	—	—
Total net assets without donor restrictions	35,173,878	31,796,075	7,399,762	7,103,945
With donor restrictions				
Perpetual in nature	465,860,563	440,761,774	—	—
Purpose and time restricted	180,576,857	181,303,654	—	—
Underwater endowments	(27,107)	(30,356)	—	—
Total net assets with donor restrictions	646,410,313	622,035,072	—	—
Total net assets	681,584,191	653,831,147	7,399,762	7,103,945
Total liabilities and net assets	\$ 715,559,297	\$ 687,846,017	\$ 16,133,039	\$ 15,939,724

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Auburn University Foundation		Auburn Alumni Association	
	2020	2019	2020	2019
REVENUES AND OTHER SUPPORT				
Public support - contributions	\$ 48,164,204	\$ 54,118,776	\$ 2,004,057	\$ 1,840,454
Investment income	3,559,704	3,467,427	437,843	435,776
Other revenues	2,645,036	2,930,500	926,127	1,231,302
Total revenues	<u>54,368,944</u>	<u>60,516,703</u>	<u>3,368,027</u>	<u>3,507,532</u>
EXPENSES AND LOSSES				
Program services				
Grants to Auburn University	48,603,768	46,591,702	—	—
Other program services	2,737,769	3,830,642	1,255,954	1,529,722
Total program services	<u>51,341,537</u>	<u>50,422,344</u>	<u>1,255,954</u>	<u>1,529,722</u>
Support services				
General and administrative	2,170,534	2,537,000	1,584,682	1,631,183
Fund raising	2,085,534	3,359,339	248,229	238,427
Total support services	<u>4,256,068</u>	<u>5,896,339</u>	<u>1,832,911</u>	<u>1,869,610</u>
Total expenses	55,597,605	56,318,683	3,088,865	3,399,332
Unrealized (gains) losses on investments	(11,779,760)	2,065,287	(16,655)	229,495
Realized gains on investments	(16,441,913)	(8,826,536)	—	—
Change in valuation of split-interest agreements	(760,032)	8,158	—	—
Total expenses, (gains) and losses	<u>26,615,900</u>	<u>49,565,592</u>	<u>3,072,210</u>	<u>3,628,827</u>
*Change in net assets	27,753,044	10,951,111	295,817	(121,295)
Net assets - beginning of the year	<u>653,831,147</u>	<u>642,880,036</u>	<u>7,103,945</u>	<u>7,225,240</u>
Net assets - end of the year	<u>\$ 681,584,191</u>	<u>\$ 653,831,147</u>	<u>\$ 7,399,762</u>	<u>\$ 7,103,945</u>
*Change in net assets				
Without donor restrictions	\$ 3,377,803	\$ 1,997,239	\$ 295,817	\$ (121,295)
With donor restrictions	24,375,241	8,953,872	—	—
Total change in net assets	<u>\$ 27,753,044</u>	<u>\$ 10,951,111</u>	<u>\$ 295,817</u>	<u>\$ (121,295)</u>

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	Tigers Unlimited Foundation	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 503,798	\$ 3,235,512
Investments	48,376,487	41,670,903
Investment in Auburn University Foundation Securities Pool	8,775,888	9,254,067
Due from Auburn University	—	41,878
Due from Auburn University Foundation	—	58,150
Accrued interest receivable	186,316	200,299
Contributions receivable, net	28,654,726	28,870,615
Accounts receivable	15,000	—
Other assets	3,126	153,322
Property and equipment, net	38,604	38,445
Total assets	<u>\$ 86,553,945</u>	<u>\$ 83,523,191</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 5,857,235	\$ 582,388
Contracts payable, net	354,525	—
Deferred revenue	1,645,593	1,094,397
Due to Auburn University	2,880,035	2,339,647
Due to Auburn University Foundation	—	4,227,188
Total liabilities	<u>10,737,388</u>	<u>8,243,620</u>
NET ASSETS		
Without donor restrictions		
Undesignated	19,237,137	22,838,878
Designated by board, uncommitted	—	—
Designated by board, committed for programs	—	—
Investment in property and equipment, net	38,604	38,775
Total net assets without donor restrictions	<u>19,275,741</u>	<u>22,877,653</u>
With donor restrictions		
Perpetual in nature	7,598,014	7,555,847
Purpose and time restricted	48,957,209	44,847,883
Underwater endowments	(14,407)	(1,812)
Total net assets with donor restrictions	<u>56,540,816</u>	<u>52,401,918</u>
Total net assets	<u>75,816,557</u>	<u>75,279,571</u>
Total liabilities and net assets	<u>\$ 86,553,945</u>	<u>\$ 83,523,191</u>

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Tigers Unlimited Foundation	
	2020	2019
REVENUES AND OTHER SUPPORT		
Public support - contributions	\$ 37,566,505	\$ 53,585,282
Investment income	1,194,887	1,021,083
Other revenues	6,022,894	6,703,768
Total revenues	44,784,286	61,310,133
EXPENSES AND LOSSES		
Program services		
Contribution to and support for Auburn University	14,133,870	21,836,394
Other program services	20,100,370	21,778,290
Total program services	34,234,240	43,614,684
Support services		
General and administrative	2,004,480	2,017,030
Fundraising	7,608,383	8,896,417
Total support services	9,612,863	10,913,447
Total expenses	43,847,103	54,528,131
Unrealized losses (gains) on investments, net	349,908	(511,647)
Realized gains on investments, net	(89,396)	(42,163)
Loss on write-off of contribution receivable	139,685	1,553,712
Total expenses, (gains) and losses	44,247,300	55,528,033
*Change in net assets	536,986	5,782,100
Net assets - beginning of the year	75,279,571	69,497,471
Net assets - end of the year	\$ 75,816,557	\$ 75,279,571
*Change in Net Assets		
Without donor restrictions	\$ (3,601,912)	\$ (113,618)
With donor restrictions	4,138,898	5,895,718
Total change in net assets	\$ 536,986	\$ 5,782,100

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2020 AND 2019

	Auburn Research and Technology Foundation	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,098,581	\$ 474,289
Restricted cash	86,740	5,603,327
Deposits	13,713	27,939
Prepaid expenses and other assets	76,782	54,722
Accounts receivable	1,726,963	1,415,580
Interest receivable	44,263	44,263
Contributions receivable, net	1,735,945	1,830,101
Property, plant and equipment, net	46,059,447	17,820,761
Total assets	<u>\$ 50,842,434</u>	<u>\$ 27,270,982</u>
LIABILITIES		
Accounts payable	\$ 3,973,254	\$ 2,031,751
Deferred revenue	281,785	648,290
Deposits held in custody	41,554	27,439
Interest payable	80,190	82,045
Capital lease obligation	—	26,025
Other payable to Auburn University	10,462	56,124
Note payable to Auburn University	635,634	680,262
Notes payable to River Bank and Trust	26,055,454	4,345,461
Notes payable - New Market Tax Credit	9,451,119	9,359,465
Total liabilities	<u>40,529,452</u>	<u>17,256,862</u>
NET ASSETS		
Without donor restrictions	8,576,996	8,183,978
With donor restrictions	1,735,986	1,830,142
Total net assets	<u>10,312,982</u>	<u>10,014,120</u>
Total liabilities and net assets	<u>\$ 50,842,434</u>	<u>\$ 27,270,982</u>

See accompanying notes to financial statements.

AUBURN UNIVERSITY COMPONENT UNITS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Auburn Research and Technology Foundation	
	2020	2019
REVENUES AND OTHER SUPPORT		
Rental income	\$ 1,669,511	\$ 1,252,127
Other income	9,328	116
Other contracts	692,882	250,914
Contributions	728,497	1,107,170
Total revenues	3,100,218	2,610,327
EXPENSES AND LOSSES		
Support services		
General and administrative	1,804,748	1,461,295
Amortization on ground leases	122,650	112,087
Amortization on capital lease	23,210	23,210
Amortization on loan fee	96,272	31,705
Depreciation	425,163	288,762
Interest	329,313	146,801
Total support services	2,801,356	2,063,860
Total expenses	2,801,356	2,063,860
*Change in net assets	298,862	546,467
Net assets - beginning of the year	10,014,120	9,467,653
Net assets - end of the year	\$ 10,312,982	\$ 10,014,120
*Change in Net Assets		
Without donor restrictions	\$ 393,018	\$ (19,812)
With donor restrictions	(94,156)	566,279
Total change in net assets	\$ 298,862	\$ 546,467

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

(1) NATURE OF OPERATIONS

Auburn University (the University) is a land grant university originally chartered on February 1, 1856, as the East Alabama Male College. The Federal Land Grant Act of 1862, by which the University was established as a land grant university, donated public lands to several states and territories with the intent that the states would use these properties for the benefit of agriculture and the mechanical arts. Several pertinent laws dictate specific purposes for which the land may be used. In 1960, the Alabama State Legislature officially changed the name to Auburn University. The University has two campuses, Auburn and Montgomery, with a combined enrollment of 35,949 students for Fall semester 2020. The University serves the State of Alabama, the nation and international business communities through instruction of students and the advancement of research and outreach programs. By statutory laws of the State of Alabama, the University is governed by the Board of Trustees (the Board) who are appointed by the Governor of Alabama, a committee consisting of two trustees and two Alumni Association board members and approved by the Alabama State Senate.

The accompanying financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements include the following four divisions of the University:

- Auburn University Main Campus
- Auburn University at Montgomery
- Alabama Agricultural Experiment Station
- Alabama Cooperative Extension System

The University, a publicly supported, state funded institution, is a component unit of the State of Alabama and is included in the Comprehensive Annual Financial Report of the State; however, the University is considered a separate reporting entity for financial statement purposes.

The University is a public corporation and an instrumentality of the State of Alabama. As a governmental unit of the State of Alabama, the University is not subject to federal income tax. Certain transactions may be taxable as unrelated business income under Internal Revenue Code Sections 511 to 514.

Contributions intended for the University's benefit are primarily received through the University's component units and are deductible by donors as provided under Section 170 of the Internal Revenue Code, consistent with the provisions under Section 501(c)(3) and corresponding state law.

Component Units

The University adheres to GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*. This statement clarifies GASB Statement No. 14, *The Financial Reporting Entity*, which provides criteria for determining whether such organizations for which a government is not financially accountable should be

reported as component units. In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, the University has included statements for its discretely presented component units, Auburn University Foundation, Auburn Alumni Association, Tigers Unlimited Foundation and Auburn Research and Technology Foundation in these financial statements, as exclusion of such organizations would render the entity's financial statements misleading or incomplete. Auburn University Real Estate Foundation, Inc. has been consolidated into Auburn University Foundation's financial statements, as an affiliated supporting organization. The University's component units' financial statements are presented following the University's statements. The component units are not GASB entities; therefore, their respective financial statements adhere to accounting principles under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Auburn University Foundation (AUF) is a qualified charitable organization established in 1960, existing solely for the purpose of receiving and administering funds for the benefit of the University. AUF is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for income taxes in their respective financial statements. AUF's activities are governed by its own Board of Directors.

Auburn Alumni Association (the Association) is an independent corporation organized on April 14, 1945, which was created to promote mutually beneficial relationships between the University and its alumni, to encourage loyalty among alumni and to undertake various other actions for the benefit of the University, its alumni and the State of Alabama. Membership is comprised of alumni, friends and students of the University. The Association is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for income taxes in their respective financial statements. The Association's activities are governed by its own Board of Directors.

Tigers Unlimited Foundation (TUF) is an independent corporation that began operations on April 21, 2004. It was formed for the sole purpose of obtaining and disbursing funds for the University's Intercollegiate Athletics Department. TUF is exempt from federal income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision has been made for income taxes in their respective financial statements. TUF's activities are governed by its own Board of Directors with transactions being maintained using a June 30 fiscal year end date.

Auburn Research and Technology Foundation (ARTF) is an independent corporation organized on August 24, 2004, to facilitate the acquisition, construction and equipping of a

technology and research park on the University's campus. ARTF was organized under Internal Revenue Code 509(a)(3). ARTF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. ARTF's activities are governed by its own Board of Directors.

Auburn University Real Estate Foundation, Inc. (AUREFI) is a qualified charitable organization created on July 5, 2005, solely for the purpose of receiving and administering real estate gifts. AUREFI was organized under Internal Revenue Code 170(b)(1)(A)(vi). This real estate holding corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. AUREFI is owned and controlled by AUF, and its financial statements are consolidated with AUF's financial statements. AUREFI's activities are governed by its own Board of Directors.

Auburn Research Park I (ARPI) is an entity formed in June 2019 to take advantage of financing opportunities through the New Market Tax Credit program. ARPI is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The financial statements of ARTF include the consolidated financial position and activities of ARTF and ARPI as ARTF is deemed to control ARPI through a majority voting interest and ARTF is deemed to have an economic interest in ARPI.

The financial statements of the component units have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the component units and changes therein are classified and reported as with or without donor restrictions.

Contributions received, including unconditional promises to give, are recognized as revenues at their fair values in the period received. For financial reporting purposes, the component units distinguish between contributions of assets with donor restrictions and without donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets, are reported as support with donor restrictions if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, those net assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions when the purpose or time restrictions are met. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as assets with donor restrictions - perpetual in nature. Contributions for which donors have not stipulated restrictions are reported as support without donor restrictions.

Financial statements for AUF and the Association may be obtained by writing to the applicable entity at 317 South College Street, Auburn University, Alabama 36849. Financial statements for TUF may be obtained by writing to Athletic Complex, 392 South Donahue Drive, Auburn University, Alabama 36849. Financial statements for ARTF may be obtained by writing to 570 Devall Drive, Suite 101, Auburn, Alabama 36832.

Financial Statement Presentation

For financial reporting purposes, the University adheres to the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*; GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis-for Public Colleges and Universities-an amendment of GASB Statement No. 34*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements establish standards for external financial reporting for public colleges and universities on an entity-wide perspective which require that resources be classified in three net position categories.

- **Net investment in capital assets:**

This category is defined as capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred inflows and outflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position. Unexpended related debt proceeds and the related debt attributable to the unspent amount as well as deferred inflows of resources, if applicable, are not reported in net investment in capital assets, but in restricted or unrestricted net position.

- **Restricted net position:**

The restricted component of net position consists of Nonexpendable and Expendable elements.

Nonexpendable – Nonexpendable restricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources subject to externally imposed stipulations that they be maintained permanently by the University. This element includes the University's permanent endowment funds.

Expendable – Expendable restricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources whose use by the University are subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations, or that expire by the passage of time.

- **Unrestricted net position:**

This category is defined as the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not subject to externally imposed stipulations or included in the determination of net investment in capital assets. Unrestricted net position may be designated for specific purposes by action of management or the

Board. Substantially all unrestricted net position is designated for academic and research programs and initiatives, capital projects, and auxiliary units. When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards unrestricted resources and then towards restricted resources.

GASB Statements No. 35 and No. 63 also require three statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

During fiscal year 2020, the University adopted GASB Statement No. 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 by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The adoption of this standard had no material effect on the University's financial statements in the current fiscal year, and Note 22 has been updated accordingly.

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis of accounting and in accordance with accounting standards of the United States of America and all significant, interdivisional transactions between auxiliary units and other funds have been eliminated. The University reports as a Business Type Activity (BTA) as defined by GASB Statement No. 35. BTAs are those institutions that are financed in whole or in part by fees charged to external parties for goods or services. Under BTA reporting, it is required that statements be prepared using the economic resources measurement focus.

The University records depreciation on capital assets (including equipment), accrues or defers revenue associated with certain grants and contracts, accrues interest expense, accounts for certain scholarship allowances as a reduction of revenue, and classifies federal refundable loans as a liability.

Use of Estimates

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

(2) SIGNIFICANT ACCOUNTING POLICIES OF AUBURN UNIVERSITY

Cash & Cash Equivalents

Cash and cash equivalents includes highly liquid debt instruments readily convertible into cash and with maturities at date of acquisition of three months or less, whose use is not restricted for long term purposes.

Investments

Operating investments consist of cash and investments designated for current operations, with maturities occurring within the next fiscal year. Accordingly, the University classifies debt service funds held by the Trustee for debt service payments as operating investments. These investments are not considered liquid or accessible, as they will be used within the next fiscal year for the December bond payment.

Long term investments consist of cash and investments with maturities greater than one year or whose use is restricted for long term purposes. Investments associated with unexpended bond proceeds are restricted and are shown as long term investments. Investments recorded as endowment and life income represent funds that are considered by management to be of long duration.

Investments received by gift are recorded at fair value on the date of receipt. Investments in real estate are recorded at fair value. For investments other than non-readily marketable investments, investment income is recorded on the accrual basis of accounting. For non-readily marketable investments, investment income is recorded as received.

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value and establishes a framework for measuring fair value that includes a three-tiered hierarchy of valuation inputs, placing a priority on those which are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the University's own assumptions about how market participants would value an asset or liability based on the best information available. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The three levels of inputs, of which the first two are considered observable and the last unobservable, are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date
- Level 2 – Other significant observable inputs, either direct or indirect, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable; or market corroborated inputs
- Level 3 – Unobservable inputs

GASB Statement No. 72 allows for the use of Net Asset Value (NAV) as a practical expedient for valuation purposes. Investments that use NAV in determining fair value are disclosed separately from the valuation hierarchy (see Note 4).

Investments in equity securities, mutual funds, and debt securities are reported at fair value in the Statement of Net Position, with all net realized and unrealized gains and losses reflected in the Statement of Revenues, Expenses and Changes in Net Position. Fair value of these investments is based on quoted market prices or dealer quotes where available.

Investments in life insurance contracts are measured at cash surrender value.

The University uses NAV reported by the investment managers as a practical expedient to estimate fair value for certain investments. The NAV is applied to certain investments that do not have readily determinable fair values including business trust, common trust, hedge, private equity and real asset investment funds. As these investments are not readily marketable the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investments existed. While these investments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its capital balance in each investment and the amounts of any unfunded commitments.

Under GASB Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3*, common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk are addressed. This statement defines custodial risk for deposits as "the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party." As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values which are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement are also required to be disclosed (see Note 4).

Inventories

Units currently holding inventories include Facilities, Scientific Supply Store, Chemistry Glass Shop, Animal Clinic Pharmacy, Harrison School of Pharmacy, Alabama Agricultural Experiment Station, Bookstores, Museum Gift Shop, and Ralph Draughon and AUM Libraries. All inventories are valued at the lower of cost or market, on the first-in, first-out basis, and are considered to be current assets.

Capital Assets

Capital expenditures of land, buildings and equipment are carried at cost at date of acquisition. Gifts of capital assets are recorded at acquisition value at the date of donation. Depreciation is computed on a straight line basis over the estimated useful lives of buildings and building improvements (40 years), land improvements and infrastructure (10–40 years), library collection and software costs (10 years) and inventoried equipment (5–18 years). Land and construction in progress are not depreciated. The threshold for capitalizing buildings and infrastructure is \$25,000. Expenditures for maintenance, repairs and minor renewals and replacements are expensed as incurred; major renewals and replacements are capitalized if they meet the \$25,000 threshold. Construction in progress expense is capitalized as incurred. Equipment is capitalized if the cost exceeds \$5,000 and has a useful life of more than one year. All buildings are insured through the State of Alabama Property Insurance Fund.

Art collections and historical treasures are capitalized and valued at cost or acquisition value at the date of purchase or gift, respectively, but not depreciated. Collections are preserved and held for public exhibition, education and research.

Livestock is capitalized and valued at cost or acquisition value at the date of purchase or gift, respectively, but not depreciated. Annually, livestock inventories are adjusted to actual livestock counts, valued in various manners depending on the type and purpose of the livestock.

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, the University continues to evaluate prominent events or changes in circumstance to determine whether an impairment loss should be recorded and whether any insurance recoveries should be offset against the impairment loss. The University did not record any losses related to asset impairment during fiscal year 2020 or 2019.

Unearned Revenues

Unearned revenues include funds received in advance of an event, such as tuition and fees and advance ticket sales for athletic events. Net student tuition and fee revenues and housing revenues for the fall semester are recognized in the fiscal year in which the related revenues are earned. Ticket sale revenues for athletic events are recognized as the related games are played. Unearned revenues also consist of amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements. Amounts received from grant sponsors for which the only unmet term of the agreement is timing (i.e. funds may not be spent until a certain date) are classified as deferred inflows of resources in accordance with GASB Statement No. 65. All other unearned revenue is classified as a current liability. In fiscal year 2018, the University signed a long-term multi-year contract for dining services. The associated revenue is being amortized over the ten-year life of the contract on a straight-line basis. Unearned revenue includes the amounts received but not earned from the contract (see Note 13).

Classification of Revenues

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

- **Operating Revenues:** Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, most federal, state, local, private grants and contracts and federal appropriations, and interest on institutional student loans.
- **Nonoperating Revenues:** Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues. In accordance with GASB Statement No. 35, certain significant revenues on which the University relies to support its operational

mission are required to be recorded as nonoperating revenues. These revenues include state appropriations, private gifts, federal Pell grants and investment income, including realized and unrealized gains and losses on investments. In fiscal year 2020, these revenues also included federal and state funding through the CARES Act of 2020 in response to the global COVID-19 pandemic.

Student Tuition, Fees and Scholarship Discounts and Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances represent the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Scholarship allowances to students is calculated using the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is an algorithm that computes scholarship allowances on a university-wide basis rather than on an individual student basis.

Auxiliary Revenues

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

Grants and Contracts Revenues

The University receives sponsored funding from governmental and private sources. Revenues from these projects are recognized in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract. Pell grants are recorded as nonoperating revenues in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Compensated Absences

The University reports employees' accrued annual leave and sick leave at varying rates depending upon employee classification and length of service, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rates of pay up to a designated maximum number of days. GASB Statement No. 35 requires the amount of compensated absences that are due within one year of the fiscal year end to be classified as a current liability. Annually, University employees utilize vacation and sick leave in an amount greater than the compensated absence liability at September 30; therefore, the entire accrual is considered to be a current liability.

Donor Pledges

The University normally does not receive gift pledges. Pledged revenue representing unconditional promises to give is normally received by AUF or TUF and later disbursed in accordance with the donors' wishes for the benefit of the University. Pledges are recorded net of discounts.

(3) CASH AND CASH EQUIVALENTS

Cash consists of petty cash funds and demand deposits held in the name of the University. GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, defines custodial risk for deposits as “the risk that, in the event of a failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover securities which are in the possession of an outside party.”

Any depository of University funds must provide annual evidence of its continuing designation as a qualified public depository under the Security for Alabama Fund Enhancement Act (SAFE). Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public deposits on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a loss due to QPD insolvency or default, a claim would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. As a result, the University believes its custodial risk related to cash is remote. In addition, the standard Federal Deposit Insurance Corporation (FDIC) is \$250,000 per depositor, per insured bank, for each account ownership category.

Cash equivalents may consist of commercial paper, repurchase agreements, banker's acceptances, and money market accounts purchased with maturities at the date of acquisition of three months or less, whose use is not restricted for long-term purposes.

(4) INVESTMENTS

The Board is authorized to invest all available cash and is responsible for the management of the University's investments. The endowment funds and the Cash Pool assets are invested in accordance with policies established by the Board. The Board has engaged a custodian and professional investment managers to manage the investment of the endowment funds while maintaining centralized management of the Cash Pool. The University monitors these investments through an on-going review of investment strategy, performance, valuation, risk management practices and operational activities.

Preservation of capital is regarded as the highest priority in the investing of the Cash Pool. It is assumed that all investments will be suitable to be held to maturity. The University's investment portfolio is structured in such a manner to help ensure sufficient liquidity to pay obligations as they become due. The portfolio strives to provide a stable return consistent with investment policy. The Non-Endowment Cash Pool Investment Policy authorizes investments in the following: money market accounts, repurchase and reverse repurchase agreements,

banker's acceptances, commercial paper, certificates of deposit, municipals, U.S. Treasury obligations, U.S. Agency securities and mortgage-backed securities.

Bond proceeds are invested in accordance with the underlying bond agreements. The University's bond agreements generally permit bond proceeds and debt service funds to be invested in obligations in accordance with University policy in terms maturing on or before the date funds are expected to be required for expenditures or withdrawal. Certain bond indentures require the University to invest amounts held in certain construction funds, redemption funds and bond funds in federal securities or state, local and government series (SLGS) securities.

Diversification through asset allocation is utilized as a fundamental risk strategy for endowed funds. These strategic allocations represent a blend of assets best suited, over the long term, to achieve maximum returns without violating the risk parameters established by the Board. The Endowment Fund Investment Policy, approved May 13, 2020, authorizes investment of the endowment portfolio to include the following: cash and cash equivalents; global fixed income; global equity securities; global private capital; absolute return/hedge funds; and real assets, collectively referred to as the endowment pool.

The Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by the Legislature of the State of Alabama and signed into law effective January 1, 2009. UPMIFA prescribes guidelines for expenditure of donor-restricted endowment funds (in the absence of overriding, explicit donor stipulations). UPMIFA focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA includes a robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund.

The earnings distributions are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In order to conform to the standards for prudent fiduciary management of investments, the Board has adopted a spending plan whose long term objective is to maintain the purchasing power of each endowment and provide a predictable and sustainable level of income to support current operations. In the policy approved on May 13, 2020, spending for a given year equals 80% of spending in the previous year, adjusted for inflation (Consumer Price Index (CPI) within a range of 0.0% and 6.0%), plus 20% of the long-term spending rate (4.0%) applied to the twelve month rolling average of the market values. The net appreciation on endowments and funds functioning as endowments available for authorization for expenditure by the Board amounted to \$75,938,798 and \$72,318,643 at September 30, 2020 and 2019, respectively, and are recorded as restricted expendable net position.

Investment Risks

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, concentration of credit risk, and foreign currency risk. The following describes those risks:

- **Interest Rate Risk** – Interest rate or market risk is the potential for changes in the value of financial instruments due to interest rate changes in the market. Certain fixed maturity investments contain call provisions that could result in shorter maturity periods. As previously stated, it is the University's intent to hold all investments in the Cash Pool until maturity. The Board understands that in order to achieve its objectives, investments can experience fluctuations in fair value. Both the Endowment Fund Investment Policy and the Non-Endowment Cash Pool Investment Policy set forth allowable investments and allocations.

The following segmented time distribution tables provide information as of September 30, 2020 and 2019, covering the fair value of investments by investment type and related maturity:

Auburn University Investments					
Investment Maturities at Fair Value (in Years)					
September 30, 2020					
Types of Investments	< 1 year	1–5 years	6–10 years	> 10 years	Value
Fixed Maturity					
Certificates of Deposit	\$ —	\$ 4,262,591	\$ —	\$ —	\$ 4,262,591
U.S. Treasury Obligations	24,566,421	7,299,607	2,894,955	—	34,760,983
U.S. Agency Securities	100,107,412	668,203,404	264,798,194	—	1,033,109,010
Mortgage Backed Securities	—	899,228	7,054,604	—	7,953,832
Municipals	—	1,022,600	—	—	1,022,600
	<u>\$ 124,673,833</u>	<u>\$ 681,687,430</u>	<u>\$ 274,747,753</u>	<u>\$ —</u>	<u>\$ 1,081,109,016</u>
Global Equities					2,556,786
Alternative Investments					
Hedge Funds					81,045,598
Private Capital					33,589,730
Real Assets					27,127,347
Real Estate					740,750
Mutual Funds, Common Trust Funds and Business Trust Funds					122,708,272
Funds Held in Trust					3,433,610
Cash Surrender Value-Life Insurance					855,306
Money Market, Cash and Pooled Investments					362,105,975
Total investments					<u>1,715,272,390</u>
Less cash equivalents held in Cash Pool					(214,000,000)
Operating and noncurrent investments					<u>\$1,501,272,390</u>

Auburn University Investments					
Investment Maturities at Fair Value (in Years)					
September 30, 2019					
Types of Investments	< 1 year	1–5 years	6–10 years	> 10 years	Value
Fixed Maturity					
Certificates of Deposit	\$ —	\$ 514,841	\$ —	\$ —	\$ 514,841
U.S. Treasury Obligations	25,239,345	7,117,186	—	—	32,356,531
U.S. Agency Securities	92,571,990	519,944,977	108,436,460	—	720,953,427
Mortgage Backed Securities	—	1,539,211	8,805,586	—	10,344,797
Municipals	—	1,010,730	—	—	1,010,730
	<u>\$ 117,811,335</u>	<u>\$ 530,126,945</u>	<u>\$ 117,242,046</u>	<u>\$ —</u>	<u>\$ 765,180,326</u>
Global Equities					2,744,504
Alternative Investments					
Hedge Funds					82,303,404
Private Capital					26,058,457
Real Assets					27,933,906
Real Estate					740,750
Mutual Funds, Common Trust Funds and Business Trust Funds					123,522,726
Funds Held in Trust					3,578,142
Cash Surrender Value-Life Insurance					875,275
Money Market, Cash and Pooled Investments					372,197,056
Total investments					<u>1,405,134,546</u>
Less cash equivalents held in Cash Pool					(225,400,000)
Operating and noncurrent investments					<u>\$1,179,734,546</u>

- Custodial Credit Risk** – GASB Statement No. 40 defines investment custodial risk as “the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.” Although no formal policy has been adopted, the University requires its safekeeping agents to hold all securities in the University’s name for both the Cash Pool and the Endowment Pool. Certain limited partnership investments in Private Capital and Real Assets represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.
- Credit Quality Risk** – GASB Statement No. 40 defines credit quality risk as “the risk that an issuer or other counterparty to an investment will not fulfill its obligations” as they become due. The University’s Non-Endowment Cash Pool Investment Policy stipulates that commercial paper be rated at least P1 by Moody’s or A1 by Standard & Poor’s or a comparable rating by another nationally recognized rating agency. Banker’s acceptance should hold a long term debt rating of at least AA or short term debt rating of AAA (or comparable ratings) as provided by one of the nationally recognized rating agencies.

The following table provides information as of September 30, 2020 and 2019, concerning credit quality risk:

Auburn University Investments Ratings of Fixed Maturities				
Moody’s Rating	Fair Value	Fair Value as a % of Total Fixed Maturity Fair Value	Fair Value as a % of Total Fixed Maturity Fair Value	
			2020	2019
US Treasury	\$ 34,760,983	3.22 %	\$ 32,356,531	4.23 %
Aaa	1,041,062,842	96.30 %	731,298,224	95.57 %
Aa	1,022,600	0.09 %	1,010,730	0.13 %
Not rated*	4,262,591	0.39 %	514,841	0.07 %
	<u>\$ 1,081,109,016</u>	<u>100.00 %</u>	<u>\$ 765,180,326</u>	<u>100.00 %</u>

*Certificates of deposit are included in the "Not rated" category.

- Concentration of Credit Risk** – GASB Statement No. 40 defines concentration of credit risk as “the risk of loss attributed to the magnitude of a government’s investment in a single issuer.” The University Non-Endowment Cash Pool Investment Policy does not limit the aggregate amounts that can be invested in U.S. Treasury securities with the explicit guarantee of the U.S. Government or U.S. Agency securities that carry the implicit guarantee of the U.S. Government. As of September 30, 2020 and 2019, the University Cash Pool and the University Endowment Pool were in compliance with their respective policies.

The University Endowment Investment Policy provides for diversification by identifying asset allocation classes and ranges to provide reasonable assurance that no single security, or class of securities, will have a disproportionate impact on the performance of the total Endowment Pool.

- Foreign Currency Risk** – GASB Statement No. 40 defines foreign currency risk as “the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.” No formal University policy has been adopted addressing foreign currency risk. As of September 30, 2020 and 2019, the University held no investments in foreign currency.

Securities Lending Program

As of September 30, 2020 and 2019, there was no participation in any securities lending program.

Interest Sensitive Securities

As of September 30, 2020, the University held investments totaling \$7,953,833 in mortgage-backed securities. As of September 30, 2019, the University held investments in mortgage-backed securities totaling \$10,344,797. As of September 30, 2020 and 2019 the University held no investments in asset-backed securities. The mortgage-backed investments have embedded prepayment options that are expected to fluctuate with interest rate changes. Generally, this variance presents itself in variable repayment amounts, uncertain early or extended payments.

Certain fixed maturity investments have call provisions that could result in shorter maturity periods. However, it is the intent that the Cash Pool fixed maturity investments be held to maturity; therefore, the fixed maturity investments are classified in the above table as if they were held to maturity. As of September 30, 2020 and 2019, the Cash Pool held \$377,831,541 and \$171,311,180, representing 22.03% and 12.19%, respectively, of total investments in continuously callable fixed maturity investments. The University investment policies do not restrict the purchase of mortgage-backed securities, asset-backed securities, or bonds with call provisions.

The University owns shares in mutual funds, common trust funds, and business trust funds. These funds are invested in global marketable securities, commodities and global debt securities. The University owns limited partnership interests in several non-registered investment partnerships and interests in

a limited liability company. The goal of the limited partnerships and limited liability company is to invest in readily marketable securities, privately held companies and properties within different industry sectors. At investment inception, the University enters into a separate subscription agreement with a capital commitment to each limited partnership.

On September 30, 2020 and 2019, the University was not a party in any swap or other derivative contracts.

The table entitled, "Auburn University Investments, Investment Maturities at Fair Value (in Years)," includes funds held for pending capital expenditures at September 30, 2020, as follows: \$298,523,227, 2020C General Fee Bond proceeds and \$210,406,360, 2018A General Fee Bond proceeds, and \$27,383,052, Deferred Maintenance Building Fund. The General Liability Account holds investments of \$5,730,339.

At September 30, 2019, funds held for pending capital expenditures were as follows: \$217,395,859, 2018A General Fee Bond proceeds, and \$24,434,545, Deferred Maintenance Building Fund. The General Liability Account held investments of \$5,679,697.

The University carries its limited partnership investments at estimated fair value as determined by the fund manager or general partner. The University records its initial investment and subsequent contributions at cost and adjusts for its share of income/appreciation, losses/depreciation, and distributions

received from the investments. The University believes that the carrying amount of these investments using NAV is a reasonable estimate of fair value as of September 30, 2020 and 2019. Because these investments are not readily marketable, the estimated value is subject to uncertainty, and therefore may differ from the value that would have been used had a ready market for the investments existed and such difference could be material. These investments are made in accordance with the University's investment policy that approves the allocation of funds to various asset classes (i.e., global equity, private capital, hedge funds, real assets, global fixed income, and cash) in order to ensure the proper level of diversification within the endowment pool. Investments in limited partnerships (private equity, hedge funds, and real assets) are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated by the general partner of each limited partnership using various valuation techniques.

GASB Statement No. 72 establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. At September 30, 2020 and 2019, the fair value of the University's investments based on the inputs used to value them is summarized in the tables below. Note that the Money Market, Cash Surrender Value of Life Insurance, and Investments, measured using the NAV, are presented in these tables to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying Statements of Net Position.



Auburn University Investments
Investments at Fair Value
September 30, 2020

Types of Investments	Total Fair Value	Level 1	Level 2	Level 3
Cash and Pooled Investments	\$ 5,133,594	\$ 5,133,594	\$ —	\$ —
Fixed Maturity	1,081,109,016	512,591	1,080,596,425	—
Global Equities	2,556,786	2,556,786	—	—
Real Estate	740,750	—	—	740,750
Mutual Funds	71,579,974	71,579,974	—	—
Total investments in the fair value hierarchy	<u>\$ 1,161,120,120</u>	<u>\$ 79,782,945</u>	<u>\$ 1,080,596,425</u>	<u>\$ 740,750</u>
Investments measured at NAV	196,324,583			
Money Market	142,972,381			
Cash Surrender Value-Life Insurance	855,306			
Operating and noncurrent investments	<u>\$ 1,501,272,390</u>			

Auburn University Investments
Investments at Fair Value
September 30, 2019

Types of Investments	Total Fair Value	Level 1	Level 2	Level 3
Cash and Pooled Investments	\$ 4,572,434	\$ 4,572,434	\$ —	\$ —
Fixed Maturity	765,180,326	514,841	764,665,485	—
Global Equities	2,744,504	2,744,504	—	—
Real Estate	740,750	—	—	740,750
Mutual Funds	72,753,921	72,753,921	—	—
Total investments in the fair value hierarchy	<u>\$ 845,991,935</u>	<u>\$ 80,585,700</u>	<u>\$ 764,665,485</u>	<u>\$ 740,750</u>
Investments measured at NAV	190,642,714			
Money Market	142,224,622			
Cash Surrender Value-Life Insurance	875,275			
Operating and noncurrent investments	<u>\$ 1,179,734,546</u>			

Investments categorized as Level 1 are valued using prices quoted in active markets. Fixed income securities categorized as Level 2 represent investments valued using a matrix pricing technique from a pricing service, which values debt securities

based on their relationship to a benchmark and the relative spread to that benchmark. Real estate categorized as Level 3 is valued from periodic valuations prepared by independent appraisers or property tax valuation.

Liquidity Disclosures for Investments Measured Using Net Asset Value as of September 30, 2020

Description	Fair Value	Unfunded Commitments	Remaining Life	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Remaining Restriction
Investments Measured Using Net Asset Value:						
Funds Held in Trust	\$ 3,433,610	\$ —	N/A	Daily	3 business days	N/A
Global Bond Fund	12,508,674	—	N/A	Semi-Monthly	5 business days	N/A
Business Trust Funds and Common Trust Funds	30,224,084	—	N/A	Monthly	6-10 business days	N/A
Emerging Markets Equity Fund	8,395,540	—	N/A	Monthly	7 calendar days	N/A
Global Equity Hedge Fund	38,091,750	—	N/A	Quarterly	60 days	N/A
Global Long/Short Hedge Funds	18,360,436	—	N/A	Quarterly, Semi-Annually	45 - 60 days	N/A
Absolute Return Hedge Funds	24,593,412	—	N/A	Quarterly, Annually, Biennially	60 - 90 days	N/A
Private Equity Funds	33,589,730	31,133,435	None - 14 yrs	Illiquid	Illiquid	N/A
Real Asset Investment Funds	27,127,347	17,396,072	1 - 10 yrs	Monthly or Illiquid	15 days, Illiquid	N/A
Total	<u>\$196,324,583</u>	<u>\$ 48,529,507</u>				
Investments Measured Using Level 3 inputs:						
Real Estate	\$ 740,750	—	N/A	Illiquid	Illiquid	N/A

Liquidity Disclosures for Investments Measured Using Net Asset Value as of September 30, 2019

Description	Fair Value	Unfunded Commitments	Remaining Life	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	Remaining Restriction
Investments Measured Using Net Asset Value:						
Funds Held in Trust	\$ 3,578,142	\$ —	N/A	Daily	3 business days	N/A
Global Bond Fund	\$ 12,392,419	—	N/A	Semi-Monthly	5 business days	N/A
Business Trust Funds and Common Trust Funds	\$ 38,376,386	—	N/A	Monthly	6-10 business days	N/A
Global Equity Hedge Fund	\$ 34,388,641	—	N/A	Quarterly	60 days	N/A
Global Long/Short Hedge Funds	\$ 18,962,313	—	N/A	Quarterly, Semi-Annually	45 - 60 days	N/A
Absolute Return Hedge Funds	\$ 28,952,450	—	N/A	Quarterly, Annually	60 - 90 days	N/A
Private Equity Funds	\$ 26,058,457	29,188,067	8 mos.-13 yrs.	Illiquid	Illiquid	N/A
Real Asset Investment Funds	\$ 27,933,906	19,460,365	3-10 yrs.	Monthly or Illiquid	15 days, Illiquid	N/A
Total	<u>\$190,642,714</u>	<u>\$ 48,648,432</u>				
Investments Measured Using Level 3 inputs:						
Real Estate	\$ 740,750	—	N/A	Illiquid	Illiquid	N/A

Funds held in trust represent a foundation with the University as the named beneficiary (see Note 5).

The global bond fund includes investments in a globally diversified portfolio of primarily debt or debt-like securities. The fund invests in government debt securities.

The business trust funds and common trust funds include investments in international and emerging markets equity securities, investment grade credit securities, mortgage-backed securities and government securities. Exposure by market is approximately 1% domestic, 63% developed international and 36% emerging markets.

The emerging markets equity fund includes investments in emerging markets equity securities. The fund invests, directly or indirectly through one or more other pooled investment vehicles, in equities and equity derivatives of issuers operating in emerging markets.

The global equity hedge fund includes investments in long/short equities. Long exposure ranges from 140-170%, while short exposure ranges from 40-70%. Management of the hedge fund's stated process is a risk-controlled, industry-neutral, analyst-driven approach to large cap equity investing.

Global long/short hedge funds include investments primarily in U.S. equities, with some international exposure. These funds are invested in various sectors including consumer, healthcare, technology, media, telecom, financials, industrials, and materials.

AUF holds endowments and distributes earnings from those endowments to the University. AUF investments at September 30, 2020 and 2019, include the following:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and pooled investments	\$ 17,472,255	\$ 17,472,255	\$ 12,158,083	\$ 12,158,083
Government bonds, notes and other securities	51,090,298	45,162,313	46,388,708	41,245,356
Mutual funds, business trust funds, and common trust funds	248,335,193	195,596,694	257,556,297	210,205,633
Emerging markets equity fund	15,872,937	15,850,998	—	—
Other investments	2,907,323	2,725,075	2,725,075	2,725,075
Hedge funds	167,486,063	88,098,069	160,256,730	88,147,671
Private equity funds	65,752,113	51,812,330	47,533,202	39,554,831
Real asset investment funds	50,630,290	53,844,893	50,863,909	46,540,050
Total investments	<u>\$ 619,546,472</u>	<u>\$ 470,562,627</u>	<u>\$ 577,482,004</u>	<u>\$ 440,576,699</u>

Investments are made in accordance with AUF's investment policy that approves the allocation of funds to various asset classes in order to ensure the proper level of diversification within the endowment pool. Investments in hedge, private equity and real asset funds are designed to enhance diversification and provide reductions in overall portfolio volatility. Other investments consist of deeded mineral rights, structured notes, and closely held stock with sale restrictions.

For certain investments at inception, AUF enters into a separate agreement with a capital commitment. As of September 30, 2020, AUF had entered into subscription agreements with sixty-nine limited partnership investments. The aggregate amount of capital committed to these investments is \$345,360,589 of

Absolute return hedge funds include investments in multiple strategies to diversify risk and reduce volatility, including but not limited to event-driven, arbitrage, distressed debt, and special situations.

Private equity funds predominantly consist of limited partnership funds that invest in private equity, venture capital, distressed opportunities, natural resources and real estate.

Real asset investment funds include limited partnership investments in commercial and residential real estate and land, natural resources, and commodities.

Under the terms of these private equity and real asset investment agreements, the University is obligated to remit additional funding periodically as capital calls are exercised. Depending on market conditions, the ability or inability of a fund to execute its strategy and other factors, the fund may request an extension of terms beyond its originally anticipated existence or may liquidate the fund prematurely. The University cannot anticipate such changes, because they are based on unforeseen events. These investments cannot be redeemed at NAV; however, periodic distributions may be made to the University at the managers' discretion as underlying portfolio assets are liquidated.

Real estate includes land in Birmingham, Alabama and Washington, D.C. The land in Birmingham is an undeveloped lot that is listed for sale. The land in Washington, D.C. is subject to a building lease ending in 2145.

which capital contributions of \$245,436,279 have been invested. A cumulative net unrealized gain of \$90,113,174 has been recorded on these investments. Of these sixty-nine commitments, thirteen subscriptions relate to hedge funds, thirty-five subscriptions relate to private equity funds, and twenty-one subscriptions relate to real asset funds.

(5) FUNDS HELD IN TRUST

In addition to permanently restricted endowments carried on the University's financial statements, the University is the beneficiary of income earned on a number of endowments held by AUF. The cost of these funds was \$417,051,312 and \$393,195,041 and the market value was \$562,662,081 and

\$527,118,936 at September 30, 2020 and 2019, respectively. The portion of endowment income received by the University from these funds was \$18,331,043 and \$16,741,550 for the fiscal years ended September 30, 2020 and 2019, respectively.

Endowment earnings are distributed annually, based on the AUF endowment distribution spending rate. These amounts are reported as investment income on the Statements of Revenues, Expenses and Changes in Net Position.

In addition, the University has been named as a beneficiary of a foundation with investments having a cost of \$2,522,126 and

\$2,575,411 and a market value of \$3,433,610 and \$3,578,142 at September 30, 2020 and 2019, respectively.

The University is the beneficiary of the income earned on two additional trusts. The cost of investments held by these trusts was \$753,000 as of September 30, 2020 and 2019. The income received from the two trusts was \$80,763 and \$61,020 for the fiscal years ended September 30, 2020 and 2019, respectively.

(6) ACCOUNTS RECEIVABLE

Accounts receivable and the allowances for doubtful accounts at September 30, 2020 and 2019, are summarized as follows:

	2020	2019
NONSTUDENT ACCOUNTS RECEIVABLE		
Federal, state & local government, and other restricted expendable	\$ 32,966,434	\$ 32,706,731
Less allowance for doubtful accounts	(1,928,610)	(1,820,302)
Pledged receivables	524,171	526,897
General	19,347,006	23,004,093
Less allowance for doubtful accounts	(13,084,144)	(12,929,942)
Auxiliary	10,018,933	21,379,732
Capital gifts and grants	3,095,448	1,180,756
Total nonstudent accounts receivable	<u>\$ 50,939,238</u>	<u>\$ 64,047,965</u>
STUDENT ACCOUNTS RECEIVABLE		
Unrestricted general	\$ 47,023,159	\$ 46,469,008
Less allowance for doubtful accounts	(2,006,058)	(1,778,779)
Unrestricted auxiliary	4,564,766	4,423,499
Less allowance for doubtful accounts	(388,506)	(373,811)
Total student accounts receivable	<u>\$ 49,193,361</u>	<u>\$ 48,739,917</u>



(7) CAPITAL ASSETS

Capital assets at September 30, 2020 and 2019, are summarized as follows (dollars in thousands):

	September 30, 2019	Additions/Transfers	Deletions/Transfers	September 30, 2020
Capital assets not being depreciated				
Land	\$ 39,476	\$ 675	\$ (10)	\$ 40,141
Art & collectibles	13,522	78	(1)	13,599
Construction in progress	68,372	161,421	(120,711)	109,082
Livestock	2,642	3,459	(3,575)	2,526
Other non-current assets	299	1	—	300
Total capital assets not being depreciated	124,311	165,634	(124,297)	165,648
Capital assets being depreciated				
Land improvements	150,400	30,402	—	180,802
Buildings	2,104,694	48,902	(35)	2,153,561
Equipment	271,387	30,105	(4,715)	296,777
Infrastructure	264,820	7,593	(47)	272,366
Library books	197,950	—	(31)	197,919
Software system implementation	15,709	307	—	16,016
Total capital assets being depreciated	3,004,960	117,309	(4,828)	3,117,441
Less accumulated depreciation for				
Land improvements	78,455	8,154	—	86,609
Buildings	625,110	50,884	(35)	675,959
Equipment	182,611	18,051	(4,569)	196,093
Infrastructure	111,909	10,579	(47)	122,441
Library books	174,828	4,819	(31)	179,616
Software system implementation	14,306	329	—	14,635
Total accumulated depreciation	1,187,219	92,816	(4,682)	1,275,353
Total capital assets being depreciated, net	1,817,741	24,493	(146)	1,842,088
Capital assets, net	\$ 1,942,052	\$ 190,127	\$ (124,443)	\$ 2,007,736

Capital assets at September 30, 2019 and 2018, are summarized as follows (dollars in thousands):

	September 30, 2018	Additions/Transfers	Deletions/Transfers	September 30, 2019
Capital assets not being depreciated				
Land	\$ 39,051	\$ 425	\$ —	\$ 39,476
Art & collectibles	12,547	1,049	(74)	13,522
Construction in progress	139,101	218,889	(289,618)	68,372
Livestock	2,613	1,044	(1,015)	2,642
Other non-current assets	1,209	73	(983)	299
Total capital assets not being depreciated	194,521	221,480	(291,690)	124,311
Capital assets being depreciated				
Land improvements	132,062	18,338	—	150,400
Buildings	1,896,896	211,079	(3,281)	2,104,694
Equipment	253,791	23,936	(6,340)	271,387
Infrastructure	236,704	28,314	(198)	264,820
Library books	197,579	440	(69)	197,950
Software system implementation	15,709	—	—	15,709
Total capital assets being depreciated	2,732,741	282,107	(9,888)	3,004,960
Less accumulated depreciation for				
Land improvements	71,948	6,507	—	78,455
Buildings	587,025	41,253	(3,168)	625,110
Equipment	171,623	16,803	(5,815)	182,611
Infrastructure	103,419	8,592	(102)	111,909
Library books	169,504	5,393	(69)	174,828
Software system implementation	13,880	426	—	14,306
Total accumulated depreciation	1,117,399	78,974	(9,154)	1,187,219
Total capital assets being depreciated, net	1,615,342	203,133	(734)	1,817,741
Capital assets, net	\$ 1,809,863	\$ 424,613	\$ (292,424)	\$ 1,942,052

During the fiscal years ended September 30, 2020 and 2019, the University did not receive any construction funding from the State of Alabama.

(8) DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources are a consumption of net position that are applicable to a future reporting period. In 2010, 2012, 2014, 2015, 2016, and 2020, the University defeased certain outstanding bonds. These refundings resulted in a loss (the difference between the acquisition price of the new debt and the net carrying amount of the old debt). In accordance with GASB Statements No. 63 and No. 65, this loss is presented as a deferred outflow of resources that is amortized over the life of the old or new bonds, whichever is shorter. The University is

amortizing each of the deferred losses presented below over the life of the defeased bonds. Additionally, in accordance with GASB Statement No. 68 and GASB Statement No. 75, changes in assumptions, changes in the proportion of total net liabilities relative to other plan participants, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date of the net pension liability but prior to the end of the fiscal year are presented as a deferred outflow of resources.

The components of deferred outflows of resources are summarized below.

	September 30, 2020	September 30, 2019
Loss on refunding		
2009 General Fee refunding	\$ —	\$ 943,037
2012A General Fee refunding	139,752	3,053,541
2012B General Fee refunding	99,125	134,309
2014A General Fee refunding	2,453,364	2,866,962
2015A General Fee refunding	6,368,921	7,062,107
2015B General Fee refunding	2,572,779	2,887,887
2016A General Fee refunding	22,988,339	25,002,229
2020A General Fee refunding	830,306	—
2020B General Fee refunding	3,751,681	—
Pension and OPEB	198,626,259	206,358,119
Total deferred outflows of resources	<u>\$ 237,830,526</u>	<u>\$ 248,308,191</u>





(9) LONG-TERM DEBT

Bonds, notes and lease obligations are collateralized by certain real estate, equipment and pledged revenues (See Note 10).

Bonds and notes payable	Balance at September 30, 2019	Principal New Debt	Repayment	Balance at September 30, 2020
2001A Athletic Revenue Bonds, \$24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	\$ 2,839,184	\$ —	\$ (1,462,709)	\$ 1,376,475
2009 General Fee Revenue Bonds, \$79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	46,245,000	—	(46,245,000)	—
2011A General Fee Revenue Bonds, \$226,035,000 face value, 4.0% to 5.0%, due annually 2025.	30,895,000	—	(25,355,000)	5,540,000
2012A General Fee Revenue Bonds, \$120,135,000 face value, 2.0% to 5.0%, due annually through 2042.	87,690,000	—	(80,710,000)	6,980,000
2012B General Fee Revenue Bonds, \$3,505,000 face value, 2.9%, due annually through 2024.	3,060,000	—	(70,000)	2,990,000
2014A General Fee Revenue Bonds, \$66,415,000 face value, 2.0% to 5.0%, due annually through 2035.	62,580,000	—	(1,595,000)	60,985,000
2015A General Fee Revenue Bonds, \$116,190,000 face value, 2.0% to 5.0%, due annually through 2038.	109,940,000	—	(4,530,000)	105,410,000
2015B General Fee Revenue Bonds, \$38,700,000 face value, 2.0% to 5.0%, due annually through 2035.	38,055,000	—	(185,000)	37,870,000
2016A General Fee Revenue Bonds, \$217,930,000 face value, 1.5% to 5.0%, due annually through 2041.	210,195,000	—	(2,700,000)	207,495,000
2018A General Fee Revenue Bonds, \$216,865,000 face value, 2.0% to 5.0%, due annually through 2048.	212,475,000	—	(3,435,000)	209,040,000
2020A General Fee Revenue Bonds, \$35,560,000 face value, 5.0%, due annually from 2021 through 2026.	—	35,560,000	—	35,560,000
2020B General Fee Revenue Bonds, \$104,770,000 face value, 1.491% to 2.763%, due annually from 2021 through 2042.	—	104,770,000	—	104,770,000
2020C General Fee Revenue Bonds, \$300,000,000 face value, 0.447% to 2.681%, due annually from 2022 through 2050.	—	300,000,000	—	300,000,000
Notes payable	3,125,000	—	—	3,125,000
Total bonds and notes payable	<u>807,099,184</u>	<u>440,330,000</u>	<u>(166,287,709)</u>	<u>1,081,141,475</u>
Plus: unamortized bond premium	<u>77,599,350</u>	<u>5,440,553</u>	<u>(15,300,284)</u>	<u>67,739,619</u>
	<u>884,698,534</u>	<u>\$ 445,770,553</u>	<u>\$ (181,587,993)</u>	<u>1,148,881,094</u>
Less: current portion				
Bonds payable	(28,657,709)			(30,926,475)
Unamortized bond premium	(7,655,417)			(7,519,766)
Total noncurrent bonds and notes payable	<u>\$ 848,385,408</u>			<u>\$ 1,110,434,853</u>

Bonds and notes payable	Balance at September 30, 2018	Principal New Debt	Repayment	Balance at September 30, 2019
1978 Auburn University at Montgomery Dormitory Revenue Bonds, \$3,279,000 face value, 3.0%, due annually through 2019, a reserve of \$148,141 and a \$139,992 contingency fund.	\$ 140,000	\$ —	\$ (140,000)	\$ —
2001A Athletic Revenue Bonds, \$24,412,607 face value, 2.125% to 5.49%, due annually through 2021.	4,393,307	—	(1,554,123)	2,839,184
2008 General Fee Revenue Bonds, \$92,500,000 face value, 3.0% to 5.0%, due annually through 2019.	2,340,000	—	(2,340,000)	—
2009 General Fee Revenue Bonds, \$79,500,000 face value, 2.0% to 5.0%, due annually through 2026.	51,715,000	—	(5,470,000)	46,245,000
2011A General Fee Revenue Bonds, \$226,035,000 face value, 4.0% to 5.0%, due annually 2025.	35,920,000	—	(5,025,000)	30,895,000
2012A General Fee Revenue Bonds, \$120,135,000 face value, 2.0% to 5.0%, due annually through 2042.	91,175,000	—	(3,485,000)	87,690,000
2012B General Fee Revenue Bonds, \$3,505,000 face value, 2.9%, due annually through 2024.	3,130,000	—	(70,000)	3,060,000
2014A General Fee Revenue Bonds, \$66,415,000 face value, 2.0% to 5.0%, due annually through 2035.	64,120,000	—	(1,540,000)	62,580,000
2015A General Fee Revenue Bonds, \$116,190,000 face value, 2.0% to 5.0%, due annually through 2038.	114,295,000	—	(4,355,000)	109,940,000
2015B General Fee Revenue Bonds, \$38,700,000 face value, 2.0% to 5.0%, due annually through 2035.	38,235,000	—	(180,000)	38,055,000
2016A General Fee Revenue Bonds, \$217,930,000 face value, 1.5% to 5.0%, due annually through 2041.	210,720,000	—	(525,000)	210,195,000
2018A General Fee Revenue Bonds, \$216,865,000 face value, 2.0% to 5.0%, due annually from 2019 through 2048.	216,865,000	—	(4,390,000)	212,475,000
Notes payable	3,125,000	—	—	3,125,000
Total bonds and notes payable	836,173,307	—	(29,074,123)	807,099,184
Plus: unamortized bond premium	85,655,629	—	(8,056,279)	77,599,350
	921,828,936	\$ —	\$ (37,130,402)	884,698,534
Less: current portion				
Bonds payable	(29,074,123)			(28,657,709)
Unamortized bond premium	(8,056,280)			(7,655,417)
Total noncurrent bonds and notes payable	\$ 884,698,533			\$ 848,385,408

On July 10, 2018, the University issued the 2018A General Fee Bonds with a par value of \$216,865,000 and interest rates ranging from 2.0% to 5.0% to finance certain capital improvements on the University's main campus.

The University has outstanding bonds payable and notes from direct borrowings totaling \$1,078,016,475 and \$3,125,000 and \$803,974,184 and \$3,125,000 at September 30, 2020 and 2019, respectively. The University's bonds have acceleration provisions in the event of default that the Bond Trustee may, by written notice to the University, declare the principal of and the interest accrued on all the Bonds due and payable immediately or the Trustee has the right of mandamus or other lawful remedy in court. The University's outstanding note from a direct borrowing contains a provision that in the event of default, the outstanding amount will become immediately due, and the interest rate of 0.54% annually will immediately escalate to the federal short-term rate.

On September 13, 2019, the Board authorized the University to issue revenue bonds for the purpose of refunding any or all of its outstanding bonds in an effort to manage the University's refunding opportunities in the most efficient manner possible, and to permit the University to take advantage of changing market conditions.

On March 18, 2020, \$35,560,000 in General Fee Bonds (2020A) with an interest rate of 5.0% were issued to refund \$40,500,000 of the University's outstanding 2009A General Fee bonds maturing in 2021 and thereafter with interest rates ranging from 3.875% to 5.0%. The portion of the net proceeds of the new bond issue to be used for refunding was deposited in an irrevocable trust with an escrow agent and used to purchase U.S. Government securities, which will provide sufficient funds to pay all future debt service payments on the previously outstanding bonds. As a result, the previously outstanding bonds are considered to be defeased and the liability for those bonds has been removed.

from the University's financial statements. This refunding resulted in the University recognizing a loss of \$1,116,135 for the difference between the acquisition price of the new debt and the carrying amount of the old debt. Although the University recognized an accounting loss, the refunding decreases the University's total debt service payments over the next 6 years by \$4,579,554 and resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new bonds) for the University of \$4,530,933.

On March 18, 2020, \$104,770,000 in General Fee Bonds (2020B) with interest rates ranging from 1.49% to 2.763% were issued to refund \$20,080,000 of the University's outstanding 2011A General Fee bonds maturing in 2022 and thereafter with interest rates ranging from 4.0% to 5.0% and \$77,050,000 of its outstanding 2012A General Fee bonds maturing in 2023 and thereafter with an interest rate of 5.0%. The portion of the net proceeds of the new bond issue to be used for refunding was deposited in an irrevocable trust with an escrow agent and used to purchase U.S. Government securities which will provide sufficient funds to pay all future debt service payments on the previously outstanding bonds. As a result, the previously outstanding bonds are considered to be defeased and the liability for those bonds has been removed from the University's financial statements. This refunding resulted in the University recognizing a loss of \$4,409,489 for the difference between the acquisition price of the new debt and the carrying amount of the old debt. Although the University recognized an accounting loss, the refunding decreases the University's total debt service payments over the next 22 years by \$41,593,407 and resulted in an economic gain (the difference between the present values of the debt service payments on the old and the new bonds) for the University of \$37,677,059.

On July 29, 2020, the University issued the 2020C General Fee Bonds with a par value of \$300,000,000 and interest rates ranging from 0.447% to 2.681% to finance certain capital improvements on the University's main campus.

Future Debt Service

Future debt service payments for each of the five fiscal years subsequent to September 30, 2020 and thereafter, are as follows:

Year Ending September 30	Bonds Payable	
	Principal	Interest
2021	\$ 30,926,475	\$ 40,913,898
2022	39,050,000	38,039,758
2023	40,345,000	36,786,432
2024	41,710,000	35,581,077
2025	42,710,000	34,243,967
2026-2030	208,425,000	148,428,048
2031-2035	234,085,000	108,720,521
2036-2040	208,210,000	65,161,136
2041-2045	127,110,000	32,145,015
2046-2050	105,445,000	9,385,387
Total future debt service	\$ 1,078,016,475	\$ 549,405,239

This table excludes the note payable of \$3,125,000, as it becomes due upon an event trigger, and not a time certain.

Capital Lease Obligations

During August 2017, the University entered into a lease agreement for the Auburn University Educational Complex with the Public Educational Building Authority of the City of Gulf Shores, Alabama (PEBA) in which the University's annual payments are equal to the PEBA's annual bond payments. According to the terms of the agreement, the University will lease the property, currently owned by PEBA, until July 1, 2047, or such time as all of the Bonds and the fees and expenses of PEBA and the Trustee have been fully paid or provision made for such payments. The University will have the right to purchase the property from PEBA at any time during the term of the agreement after or simultaneously with payment or provision for payment in full of the principal of and the interest on the Bonds and all fees, charges and disbursements of the Trustee. The lease payments are paid from the General Fee Revenues of the University. The leased properties are recorded as capital assets and are being depreciated on a straight-line basis over a 40 year life. In addition, the University leases certain equipment under arrangements classified as capital leases.

Lease Obligations	Balance at September 30, 2019	New Lease Obligations	Principal Repayment	Balance at September 30, 2020
Equipment	\$ 3,215,881	\$ 44,621	\$ (1,225,156)	\$ 2,035,346
Auburn University Educational Complex	9,650,000	—	(190,000)	9,460,000
Total lease obligations	<u>\$ 12,865,881</u>	<u>\$ 44,621</u>	<u>\$ (1,415,156)</u>	<u>\$ 11,495,346</u>
Plus: Unamortized premium	709,929	—	(56,012)	653,917
	13,575,810	44,621	(1,471,168)	12,149,263
Less: Current portion				
Lease payable	(1,088,456)			(721,935)
Unamortized premium	(56,012)			(51,690)
Total noncurrent lease obligation	<u>\$ 12,431,342</u>			<u>\$ 11,375,638</u>

Lease Obligations	Balance at September 30, 2018	New Lease Obligations	Principal Repayment	Balance at September 30, 2019
Equipment	\$ 320,532	\$ 3,799,044	\$ (903,695)	\$ 3,215,881
Auburn University Educational Complex	9,835,000	—	(185,000)	9,650,000
Total lease obligations	<u>\$ 10,155,532</u>	<u>\$ 3,799,044</u>	<u>\$ (1,088,695)</u>	<u>\$ 12,865,881</u>
Plus: Unamortized premium	499,781	414,577	(204,429)	709,929
	10,655,313	4,213,621	(1,293,124)	13,575,810
Less: Current portion				
Lease payable	(366,450)			(1,088,456)
Unamortized premium	(39,917)			(56,012)
Total noncurrent lease obligation	<u>\$ 10,248,946</u>			<u>\$ 12,431,342</u>

Minimum lease payments under capital leases are shown in the table below:

Year Ending September 30	Principal	Interest	Total
2021	\$ 721,935	\$ 442,684	\$ 1,164,619
2022	963,792	442,752	1,406,544
2023	944,619	423,239	1,367,858
2024	210,000	398,700	608,700
2025	220,000	390,300	610,300
2026-2030	1,245,000	1,798,250	3,043,250
2031-2035	1,580,000	1,457,500	3,037,500
2036-2040	1,970,000	1,067,100	3,037,100
2041-2045	2,490,000	551,450	3,041,450
2046-2049	1,150,000	69,400	1,219,400
Total future minimum lease payments	<u>\$ 11,495,346</u>	<u>\$ 7,041,375</u>	<u>\$ 18,536,721</u>

The University has entered into various operating leases for equipment. It is expected that, in the normal course of business, such leases will continue to be required. Net expenditures for rentals under operating leases for the years

ended September 30, 2020 and 2019, amounted to approximately \$6.1 million and \$5.9 million, respectively.

(10) PLEDGED REVENUES

Pledged revenue for 2020 and 2019 as defined by the Series 2008, 2009, 2011A, 2012A, 2012B, 2014A, 2015A, 2015B, 2016A, 2018A, 2020A, 2020B, and 2020C General Fee Revenue Trust Indentures is as follows:

	2020	2019
Student fees collected	\$ 610,275,591	\$ 589,344,065
Less fees pledged for specific purposes:		
Athletic fees (\$101/\$98 per student per semester)	(6,274,415)	(5,909,507)
Transit fees (\$166/\$161 per semester)	(7,942,240)	(9,243,301)
Student center operations (\$9/\$8 per student per semester)	(517,912)	(773,152)
Total general fees pledged	<u>\$ 595,541,024</u>	<u>\$ 573,418,105</u>

The Series 2011A Bonds expanded the definition of pledged revenues. "General Fees" pledged to secure the Series 2011A Bonds and all other Parity Bonds now or hereafter outstanding under the General Fee Revenue Indenture will include the general fees levied against the University's

students at both the main campus and AUM. "Housing Revenues" pledged to secure the Series 2011A Bonds and all other Parity Bonds now or hereafter outstanding under the General Fee Revenue Indenture will include the University's

housing and dining revenues from the operation of housing and dining facilities on both the main campus and AUM.

The pledge of housing and dining revenues under the General Fee Revenue Indenture is subordinate in all respects to the

University's prior pledge of certain dormitory revenues at AUM to secure payment of the 1978 Dormitory Revenue Bonds.

AUM housing and dining revenue pledged for 2020 and 2019 subordinate to prior pledges of such revenues as defined by the **Series 2011A General Fee Revenue Trust Indenture** is as follows:

	2020	2019
AUM housing revenues		
Room rental	\$ 5,886,966	\$ 7,161,870
Other income	148,366	255,992
Total housing	6,035,332	7,417,862
AUM dining revenue	1,074,163	2,368,846
Total AUM housing and dining revenues pledged	<u>\$ 7,109,495</u>	<u>\$ 9,786,708</u>

The pledge of athletic program revenues was added to the General Fee Trust Indenture contemporaneously with the issuance of the Series 2008 Bonds and collateralizes, on a parity basis, all bonds now or hereafter issued under the General Fee Revenue Indenture.

Athletic program revenues pledged to the 2008 General Fee Revenue Bonds are subordinate to the athletic program revenues previously pledged to the Athletic Bonds as described in the following chart.

Pledged revenue for 2020 and 2019 as defined by the **Series 2001A Athletic Revenue Trust Indenture** is as follows:

	2020	2019
Jordan-Hare and other revenues:		
Television and broadcast revenues	\$ 36,960,000	\$ 40,022,009
Conference and NCAA distributions	5,810,674	12,808,859
Sales and services revenues	30,852,035	27,451,637
Student fees	6,274,415	5,909,507
Royalties, advertisements and sponsorships	9,658,649	9,667,679
Other income	13,848,793	13,275,560
Total athletic revenues pledged	<u>\$ 103,404,566</u>	<u>\$ 109,135,251</u>

The Series 2001A Athletic Revenue Bonds are collateralized by a first priority pledge of the athletic program revenues that is senior to, and has priority in all respects over, the subordinate pledge of the athletic program revenues that was added to the General Fee Trust Indenture concurrently with the issuance of the Series 2008 Bonds.

The pledge of housing and dining revenues was added to the General Fee Trust Indenture, contemporaneously with the issuance of the University's General Fee Revenue Bonds, Series 2007A and collateralizes, on a parity basis, all bonds now or hereafter issued under the General Fee Revenue Indenture.

The following summary shows the pledged revenues and related expenses and transfers from operations of the West Dormitories of AUM for the years ended September 30, 2020 and 2019, as defined by the **1978 Auburn University at Montgomery Trust Indenture**:

	2020	2019
Revenues:		
Room rental	\$ 1,133,821	\$ 1,496,591
Other income	165,236	78,914
Total revenues	<u>1,299,057</u>	<u>1,575,505</u>
Expenses and transfers:		
Personnel costs	383,038	321,022
Operating expenses	693,080	1,018,852
Transfers	—	24,166
Total expenses and transfers	<u>1,076,118</u>	<u>1,364,040</u>
Surplus of revenues over expenses and transfers	222,939	211,465
AUM student housing net surplus at beginning of year	1,050,453	838,988
AUM student housing net surplus at end of year	<u>\$ 1,273,392</u>	<u>\$ 1,050,453</u>

The AUM dormitory occupancy rate for Fall semester 2020 and Fall semester 2019 was 93.48% and 99.19%, respectively (unaudited).

(11) RETIREMENT PROGRAMS

The employees of the University are participants in three types of benefit plans; a 401(a) defined benefit plan, a 403(b) defined contribution plan, and a 457(b) deferred compensation plan as follows:

A. Teachers' Retirement System of Alabama

The University contributes to the Teachers' Retirement System of Alabama (TRS), a cost sharing, multiple-employer, public employee retirement system for the various state-supported educational agencies and institutions. This plan is administered by the Retirement Systems of Alabama.

Substantially all non-student employees are members of TRS. Membership is mandatory for eligible employees. During the 2012 regular session of the Alabama Legislature, Act 2012-377 created a new defined benefit plan tier for employees hired on or after January 1, 2013, with no previous creditable service referred to as "Tier 2".

Employees hired or with creditable service prior to that date are "Tier 1" participants.

Benefits vest after ten years of creditable service. Vested Tier 1 employees may retire with full benefits at age 60 with ten years of service or at any age with 25 years of service. Retirement benefits for Tier 1 employees are calculated by the formula method by which retirees are allowed 2.0125% of their final salary (average of the highest three of the last ten years) for each year of service. Vested Tier 2 employees may retire with full benefits at age 62 with 10 years of service. For Tier 2 employees, the percentage is 1.65% of their final salary (average of the highest five of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner for both Tier 1 and Tier 2 employees. Pre-retirement death benefits are provided to plan members.

TRS was established September 15, 1939, under the provisions of Act Number 419, of the Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of TRS is vested in the Board of Control (currently 15 trustees). Benefit provisions are established by the Code of Alabama 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for TRS. The TRS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenue when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the TRS plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. That report may be obtained by writing to the Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150 or at www.rsa-al.gov.

Funding Policy

Tier 1 employees are required by statute to contribute 7.5% of their salary to TRS. Tier 2 employees contribute 6.0% of their salary. The University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year TRS recommends to the Alabama

State Legislature the contribution rate for the following fiscal year, with the Alabama State Legislature setting this rate in the annual appropriations bill. The percentages of the contributions and the amount of contributions made by the University and the

University's employees, for both Tier 1 and Tier 2 employees, respectively, equal the required contributions for each year as follows:

Fiscal year ended September 30	2020	2019	2018
	Tier 1 / Tier 2	Tier 1 / Tier 2	Tier 1 / Tier 2
Total percentage of covered payroll contributions:	19.93% / 17.34%	19.91% / 17.35%	19.74% / 17.01%
Percentage contributed by the employer	12.43% / 11.34%	12.41% / 11.35%	12.24% / 11.01%
Percentage contributed by the employees	7.50% / 6.00%	7.50% / 6.00%	7.50% / 6.00%
Contributed by the employer	\$ 57,443,019	\$ 55,172,904	\$ 51,809,686
Contributed by the employees	33,049,587	31,950,378	30,754,954
Total contributions	<u>\$ 90,492,606</u>	<u>\$ 87,123,282</u>	<u>\$ 82,564,640</u>

The University reported a liability of \$707,297,000 and \$643,808,000 as of September 30, 2020 and 2019, 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, respectively, 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, respectively. The University's proportion of the collective net pension liability was based on 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 6.396880% and 6.475262%, respectively, which was a decrease of 0.078382% and an increase 0.168472% from its proportion measured as of September 30, 2018 and 2017, respectively.

For the years ended September 30, 2020 and 2019, the University recognized pension expense of \$88,905,000 and \$67,057,000, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,457,000	\$ 23,457,000
Changes of assumptions	21,791,000	—
Net difference between projected and actual earnings on pension plan investments	24,628,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	22,690,000	6,461,000
Employer contributions subsequent to the measurement date	57,443,000	—
	<u>\$ 137,009,000</u>	<u>\$ 29,918,000</u>

\$57,443,000 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in compensation and benefits expense as follows:

Year Ending September 30:	
2021	\$ 10,505,000
2022	8,446,000
2023	16,572,000
2024	14,565,000
2025	(440,000)

The total pension 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:

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

*Net of pension plan investment expense

Post-Retirement mortality rates for service retirements and dependent beneficiaries were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Actuarial Assumptions

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

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 estimate of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.0 %	4.4%
U.S. Large Stocks	32.0 %	8.0%
U.S. Mid Stocks	9.0 %	10.0%
U.S. Small Stocks	4.0 %	11.0%
International Developed Market Stocks	12.0 %	9.5%
International Emerging Market Stocks	3.0 %	11.0%
Alternatives	10.0 %	10.1%
Real Estate	10.0 %	7.5%
Cash	3.0 %	1.5%
	<u>100 %</u>	

*Includes assumed rate of inflation of 2.75%

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 the 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.

Sensitivity of the System’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 one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	1.00% Decrease (6.70%)	Current Discount Rate (7.70%)	1.00% Increase (8.70%)
Employers’ proportionate share of the collective net pension liability	\$ 960,198,000	\$ 707,297,000	\$ 493,284,000

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

B. Employees’ Retirement System of Alabama

Federally appointed employees of the Alabama Cooperative Extension System are covered by the Employees’ Retirement System of Alabama (ERS). This program is a multi-employer defined benefit plan. Vesting and benefits of the ERS plan are similar to those of the TRS plan with the exception that they are based on half of the employee’s average final salary. Upon retirement, these employees will also receive pension benefits under the Federal Civil Service Retirement System. ERS is part of the Retirement Systems of Alabama.

ERS was established October 1, 1945, under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees. The responsibility for the general administration and operation of ERS is vested in its Board of Control (currently 13 trustees).

The ERS financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenue when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the ERS plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The Plan issues a publicly available report that can be obtained at www.rsa-al.gov.

The percentages of the contributions and the amount of contributions made by the University and the University's employees, for Tier 1 and Tier 2 employees, respectively, equal the required contributions for each year as follows:

Fiscal year ended September 30	2020 Tier 1 / Tier 2	2019 Tier 1 / Tier 2	2018 Tier 1 / Tier 2
Total percentage of covered payroll contributions:	929.44% / 928.69%	392.75% / 392.00%	417.36% / 416.36%
Percentage contributed by the employer	925.69% / 925.69%	389.00% / 389.00%	413.61% / 413.36%
Percentage contributed by the employees	3.75% / 3.00%	3.75% / 3.00%	3.75% / 3.00%
Contributed by the employer	\$ 6,129,799	\$ 4,617,318	\$ 5,680,659
Contributed by the employees	18,830	35,480	63,376
Total contributions	\$ 6,148,629	\$ 4,652,798	\$ 5,744,035

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the University's active employee contribution rate was 925.69% of covered payroll.

The University's contractually required contribution rate for the year ended September 30, 2020, was 925.69% of pensionable

Membership

As of the measurement date of September 30, 2019, the University had 266 retired members or their beneficiaries currently receiving benefits, one vested inactive member, two active members, and four post-Deferred Retirement Option Plan (DROP) retired members still in active service participating in the ERS.

Funding Policy

Tier 1 employees are required by statute to contribute 3.75% of their salary to the ERS. Tier 2 employees contribute 3.00% of their salary. The University is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the ERS recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriations bill.

pay. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and 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 \$6,129,799 for the year ended September 30, 2020.

Net Pension Liability

The University's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 and rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

Total Pension Liability	Expected	Actual (7.70%)
(a) Total Pension Liability as of September 30, 2018	\$ 44,310,953	\$ 44,563,689
(b) Discount rate	7.7 %	7.7 %
(c) Entry Age Normal Cost for the period October 1, 2018 – September 30, 2019	\$ —	\$ —
(d) Transfers Among Employers	\$ —	\$ —
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 – September 30, 2019	\$ (5,840,684)	\$ (5,840,684)
(f) Total Pension Liability as of September 30, 2019 [(a)x(1+(b))]+(c)+(d)+[(e)x(1+.05*(b))]	<u>\$ 41,657,346</u>	<u>\$ 41,929,543</u>
(g) Difference between Expected and Actual		\$ 272,197
(h) Less Liability Transferred for Immediate Recognition		\$ —
(i) Experience (Gain)/Loss= (g)-(h)		\$ 272,197

Actuarial Assumptions

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

Actuarial Assumptions	
Inflation	2.75%
Salary increases	3.25%-5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% for all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

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

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 estimate of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	3.0%	1.5%
	<u>100.0%</u>	

*Includes assumed rate of inflation of 2.75%

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. 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.

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2018	\$ 44,310,953	\$ 454,634	\$ 43,856,319
Changes for the year:			
Service cost	—	—	—
Interest	3,187,077	—	3,187,077
Changes of assumptions	—	—	—
Differences between expected and actual experience	272,197	—	272,197
Contributions - employer	—	4,621,907	(4,621,907)
Contributions - employees	—	35,540	(35,540)
Net Investment Income	—	—	—
Benefit payments, including refunds of employee contributions	(5,840,684)	(5,840,684)	—
Administrative expense	—	—	—
Transfers among employers	—	—	—
Net changes	(2,381,410)	(1,183,237)	(1,198,173)
Balance at September 30, 2019	\$ 41,929,543	\$ (728,603)	\$ 42,658,146

Sensitivity of the System'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 one percentage point lower (6.70%) or one percentage point higher (8.70%) than the current rate:

	1.00% Decrease (6.70%)	Current Discount Rate (7.70%)	1.00% Increase (8.70%)
Employers' proportionate share of the collective net pension liability	\$ 45,315,776	\$ 42,658,146	\$ 40,308,835

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. 68 Report for the ERS prepared as of September 30, 2019 and 2018. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB Statement No. 68. The additional financial and actuarial information is available at www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

For the year ended September 30, 2020 and 2019, the University recognized pension expense of \$3,433,276 and \$3,953,062, respectively. At September 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	—	—
Net difference between projected and actual earnings on pension plan investments	—	2,283
Employer contributions subsequent to the measurement date	6,129,799	—
	<u>\$ 6,129,799</u>	<u>\$ 2,283</u>

\$6,129,799 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in compensation and benefits expense as follows:

Year Ending September 30:		
2021	\$	(872)
2022		(706)
2023		(705)
2024		—

	Pension Expense
Service Cost	\$ —
Interest on the total pension liability	3,187,077
Current-period benefit changes	—
Expensed portion of current-period difference between expected and actual experience in total pension liability	272,197
Expense portion of current-period changes of assumptions	—
Member contributions	(35,540)
Projected earnings on plan investments	—
Expensed portion of current-period differences between actual and projected earnings on plan investments	—
Transfers among employers	—
Recognition of beginning deferred outflows of resources as pension expense	9,542
Recognition of beginning deferred inflows of resources as pension expense	—
Pension Expense (Income)	<u>\$ 3,433,276</u>

C. Tax Deferred Annuity Plans

This plan is a defined contribution plan under Section 403(b) of the Internal Revenue Code. Accordingly, benefits depend solely on amounts contributed to the plan plus investment earnings. This is provided as a supplement to the aforementioned programs. All full-time regular or probationary employees are eligible to participate. Full-time temporary employees are also eligible if their employment period is for a minimum of one year. The University will match 100.0% of elective deferral contributions up to 5.0% of the employee's plan compensation. The matching contributions cannot exceed \$1,650 for any plan year (calendar year). An employee enrolling in one of the University's tax deferred annuity plans will not vest in the University's matching portion until he/she has completed five years of full-time continuous service. Upon the employee's completion of the five year requirement, the University's matching contribution and interest earned will be vested to the participant. Nonparticipating employees with continuous service will be given credit toward the five year requirement upon joining the tax deferred annuity program. The total investment in the annuities is determined by Section 403(b). There are

several investment options including fixed and variable annuities and mutual funds. The University-approved investment firms employees may select are Valic, TIAA-CREF, Fidelity Investments and Lincoln Financial. At September 30, 2020 and 2019, 3,814 and 3,768 employees, respectively, participated in the tax deferred annuity program. The contribution for 2020 was \$24,893,724, which includes \$5,730,492 from the University and \$19,163,232 from its employees. The contribution for 2019 was \$23,485,595, which includes \$5,508,108 from the University and \$17,977,487 from its employees.

Total salaries and wages during the fiscal year for covered employees participating in the plan were \$317,364,101 and \$299,925,759 for the fiscal years ended September 30, 2020 and 2019, respectively.

D. Deferred Compensation Plans

The University follows the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31*. As of September 30, 2020 and 2019, 287 and 262 employees, respectively, participated in the plans. Contributions of \$3,601,324 and \$3,331,025 for fiscal years 2020 and 2019, respectively, were funded by employees and no employer contribution was funded. The University approved investment firms for 457(b) include Valic, TIAA-CREF and Fidelity Investments.

(12) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The University offers postemployment 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 Tier 1 employees begins at age 60 with at least ten years of service or at any age with 25 years of service. For Tier 2 employees, eligibility begins at age 62 with at least ten 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.

A. State of Alabama Public Education Employees Health Insurance Plan (PEEHIP)

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer, defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007, which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) 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 Statement No. 75, the Trust is considered a component unit of the State of Alabama

(State) and is included in the State's Comprehensive Annual Financial Report.

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 PEEHIB. PEEHIB is a corporate body for purposes of management of the health insurance plan. *The Code of Alabama 1975, Section 16-25A-4* provides PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of PEEHIP are held in trust for the payment of health insurance benefits. TRS has been appointed as the administrator of PEEHIP and, consequently, serves as the administrator of the Trust.

Benefits Provided

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP

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

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

Contributions

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by PEEHIB 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 PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by PEEHIB for each retiree class is reduced by

a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by PEEHIB. This reduction in the employer contribution ceases upon notification to PEEHIB of the attainment of Medicare coverage.

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

The University reported a liability of \$134,293,596 and \$334,674,593 as of September 30, 2020 and September 30, 2019, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the University's proportion was 3.559551%, which was a decrease of 0.512547% from its proportion measured as of September 30, 2018.

The University recognized OPEB expense of (\$11,932,625) and \$27,075,876 for the years ended September 30, 2020 and September 30, 2019, respectively, with no special funding situations. At September 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,446,581	\$ 102,970,524
Changes of assumptions	6,420,039	55,625,197
Net difference between projected and actual earnings on OPEB plan investments	277,030	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	33,925,524	55,095,980
Employer contributions subsequent to the measurement date	10,418,286	—
	<u>\$ 55,487,460</u>	<u>\$ 213,691,701</u>

\$10,418,286 reported as deferred outflows of resources related to OPEB resulting from the University's contributions

subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 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	(\$31,182,272)
2022	(31,182,272)
2023	(30,830,373)
2024	(34,748,101)
2025	(34,819,200)
Thereafter	(5,860,309)

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

¹Includes 3.00% wage inflation.

²Compounded annually, net of investment expense, and includes inflation.

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

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the TRS 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 TRS. 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 could be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

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

Asset Class	Target Allocation	Long-Term Expected 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%
	<u>100.00 %</u>	

*Geometric mean, includes 2.75% inflation

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement No. 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 PEEHIB for active employees shall include an amount to

partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. 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.

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 (5.75% decreasing to 3.75% for pre-Medicare, decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.75% for pre-Medicare, decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.75% for pre-Medicare, decreasing to 5.75% for Medicare Eligible)
Net OPEB Liability	\$ 107,679,307	\$ 134,293,596	\$ 167,813,087

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%)
Net OPEB Liability	\$ 162,324,938	\$ 134,293,596	\$ 111,401,237

OPEB Plan Fiduciary Net Position

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

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

B. Retiree Medical Plan (the Plan)

The Plan is considered a single-employer plan and consists of hospital benefits, major medical benefits, a prescription drug program and a preferred care program. The health care benefits cover medical and hospitalization costs for retirees and their dependents. If the retiree is eligible for Medicare, University coverage is secondary. The authority under which the Plan's benefit provisions are established or amended is the University President. Recommendations for modifications are brought to the President by the Insurance and Benefits Committee. Any amendments to the obligations of the plan members or employer(s) to contribute to the plan are brought forth by the Insurance and Benefits Committee and approved by the President.

Employees included in the actuarial valuation include retirees and survivors, active eligible Civil Service employees and those retirees who elected the PEEHIP plan on or prior to October 1, 1997, for whom the University pays a subsidy. There were 463 and 490 total participants as September 30, 2020 and 2019, respectively.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision. Expenditures for postretirement health care benefits are recognized monthly and financed on a pay-as-you-go basis.

The University funds approximately 60% of the postretirement healthcare premiums, which totaled \$649,001 and \$751,738 for fiscal years ended September 30, 2020 and 2019, respectively. The retirees are responsible for funding approximately 40% of the healthcare premiums.

The University reported the Plan liability of \$43,153,837 and \$45,317,539 as of September 30, 2020 and 2019, respectively. The Plan liability was measured as of September 30, 2020, and the total Plan liability was determined by an actuarial valuation as of September 30, 2020.

The University recognized expense of \$259,941 and \$4,375,496 for fiscal years ended September 30, 2020 and 2019, respectively. At September 30, 2020, the University did not report deferred outflows of resources or deferred inflows of resources related to pensions.

The total Plan liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Key Actuarial Methods and Assumptions

Actuarial Cost Method The actuarial cost method used to determine the actuarial accrued liability and the normal cost for financial reporting purposes is the Entry Age Actuarial Cost Method. The accrued liability and the normal cost are used to determine the University's financial disclosure requirement. Under this method, the cost of each individual's benefit is allocated on a level percent of payroll basis between the time employment starts (entry age) and the assumed retirement date. The normal cost is the amount allocated for a given year and actuarial liability is the accumulation of prior normal costs as of the determination date. The total actuarial liability for retirement benefits is the sum of the actuarial liability for all members.

Amortization Method Level dollar amortization for differences between expected and actual experience with regard to economic or demographic factors and for changes in assumptions, the amounts will be amortized over a closed period equal to the average of the expected remaining service lives of all participants (including inactives) determined at the beginning of the measurement period. The differences between projected and actual earnings on OPEB plan investments will be recognized over a closed five-year period.

Valuation date October 1, 2020

Measurement date September 30, 2020

Measurement period October 1, 2019 to September 30, 2020

Reporting date September 30, 2020

	<u>Fiscal 2020 Valuation</u>	<u>Fiscal 2019 Valuation</u>
Interest rate		
Discount rate	2.25%	2.66%
Expected long term rate of return	NA	NA
Municipal bond rate	2.25%	2.66%

Inflation 2.50% per year

Salary increase NA

Medicare Eligibility All participants are assumed to be eligible for Medicare upon attainment of age 65.

Full Attribution Age Age at which the participant first becomes benefit eligible.

Rates of disability None. The disability rate was set to 0% due to a very small number of actives.

Rate of withdrawal None

Collection date of census data October 1, 2020

Summary of Key Actuarial Methods and Assumptions

Rates of retirement	<u>Age</u>	<u>Rate</u>
	60	20.00%
	61	15.00%
	62	25.00%
	63-64	20.00%
	65	40.00%
	66-69	30.00%
	70-74	75.00%
	75+	100.00%

Mortality table Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2020.

Participation 100.00%

Lapse rate 0.00%

Health Care and
Contribution Trend
Rate

<u>Fiscal Year End</u>	<u>Medical Rate</u>
2020	7.50%
2021	7.35%
2022	7.20%
2023	7.05%
2024	6.90%
2025	6.75%
2026	6.60%
2027	6.45%
2028	6.30%
2029	6.15%
2030	6.00%
2031	5.85%
2032	5.70%
2033	5.55%
2034	5.40%
2035	5.25%
2036	5.10%
2037	4.95%
2038	4.80%
2039	4.65%
2040+	4.50%

Summary of Key Actuarial Methods and Assumptions

Annual Medical Per Capita Costs	<u>Age</u>	<u>Cost</u>
	55	\$ 9,688
	60	\$ 11,870
	64	\$ 14,203
	65	\$ 5,000
	70	\$ 5,548
	75+	\$ 5,910

Spousal coverage 0% of future retirees are assumed to be married and elect spousal coverage upon retirement.

Changes in Key Actuarial Assumptions and Methods from Prior Valuation

Interest rate	The discount rate was updated from 2.66% as of September 30, 2019 to 2.25% as of September 30, 2020.
Mortality table	The mortality table was updated from Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2019 to Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2020.
Trend rates	The medical trend rate table was updated from the initial medical trend rate of 8.00% in fiscal 2019 grading down linearly to an ultimate trend rate of 5.00% in fiscal 2025 to the initial medical trend rate of 7.50% in fiscal 2020 grading down to an ultimate trend rate of 4.50% in fiscal 2040.

The following table presents the changes in the net Plan liability.

Changes in the Net Plan Liability

	Total Plan Liability (a)	Plan Fiduciary Position (b)	Net Plan Liability (a)-(b)
Balances at September 30, 2019	\$ 45,317,539	\$ —	\$ 45,317,539
Changes for the Year			
Service Cost	15,698	—	15,698
Interest on the total Plan Liability	1,173,631	—	1,173,631
Differences between expected and actual experience	(5,783,481)	—	(5,783,481)
Changes in plan provisions	—	—	—
Employer contributions	—	2,423,643	(2,423,643)
Changes in assumptions	4,854,093	—	4,854,093
Net investment income	—	—	—
Benefits payments	(2,423,643)	(2,423,643)	—
Administrative expense	—	—	—
Other changes	—	—	—
Net Changes	(2,163,702)	—	(2,163,702)
Balances at September 30, 2020	\$ 43,153,837	\$ —	\$ 43,153,837

The discount rate used to measure the Plan liability at September 30, 2020 was 2.25%.

The following table presents the Plan liability calculated using the current healthcare trend rate, as well as what the Plan liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

Sensitivity of the Net Plan Liability

Healthcare Trend Rate Sensitivity	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability (Asset)	\$38,659,948	\$43,153,836	\$48,453,981

(13) SELF INSURANCE PROGRAMS AND OTHER LIABILITIES

Self Insurance

An actuarially determined rate is used to provide funding for retained risk in the University's self-insurance program. The self-insurance reserves, liabilities and related assets are included in the accompanying financial statements. The estimated liability for general liability and on-the-job injury self-insurance is actuarially determined. These self-insured programs are supplemented with commercial excess insurance.

The Comprehensive General Liability Trust Fund is a self-insured retention program that protects the University, its faculty, staff and volunteers against claims brought by third parties arising from bodily injury, property damage and personal liability (libel,

The following table presents the net Plan liability using the discount rate of 2.25%, as well as what the Plan liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

Sensitivity of the Net Plan Liability

Discount Rate Sensitivity	1% Decrease (1.25%)	Discount Rate (2.25%)	1% Increase (3.25%)
Net OPEB Liability	\$48,971,995	\$43,153,836	\$38,353,007

The Plan does not issue a stand-alone financial report. For inquiries relating to the Plan, please contact Auburn University Payroll and Employee Benefits, 1550 East Glenn Avenue, Auburn University, Alabama 36849.

slander, etc.). Funds are held in a separate trust account with a financial institution to be used to pay claims for which the University may become legally liable. The liability at September 30, 2020 and 2019, was \$2,486,628 and \$1,205,984, respectively. These amounts are included in other noncurrent liabilities on the Statements of Net Position.

The On-The-Job-Injury program provides benefits for job-related injuries or death resulting from work at the University. This program is designed to cover out-of-pocket expenses of any employee who is not covered by insurance. The program will also pay for medically evidenced disability claims and provide death benefits arising from a job-related death of an employee. This self-funded program is provided to employees since the University is not subject to the workers' compensation laws of

the State of Alabama. The liability at September 30, 2020 and 2019, was \$3,932,759 and \$3,285,823, respectively. These amounts are included in other noncurrent liabilities on the Statements of Net Position.

The University self-insures its health insurance program for all eligible employees. Assets have been set aside to fund the related claims of this program. Should the assets be insufficient to pay the insurance claims, the University would be liable for such claims. The accompanying Statements of Net Position include a self-insurance liability for health insurance as of September 30, 2020 and 2019, of \$14,897,642 and \$10,411,405, respectively. These amounts are included in accounts payable and other accrued liabilities on the Statements of Net Position.

Other Liabilities

Other liabilities include compensated absences, deposits held in custody and unearned revenues. The University allows employees to accrue and carryover annual and sick leave up to certain maximum amounts depending on years of service. Employees will be compensated for accrued annual leave at time of separation from University employment (termination or retirement) up to a maximum of one month's additional compensation. All eligible employees hired before October 1,

Unearned revenues at September 30, 2020 and 2019, are as follows:

	2020	2019
Tuition and fees, net	\$ 196,279,347	\$ 191,821,215
Federal, state and local government grants and contracts, net	15,426,860	11,140,457
Auxiliary, net	45,061,253	49,694,240
Plant	4,329,617	4,862,112
Total unearned revenue	<u>\$ 261,097,077</u>	<u>\$ 257,518,024</u>

Pollution Remediation Obligations

The University follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which requires recognition of liabilities, recoveries, and related disclosures, as appropriate.

The University conducts groundwater monitoring, monitored natural attenuation and clean-up in accordance with the Resource Conservation and Recovery Act (RCRA) and the Toxic Substances and Control Act.

Additionally, asbestos abatement is necessary as older buildings on campus are demolished or renovated. During fiscal year 2011, the University, with the assistance of an outside consultant, prepared a 30-year Post Closure Cost Estimate

1990, may be compensated for unused sick leave at the rate of 25% of their respective balances, subject to a maximum of one month's additional compensation. The liability for compensated absences was \$23,478,844 and \$20,836,407 at September 30, 2020 and 2019, respectively.

Deposits held in custody include the portion of the Federal Perkins Student Loan funds and Health Professions Student Loans which would be refunded in the event the University ceased operations. The refundable amounts were \$14,911,473 and \$17,456,415 at September 30, 2020 and 2019, respectively. Also included in deposits held in custody of others are the agency funds. These amounts totaled \$6,359,731 and \$5,979,903 for September 30, 2020 and 2019, respectively. The remaining difference relates to immaterial rental deposits.

Unearned revenue includes tuition revenue related to the portion of Fall semester subsequent to September 30, funding received for contracts and grants which has not been expended as of September 30, dining and housing revenues unearned as of September 30, and funds received from the new dining services contract initiated in fiscal year 2018 and amended in 2020. These amounts are in auxiliaries and plant funds.

related to all active and inactive solid waste management units managed through the University RCRA Facility permit.

As of September 30, 2020 and 2019, the total estimated pollution remediation liability (estimated using the expected cash-flow technique) is \$3,743,922 and \$8,811,940, respectively. The current portion of this amount (\$673,720 and \$5,791,738, respectively) is included in other accrued liabilities and the long-term portion (\$3,070,202 and \$3,020,202, respectively) is included in other noncurrent liabilities in the accompanying Statements of Net Position. This estimate may change in future periods as additional information is obtained. The University does not expect to recover any funds from insurance or other third parties related to these obligations.



Long-Term Obligations

Changes in long-term obligations for the year ended September 30, 2020, are as follows:

Description	September 30, 2019	Additions	Reductions	September 30, 2020	Due Within One Year
Notes Payable, Bonds Payable and Capital Lease Obligations					
General Revenue Bonds	\$ 801,135,000	\$ 440,330,000	\$ 164,825,000	\$ 1,076,640,000	\$ 29,550,000
Athletic Revenue Bonds	2,839,184	—	1,462,709	1,376,475	1,376,475
Subtotal Bonds Payable	803,974,184	440,330,000	166,287,709	1,078,016,475	30,926,475
Unamortized Bond Premium	77,599,350	5,440,553	15,300,284	67,739,619	7,519,766
Total Bonds Payable	881,573,534	445,770,553	181,587,993	1,145,756,094	38,446,241
Capital Leases Payable	12,865,881	44,621	1,415,156	11,495,346	721,935
Unamortized Lease Premium	709,929	—	56,012	653,917	51,690
Total Leases Payable	13,575,810	44,621	1,471,168	12,149,263	773,625
Notes Payable	3,125,000	—	—	3,125,000	—
Total Notes, Bonds, and Capital Leases Payable	<u>\$ 898,274,344</u>	<u>\$ 445,815,174</u>	<u>\$ 183,059,161</u>	<u>\$ 1,161,030,357</u>	<u>\$ 39,219,866</u>
Other Liabilities					
Net Pension Liability	\$ 687,664,319	\$ 63,489,000	\$ 1,198,173	\$ 749,955,146	\$ —
Leischuck Annuity Payable	181,315	—	6,729	174,586	—
Pollution Remediation Liability	3,020,202	50,000	—	3,070,202	—
Athletics Capital Bond Interest Payable	3,557,809	—	2,339,062	1,218,747	—
Self Insurance Liability	4,787,616	1,826,180	—	6,613,796	—
Net Postemployment Benefit Liability	379,992,132	—	202,544,699	177,447,433	—
Total Other Liabilities	1,079,203,393	65,365,180	206,088,663	938,479,910	—
Total Long-Term Liabilities	<u>\$ 1,977,477,737</u>	<u>\$ 511,180,354</u>	<u>\$ 389,147,824</u>	<u>\$ 2,099,510,267</u>	<u>\$ 39,219,866</u>

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

Description	September 30, 2018	Additions	Reductions	September 30, 2019	Due Within One Year
Notes Payable, Bonds Payable and Capital Lease Obligations					
Facilities Revenue Bonds	\$ 140,000	\$ —	\$ 140,000	\$ —	\$ —
General Revenue Bonds	828,515,000	—	27,380,000	801,135,000	27,195,000
Athletic Revenue Bonds	4,393,307	—	1,554,123	2,839,184	1,462,709
Subtotal Bonds Payable	833,048,307	—	29,074,123	803,974,184	28,657,709
Unamortized Bond Premium	85,655,629	—	8,056,279	77,599,350	7,655,417
Total Bonds Payable	918,703,936	—	37,130,402	881,573,534	36,313,126
Capital Leases Payable	10,155,532	3,799,044	1,088,695	12,865,881	1,088,456
Unamortized Lease Premium	499,781	414,577	204,429	709,929	56,012
Total Leases Payable	10,655,313	4,213,621	1,293,124	13,575,810	1,144,468
Notes Payable	3,125,000	—	—	3,125,000	—
Total Notes, Bonds, and Capital Leases Payable	\$ 932,484,249	\$ 4,213,621	\$ 38,423,526	\$ 898,274,344	\$ 37,457,594
Other Liabilities					
Net Pension Liability	\$ 665,477,272	\$ 23,946,000	\$ 1,758,953	\$ 687,664,319	\$ —
Leischuck Annuity Payable	199,097	—	17,782	181,315	—
Pollution Remediation Liability	3,020,202	—	—	3,020,202	—
Athletics Capital Bond Interest Payable	5,696,873	—	2,139,064	3,557,809	—
Self Insurance Liability	4,421,608	366,008	—	4,787,616	—
Net Postemployment Benefit Liability	370,409,244	9,582,888	—	379,992,132	—
Total Other Liabilities	1,049,224,296	33,894,896	3,915,799	1,079,203,393	—
Total Long-Term Liabilities	\$ 1,981,708,545	\$ 38,108,517	\$ 42,339,325	\$ 1,977,477,737	\$ 37,457,594

(14) DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are an acquisition of net position that are applicable to a future reporting period. The University engages in certain voluntary nonexchange transactions (grants). Grant funds received for which all eligibility requirements have been met, other than time requirements, are presented as deferred inflows of resources in accordance with GASB Statements No. 63 and No. 65. In accordance with GASB Statement No. 68, which the University adopted in fiscal year 2015, the University's proportionate share of the net difference between projected and actual earnings on pension plan investments is presented as a deferred inflow of resources. Additionally, in accordance with GASB Statement No. 68 and GASB Statement No. 75, the differences between the expected and actual experience and the net difference between projected and actual earnings on investments are presented as a deferred inflow of resources. Deferred inflows of resources are summarized as follows:

	September 30, 2020	September 30, 2019
Nonexchange transactions	\$ 386,666	\$ 189,862
Pension and OPEB	243,611,982	109,235,612
Total deferred inflows	\$ 243,998,648	\$ 109,425,474

(15) CONTRACTS AND GRANTS

The University has been awarded approximately \$136.5 million in contracts and grants that have not been received or expended as of September 30, 2020. These awards, which represent commitments of sponsors to provide funds for research and training projects, have not been reflected in the financial statements.

(16) RECOVERY OF FACILITIES AND ADMINISTRATIVE COST FOR SPONSORED PROGRAMS

The portion of revenue recognized for all grants and contracts that represent facilities and administrative cost recovery is recognized on the Statements of Revenues, Expenses and Changes in Net Position within contract and grant operating revenues. The University recognized \$22,329,905 and \$20,030,751 in facilities and administrative cost recovery for the years ended September 30, 2020 and 2019, respectively.

(17) CONSTRUCTION COMMITMENTS AND FINANCING

The University has entered into projects for the construction and renovation of various facilities that are estimated to cost approximately \$728.4 million. At September 30, 2020, the estimated remaining cost to complete the projects is approximately \$293.0 million which will be funded from University funds and bond proceeds.



(18) OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the years ended September 30, 2020 and 2019, are listed below. In preparing the financial statements, all significant transactions and balances between auxiliary units and other funds have been eliminated. Some scholarships and fellowships are provided by

the instruction or research function and are broken out in the charts below. In addition, the graduate waivers are shown as compensation; however, they are shown functionally as scholarship and fellowship expense. The University is able to capture auxiliary utility expenditures; therefore, those expenditures are shown separately by function.

September 30, 2020

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	\$ 198,669,993	\$ 606,024	\$ —	\$ 36,843,761	\$ —	\$ 236,119,778
Research	139,804,769	2,348,530	1,810	39,997,904	—	182,153,013
Public Service	71,289,426	234,248	26,529	37,454,788	—	109,004,991
Academic Support	100,482,196	—	—	14,796,520	—	115,278,716
Library	7,704,253	—	—	11,505,858	—	19,210,111
Student Services	29,865,518	—	—	8,385,000	—	38,250,518
Institutional Support	89,662,302	—	—	12,250,014	—	101,912,316
Operation and Maintenance	37,464,868	—	19,971,490	62,383,497	—	119,819,855
Scholarships and Fellowships	23,976,655	30,436,262	—	80,306	—	54,493,223
Auxiliaries	58,963,578	10,745	5,850,092	61,968,993	—	126,793,408
Depreciation	—	—	—	—	92,816,189	92,816,189
	<u>\$ 757,883,558</u>	<u>\$ 33,635,809</u>	<u>\$ 25,849,921</u>	<u>\$ 285,666,641</u>	<u>\$ 92,816,189</u>	<u>\$1,195,852,118</u>

September 30, 2019

	Compensation and Benefits	Scholarships and Fellowships	Utilities	Other Supplies and Services	Depreciation	Total
Instruction	\$ 202,308,047	\$ 757,988	\$ —	\$ 46,869,801	\$ —	\$ 249,935,836
Research	133,006,505	2,636,615	9,543	42,222,681	—	177,875,344
Public Service	74,701,856	262,282	27,895	36,102,186	—	111,094,219
Academic Support	93,868,089	—	—	16,784,005	—	110,652,094
Library	7,809,168	—	—	10,845,767	—	18,654,935
Student Services	30,127,638	—	—	10,602,582	—	40,730,220
Institutional Support	89,542,264	—	—	15,834,833	—	105,377,097
Operation and Maintenance	37,026,989	—	20,204,878	64,635,646	—	121,867,513
Scholarships and Fellowships	24,389,020	23,325,411	—	83,454	—	47,797,885
Auxiliaries	59,816,888	1,482	6,068,524	80,746,227	—	146,633,121
Depreciation	—	—	—	—	78,975,414	78,975,414
	<u>\$ 752,596,464</u>	<u>\$ 26,983,778</u>	<u>\$ 26,310,840</u>	<u>\$ 324,727,182</u>	<u>\$ 78,975,414</u>	<u>\$1,209,593,678</u>

(19) CONTINGENCIES

The University is a party in various legal actions and administrative proceedings arising in the normal course of its operations. Management does not believe that the outcome of these actions will have a material adverse effect on the University's financial position.

In January 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. The ongoing 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 or any other similar outbreaks 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 with 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 the novel coronavirus on the University, the economy and the financial markets, the ultimate impact may be material and cannot be reasonably quantified at this time.

(20) RELATED PARTY TRANSACTIONS

Auburn University Foundation

AUF exists to raise and administer private gifts for the benefit of the University. The majority of funds, which AUF raises, are restricted by the donor for specific schools, colleges, or programs of the University. These may be immediately transferred to the University or one of its institutionally-related foundations for its use; held within AUF's funds with donor restrictions to be either transferred to the University or expended by AUF for the benefit of University schools, colleges, or programs; or in the case of endowments, invested with only the earnings transferred to or expended for the University's benefit. Amounts transferred to the University or expended on behalf of its programs are reported as "Total program services" in the Consolidated Statement of Activities and Changes in Net Assets.

AUF and the University jointly conduct development and related operations through the Office of the University's Vice President for Development pursuant to a Services and Facilities Agreement (the Agreement), which states that the University will provide to AUF services, which primarily consist of all personnel and certain other administrative support, and facilities. During the year, actual costs may be paid by either AUF or the University. AUF periodically compares actual costs to allocable costs pursuant to the Agreement and settles any differences by a transfer between the organizations. AUF and the University review the agreement at least annually and an estimate of the consideration to be paid for the upcoming year is approved annually by the AUF Board. These costs are reported as general and administrative and fundraising expenses on the Consolidated Statements of Activities and Changes in Net Assets.

The University has entered into an agreement whereby the AUF Investment Committee manages the University's endowment and AUF is compensated by a management fee, which is reported as other revenues on the Consolidated Statements of Activities and Changes in Net Assets.

Constituency development operations, which raise funds directly on behalf of a school, college, or program of the University, are funded by the University unit involved and may use AUF gifts restricted to that unit. These costs are the responsibility of the respective constituency unit and are reported as fundraising expenses on the Consolidated Statements of Activities and Changes in Net Assets to the extent restricted gifts are utilized.

AUF payments to or receipts from the University pursuant to these agreements for the years ended September 30, 2020 and 2019, are as follows:

	2020	2019
Services and facilities costs paid by AUF	\$ 2,345,959	\$ 3,621,912
AUF's allocable costs pursuant to the Agreement	2,524,814	2,710,996
Net settlement (to) from the University	<u>\$ (178,855)</u>	<u>\$ 910,916</u>

Other transactions between AUF and the University for the years ended September 30, 2020 and 2019, are as follows:

	2020	2019
Amounts due from the University reported in other assets	\$ 360,579	\$ 90,315
Endowment management fee received from the University	\$ 2,401,487	\$ 2,294,746
Payments to the University Athletic Ticket Office for ticket purchases	\$ 114,407	\$ 311,188

AUREFI has an agreement with the University to provide certain services and facilities, which are reported as general and administrative expense on AUF's Consolidated Statements of Activities and Changes in Net Assets. Related payments to the University for the years ended September 30, 2020 and 2019, are as follows:

	2020	2019
AUREFI costs pursuant to the Agreement	\$ 94,530	\$ 106,871

The Association does not maintain endowments, but instead establishes endowments in AUF, which are administered in the investment pool. AUF holds and invests funds from the Association's Life Membership program and annually makes distributions from these investments directly to the Association, which are reported as other program services expense on AUF's Consolidated Statements of Activities and Changes in Net Assets. In addition, the Association has a commitment to match funds for scholarship endowments previously established with certain specific guidelines. The Association makes grants quarterly to match payments received by AUF for these endowments. Information relating to the Association as of and for the years ended September 30, 2020 and 2019, is as follows:

	2020	2019
Pooled investments held by AUF	\$ 9,002,226	\$ 8,983,857
Amounts due from the Association reported in other assets	\$ 144,145	\$ 51,698
Amounts distributed from investments, net of administrative fee	\$ 357,120	\$ 349,127
Grants from the Association for scholarship matching and other endowments	\$ 318,911	\$ 110,905

AUF holds TUF endowment funds and invests these funds in AUF's pooled investments. AUF annually distributes TUF endowment earnings either to TUF or directly to the University on behalf of TUF based on the spending policy. These annual distributions are reported as other program services on AUF's Consolidated Statements of Activities and Changes in Net Assets. In addition, AUF participates in the TUF athletic priority system each year in order to obtain tickets and suites for the cultivation, solicitation, and stewardship of contributors.

Information relating to TUF as of and for the years ended September 30, 2020 and 2019, is as follows:

	2020	2019
Pooled investments held by AUF	\$ 9,320,175	\$ 9,274,993
Amounts distributed from investments, net of administrative fee	\$ 357,376	\$ 347,302
Ticket priority payments	\$ 375,860	\$ 426,337

Auburn Alumni Association

The Association, AUF, Auburn University Offices of Alumni and Development and their related support units jointly utilize operational facilities, personnel and other assets in order to effectively and efficiently carry out their required activities. All personnel are employed by the University and their services are provided to the other organizations under contractual agreements.

Expenditures are analyzed periodically and, based on each entity's utilization of the facilities, supplies and services, any necessary reimbursements are made among the organizations. In the Statements of Activities, amounts received by the Operating fund from other organizations are used to offset the related expenses. The Executive Director of the Association is an employee of the University, providing services to the Association under a services and facilities contract. The Executive Director also serves as the Vice President for Alumni Affairs for the University.

A portion of the Association's investments have been pooled with AUF investments and are invested and managed by AUF. Cash receipts and disbursements records of the Association are maintained within the University's accounting system.

During the years ended September 30, 2020 and 2019, the Association had a salary reimbursement expense of \$1,429,138 and \$1,278,781, respectively, to the University under the services and facilities agreement. These amounts were fully paid at September 30, 2020 and September 30, 2019, respectively.

Rental income recorded by the Association from the University totaled \$370,205 and \$390,275, respectively, for the years ended September 30, 2020 and 2019. Rental income recorded by the Association from AUF totaled \$0 and \$1,550 for the years ended September 30, 2020 and 2019, respectively. The University and AUF also paid the Association \$74,298 and \$2,496, respectively for shared alumni center building expenses for the fiscal year ended September 30, 2020. For the fiscal year

ended September 30, 2019, these amounts were \$74,298 and \$5,528, respectively.

During the years ended September 30, 2020 and 2019, the University provided for its share of alumni affairs activities costs by establishing a budget within the University's budgetary system. The alumni affairs activities costs were \$956,911 and \$809,056 for the years ended September 30, 2020 and 2019, respectively.

During the years ended September 30, 2020 and 2019, the Association contributed \$0 and \$69,400, respectively, to the Auburn Alumni Association Endowment for Scholarships held with AUF. The Association also contributed \$215,482 and \$230,005 to various AUF scholarship funds and \$69,681 and \$78,223 to various University scholarship funds during fiscal years 2020 and 2019, respectively.

During the year ended September 30, 2015, the Alumni Association Board approved a fundraising program called the Million Dollar Match program in an effort to increase new alumni donor scholarship endowments. In the year ended September 30, 2020, the Association paid \$37,553 toward qualifying endowments; leaving \$14,145 as a payable to AUF. In fiscal year 2019, the Association paid \$91,204 toward qualifying endowments; leaving \$51,698 as a payable to AUF.

Tigers Unlimited Foundation

The funds that TUF raises are restricted for athletic-related programs of the University. These may be transferred to the University for its use, expended for the benefit of athletic programs or, in the case of endowments, invested according to donor restriction with the earnings thereon transferred to or expended for the University's benefit. Amounts transferred to the University or expended on behalf of its programs totaled \$34,234,240 and \$43,614,684 during the years ended June 30, 2020 and 2019, respectively. Included in these amounts are current year accruals of severance payments due to terminated employees totaling \$1,094,397 in the year ended June 30, 2019.

TUF and the University operate pursuant to an operating agreement (the TUF Agreement), which addresses the financial relationships between these two entities. In summary, the TUF Agreement states that the University will provide certain services and facilities to TUF, which primarily consist of personnel and other administrative support. TUF shall pay to the University an amount equal to the compensation of University employees for services performed and reimbursement of space and property utilized by such employees, in an amount to be specifically approved by TUF's Board of Directors each year. The TUF Agreement commenced on July 1, 2007, and expired on July 1, 2008, but remains in force in subsequent years unless canceled in writing by one of the parties.

During the years ended June 30, 2020 and 2019, AUF incurred obligations of \$150,867 and \$180,552, respectively, to TUF for amenities related to the use of the executive suites at University athletic events. This amount is recorded as other revenue on the Statements of Activities and Changes in Net Assets during those years.

During the years ended June 30, 2020 and 2019, TUF paid the University for normal, recurring expense transactions including, but not limited to, purchasing athletic event tickets, reimbursing athletic staff salaries, sponsoring student scholarships, and funding the debt, repair, maintenance and operations of athletic facilities. At June 30, 2020 and 2019, obligations of \$2,880,035 and \$4,227,188 related to these transactions, respectively, were outstanding. TUF paid the 2019 obligation during fiscal year 2020, and it intends to pay the 2020 obligation during fiscal year 2021.

As indicated, the above TUF balances are as of June 30, 2020 and 2019; however, the University believes these figures are not materially different than September 30, 2020 and 2019, respectively.

Auburn Research and Technology Foundation

Although ARTF is separate and independent from the University, its mission is to facilitate the acquisition, construction and equipping of a technology and research park on the University's campus in order to create new academic and entrepreneurial opportunities for the University's faculty and students. Consideration received by the University from ARTF includes the traditional benefits enjoyed by a University from an affiliated research park, including but not limited to, increased exposure for development and commercialization of the University's intellectual property and technologies, increased research opportunities for the University's students and professors, and heightened exposure within the commercial world of the technological campus offerings. In August 2018, the University Provost & Senior Vice President of Academic Affairs agreed to serve as President of ARTF until July 2020. In July 2020, the Vice President for Research and Economic Development (VPRED) agreed to serve as President of ARTF. The President is a member of the ARTF Board of Directors with full voting powers. Contributed services in the amount of approximately \$50,489 and \$24,641 were recognized by ARTF during each fiscal year 2020 and 2019, respectively, related to services provided by the individual serving as the President of ARTF.

ARTF's Board of Directors includes members who are also members of the Edward Via College of Osteopathic Medicine (VCOM) Board of Directors, AUF Board of Directors, University Board of Trustees as well as other University employees. A banking relationship exists between ARTF and a financial institution whose President/CEO is a member of ARTF's Board of Directors and the University's Board of Trustees. Additionally, the spouse of one Board member is also on the board of River Bank & Trust where the letter of credit and the construction loan were obtained.

On March 1, 2007, ARTF entered into an agreement with the Industrial Development Board (IDB) to obtain financing necessary for ARTF to construct a research facility. IDB provided funds to ARTF in anticipation of reimbursement by the State to ARTF of costs incurred during construction of Building 570. Under the terms of the loan agreement, IDB agreed to loan ARTF up to \$10,000,000 for construction and operational expenses.

On October 8, 2010, the balance due on that loan was \$1,148,963. As agreed upon by ARTF and the University, the

University paid directly to IDB total obligations owed by ARTF. During fiscal year 2010, \$171,313 in legal costs originally funded by ARTF were deemed to be for the primary benefit of the University. Therefore, the note payable to the University, executed by ARTF, was reduced by this amount, resulting in a net payable of \$977,650. The total unpaid balance of this note payable at September 30, 2020 and 2019 was \$635,634 and \$680,262, respectively.

The note accrues interest at a rate of 4.25% from the date of note disbursement until the unpaid principal balance is paid in full and will be amortized over a 20 year period using the straight-line method. Annual installment payments of principal and interest to the University began on October 8, 2011, and will continue through October 8, 2025. Annual installment payments scheduled will not fully amortize the note, and a balloon payment will be due on October 8, 2025. ARTF is in compliance with all debt covenants as enumerated in the promissory note document.

On March 1, 2007, for the purpose of making loans and advances, IDB entered into an agreement to lease the site for Building 570 from the University. IDB paid annual rent of \$10 to the University under the terms of the lease. The ground lease agreement had an expiration date of January 1, 2025; however, the agreement was terminated on October 8, 2010, the time all obligations due to IDB by ARTF were paid in full. At that time, the University entered into an agreement with ARTF where ARTF leases the site for Building 570 from the University. ARTF pays annual rental of \$1 to the University under the terms of this ground lease. The ground lease agreement expires on March 15, 2057, unless terminated prior to that date. These transactions represent an unconditional promise of the use of a long-lived asset, the leased land. Since the rental payments are below the fair market value of the property, ARTF recorded a contribution receivable for the difference between the fair rental values of the property, initially calculated using a 7% discount rate, and the stated amount of the lease payments. At the formation of the original lease, the contribution receivable booked was \$302,878, net of a discount of \$251,740. During fiscal year 2011, the interest rate was reevaluated and changed to 5%, and the lease period was extended. An additional contribution receivable of \$589,790 and discount of \$401,121 were booked in fiscal year 2011. An adjustment to the contribution receivable was made in fiscal year 2016 to increase total acreage from the original 156 acres to 170.43 acres to include the VCOM acreage (discussed below) in the calculation. As of September 30, 2020, ARTF has active ground leases comprising approximately 41.34 acres. The offsetting contribution receivable is amortized using the straight-line method over the life of the lease. Amortization related to the lease was \$21,243 during fiscal year 2020 and 2019. The discount is amortized using the effective interest method. Amortization of the discount was \$8,202 and \$7,550 during fiscal year 2020 and 2019, respectively.

On August 30, 2012, ARTF signed an agreement with VCOM in Blacksburg, VA to establish a branch campus to be located within the research park. ARTF entered into an agreement to lease the site for VCOM from the University on August 9, 2013. ARTF pays annual rent of \$1 to the University under the terms of

the lease. The ground lease agreement expires on June 30, 2085, unless terminated prior to that date. This transaction represents an unconditional promise of the use of a long-lived asset, the leased land. Since the rental payments are below the fair market value of the property, ARTF recorded a contribution receivable in fiscal year 2013 for the difference between the fair rental values of the property, calculated using a 5% discount rate, and the stated amount of the lease payments. At the formation of the lease, the contribution receivable booked was \$3,035,051, net of a discount of \$2,239,619. The offsetting contribution receivable is amortized using the straight-line method over the life of the lease. Amortization related to the lease was \$42,812 during fiscal year 2020 and 2019. The discount is amortized using the effective interest method. Amortization of the discount was \$13,835 and \$12,386 during fiscal year 2020 and 2019, respectively.

On June 12, 2018, for the purpose of constructing Building 7, ARTF entered into an agreement to lease the site from the University. ARTF paid annual rent of \$1 to the University under the terms of the lease. The ground lease agreement expires on June 12, 2068, unless terminated prior to that date. This transaction represents an unconditional promise of the use of a long-lived asset, the leased land. Since the rental payments are below the fair market value of the property, ARTF recorded a contribution receivable in fiscal year 2019 for the difference between the fair rental values of the property, calculated using a 5% discount rate, and the stated amount of the lease payments. At the formation of the lease, the contribution receivable booked was \$1,168,950, net of a discount of \$756,344. The offsetting contribution receivable is amortized using the straight-line method over the life of the lease. Amortization related to the lease was \$23,379 during fiscal year 2020 and 2019. The discount is amortized using the effective interest method. Amortization of the discount was \$3,183 and \$2,174 during fiscal year 2020 and 2019, respectively.

On January 31, 2019, for the purpose of constructing Building 6, ARTF entered into an agreement to lease the site from the University. Also on January 31, 2019, ARTF signed an agreement with the East Alabama Health Care Authority in Opelika, AL to establish a medical building to be located on this land. ARTF paid annual rent of \$1 to the University under the terms of the lease. The ground lease agreement expires on December 31, 2117, unless terminated prior to that date. This transaction represents an unconditional promise of the use of a long-lived asset, the leased land. Since the rental payments are below the fair market value of the property, ARTF recorded a contribution receivable in fiscal year 2019 for the difference between the fair rental values of the property, calculated using a 5% discount rate, and the stated amount of the lease payments. At the formation of the lease, the contribution receivable booked was \$1,801,214, net of a discount of \$1,437,797. The offsetting contribution receivable is amortized using the straight-line method over the life of the lease. Amortization related to the lease was \$18,395 and \$16,933 during fiscal year 2020 and 2019, respectively. The discount is amortized using the effective interest method. Amortization of the discount was \$1,710 and \$806 during fiscal year 2020 and 2019, respectively.

On March 15, 2019, for the purpose of constructing Building 5, ARTF entered into an agreement to lease the site from the University. ARTF paid annual rent of \$1 to the University under the terms of the lease. The ground lease agreement expires on March 15, 2068, unless terminated prior to that date. This transaction represents an unconditional promise of the use of a long-lived asset, the leased land. Since the rental payments are below the fair market value of the property, ARTF recorded a contribution receivable in fiscal year 2019 for the difference between the fair rental values of the property, calculated using a 5% discount rate, and the stated amount of the lease payments. At the formation of the lease, the contribution receivable booked was \$760,513, net of a discount of \$468,846. The offsetting contribution receivable is amortized using the straight-line method over the life of the lease. Amortization related to the lease was \$16,822 and \$7,720 during fiscal year 2020 and 2019, respectively. The discount is amortized using the effective interest method. Amortization of the discount was \$1,564 and \$368 during fiscal year 2020 and 2019, respectively.

ARTF and the University entered into an Operating Agreement (the Agreement), which governs the general and administrative and development financial relationships between these two entities. In summary, the Agreement states that in return for certain services and facilities that are within the capability and control of the University, ARTF will reimburse the University for the cost of such services and facilities. ARTF makes an annual determination of its allocable share of these costs and records the transaction. As discussed below, unpaid amounts at September 30 are included in "Other payable to Auburn University" on the ARTF Statements of Financial Position. ARTF and the University review the Agreement annually and provide an estimate of the maximum consideration to be paid for the upcoming year for approval by the respective boards. In accordance with the Agreement for fiscal year 2019, personnel costs incurred by the University and charged to ARTF were \$187,061. The University did not charge ARTF for any personnel costs in fiscal year 2020. Personnel costs incurred by the University and not charged to ARTF were \$649,514 and \$404,130 in fiscal year 2020 and 2019, respectively. These costs are reflected in ARTF's financial statements as general and administrative expense and as corresponding contribution revenue without donor restrictions.

ARTF entered into subcontracts with the University to provide services to fulfill ARTF's sponsored project agreements. The University provides certain operating services to ARTF. As of September 30, 2020 and 2019, ARTF owed the University \$10,140 and \$6,245, respectively, related to these services. Additionally, ARTF shares miscellaneous costs related to office expenses and equipment leases with a University department. Payables to the University for these expenses were \$322 and \$599 as of September 30, 2020 and 2019, respectively. All amounts owed to the University are shown in "Other payables to Auburn University" on the Statements of Financial Position.

The amounts due from the University to ARTF of \$33,444 and \$64,087 at September 30, 2020 and 2019, respectively, related to operating transactions between the University and ARTF. This

amount is included in “Accounts receivable” on the ARTF Statements of Financial Position.

ARTF held lease agreements with three University departments in fiscal year 2020 and 2019, whereby the departments leased office space from ARTF. As leasing tenants, the University departments remit a monthly rental fee to ARTF in accordance with their lease agreements. The University paid approximately \$358,148 and \$232,700 in lease costs during fiscal years ended September 30, 2020 and 2019, respectively.

During fiscal year 2018, the University entered into an agreement to lease space in Building 5 and made a prepayment of \$245,000. Upon commencement of the lease and occupancy of the facility by the University, for a period of ten years, \$24,500 shall be credited and deducted annually from all rent otherwise payable by the University to ARTF for the lease of space (the “Rent Credit”). This Rent Credit shall serve as a declining credit account in favor of the University against the Prepayment Funds. The University began their lease with ARTF for Building 5 on September 16, 2020. During fiscal year 2020, \$1,021 of the prepaid rent was recognized as revenue.

ARTF entered into a contract with the University during fiscal year 2011 to develop and manage a full service business incubator. During fiscal year 2020, ARTF evaluated the deferred revenue balance relating to the contract payments and determined that the incubator's scope, function, impact, and operations had evolved such that the contract with the University was to be deemed a fee for service agreement as opposed to a contracted payment with specific purpose restrictions. Therefore, in fiscal year 2020, the deferred balance at \$371,666 was recognized into other contracts revenue with donor restrictions. Revenues of \$509,166 and \$91,355 related to this contract were recognized during fiscal year 2020 and 2019, respectively. As of September 30, 2020 and 2019, the remaining amounts of the contributions of \$37,500 and \$371,666, respectively, are shown in “Deferred revenue” on the ARTF Statements of Financial Position and will be recognized when the services are rendered.

(21) DIRECT LOAN PROGRAM

The Federal Direct Loan Program (DL) enables an eligible student or parent to obtain a loan directly through the Department of Education. Under DL, files are transmitted via the Federal Common Originator and Disbursement System (COD). Funds are received via G5, a federal website. The Department of Education is responsible for the collection of these loans.

The University's Main Campus disbursed approximately \$148.2 million and \$151.5 million under these programs during the fiscal years ended September 30, 2020 and 2019, respectively. AUM disbursed approximately \$33.8 million and \$26.5 million under these programs during the fiscal years ended September 30, 2020 and 2019, respectively.

(22) IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Statement No. 84, *Fiduciary Activities*, was issued in January 2017. This Statement establishes criteria for identifying fiduciary activities of all state and local governments, and requires reporting those activities in a fiduciary fund in the basic financial

statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Additionally, it provides for the recognition of a liability to the beneficiaries in a fiduciary fund under certain circumstances. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 87, *Leases*, was issued in June 2017. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, was issued in August 2018. This Statement requires that a majority equity interest in a legally separate organization should be reported as an investment if it meets the definition of an investment, and measured using the equity method unless held by certain special-purpose governments. For all other holdings of a majority equity interest in a legally separate organization, the government should report it as a component unit, and should report a related asset using the equity method. Additionally, it establishes certain reporting requirements for a component unit in which a government has 100 percent equity interest. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged, and most requirements should be applied retroactively. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 91, *Conduit Debt Obligations*, was issued in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 92, *Omnibus 2020*, was issued in January 2020. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. It addresses a variety of topics, including leases, pensions and other post-employment benefits, fiduciary activities, asset retirement obligations, reinsurance recoveries,

nonrecurring fair value measurements of assets and liabilities, and derivative instruments. Various provisions of this Statement are effective immediately, and have been adopted by the University, while others are effective for fiscal periods beginning after June 15, 2021. Earlier application is encouraged and permitted by topic. The University adopted the portions of this statement that were effective immediately, and is currently evaluating the financial statement impact of the remainder of this Statement.

Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020. This Statement addresses accounting and financial reporting implications related to the replacement of the London Interbank Offered Rate (LIBOR) as a result of global reference rate reform, which is expected to cease to exist in its current form at the end of 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. This Statement provides accounting and financial reporting requirements for all public-private and public-public partnerships (PPPs) that either meet the definition of a service concession arrangement (SCA) or are not within the scope of Statement No. 87, *Leases*. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It defines SBITAs, requires the recording of a right-to-use asset and a corresponding subscription liability, establishes capitalization criteria for other payments such as implementation costs, and requires note disclosures. These requirements are consistent with those of Statement No. 87, *Leases*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The University is currently evaluating the financial statement impact of this Statement.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, was issued in June 2020. This Statement (1) provides clarity on the absence of a governing board in determining whether a primary government is financially accountable for a potential component unit, (2) limits the applicability of the financial burden criterion in paragraph 7 of

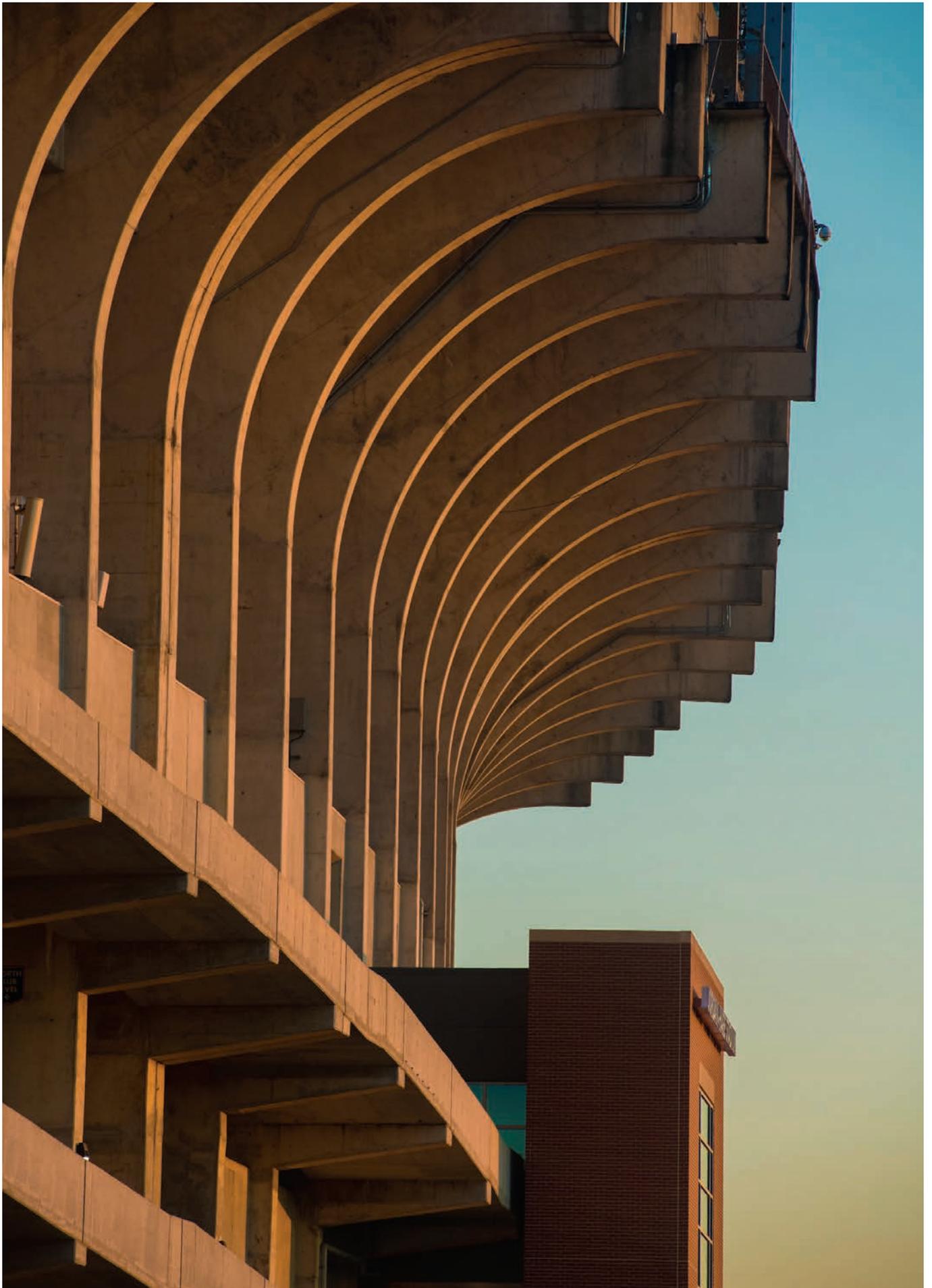
Statement No. 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet certain criteria, and (3) provides guidance on accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans.

The requirements of this statement related to items 1) and 2) are effective immediately and have been adopted by the University. The requirements related to Section 457 plans are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The University adopted the portions of this statement that were effective immediately, and is currently evaluating the financial statement impact of the remainder of this Statement.

(23) SUBSEQUENT EVENTS

Subsequent to year end, the University terminated its employment contract with its head football coach and certain other coaching personnel. Athletic funds will pay a portion of the remaining financial obligation beginning in fiscal year 2021 through 2024.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law, authorizing the Higher Education Emergency Relief Fund II (HEERF II). On January 14, 2021, the U.S. Department of Education allocated a combined \$31.6 million to main campus and AUM to ensure learning continues for students during the COVID-19 pandemic.





2020

FINANCIAL REPORT

UNAUDITED DIVISIONAL FINANCIAL STATEMENTS

The 2019 Divisional Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position, as previously presented, were revised to correct certain errors relating to the allocation of OPEB expense and deferred outflows of resources between Auburn University Main Campus and Auburn University at Montgomery. The original allocation overstated OPEB expense and understated deferred outflows of resources for AUM, while understating OPEB expense and overstating deferred outflows of resources for Main Campus. Although the transactions were eliminated for the consolidated statements, management elected to correct the errors by revising its previously issued 2019 divisional financial statements. The impact on the previously reported 2019 financial statement amounts for the correction of the error are presented below and on the following pages:

AUBURN UNIVERSITY MAIN CAMPUS

	As Previously Presented	Adjustment	As Revised
STATEMENT OF NET POSITION			
Deferred outflows of resources - Pension and OPEB	\$ 161,856,985	\$ (818,571)	\$ 161,038,414
Total deferred outflows of resources	203,807,057	(818,571)	202,988,486
Total net position	1,387,436,429	(818,571)	1,386,617,858
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Compensation and benefits	\$ 616,826,235	\$ 818,571	\$ 617,644,806
Total operating expenses	996,375,184	818,571	997,193,755
Net increase in net position	76,618,930	(818,571)	75,800,359
Net position - end of year	1,387,436,429	(818,571)	1,386,617,858

AUBURN UNIVERSITY AT MONTGOMERY

	As Previously Presented	Adjustment	As Revised
STATEMENT OF NET POSITION			
Deferred outflows of resources - Pension and OPEB	\$ 16,275,519	\$ 818,571	\$ 17,094,090
Total deferred outflows of resources	16,275,519	818,571	17,094,090
Total net position	(8,613,390)	818,571	(7,794,819)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Compensation and benefits	\$ 55,021,110	\$ (818,571)	\$ 54,202,539
Total operating expenses	87,705,913	(818,571)	86,887,342
Net increase in net position	3,684,742	818,571	4,503,313
Net position - end of year	(8,613,390)	818,571	(7,794,819)



AUBURN UNIVERSITY MAIN CAMPUS

STATEMENTS OF NET POSITION SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 202,593,747	\$ 230,027,694
Operating investments	108,398,424	109,687,958
Accounts receivable, net	40,935,869	52,678,975
Student accounts receivable, net	39,012,975	39,602,829
Loans receivable, net	2,682,360	2,731,074
Accrued interest receivable	2,830,017	3,525,404
Inventories	5,016,675	5,307,146
Prepaid expenses	48,114,124	42,696,832
Due from other funds	3,517,830	3,366,272
Total current assets	453,102,021	489,624,184
Noncurrent assets		
Investments	1,305,000,736	991,915,653
Loans receivable, net	9,757,482	12,326,818
Investment in plant, net	1,906,553,329	1,839,447,637
Due from other funds	78,889,027	82,521,533
Total noncurrent assets	3,300,200,574	2,926,211,641
Total assets	3,753,302,595	3,415,835,825
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of bonds	39,204,267	41,950,072
Pension and OPEB	153,924,137	161,038,414
Total deferred outflows of resources	193,128,404	202,988,486
LIABILITIES		
Current liabilities		
Accounts payable	69,047,315	96,259,419
Accrued salaries and wages	4,575,067	4,202,730
Accrued compensated absences	18,806,294	16,294,828
Accrued interest payable	14,831,656	14,101,944
Other accrued liabilities	7,672,805	13,815,288
Student deposits	4,111,584	3,903,074
Deposits held in custody	18,522,242	20,330,071
Unearned revenues	240,168,300	236,372,722
Noncurrent liabilities-current portion	39,104,039	37,277,185
Total current liabilities	416,839,302	442,557,261
Noncurrent liabilities		
Bonds and notes payable	1,110,434,853	848,385,408
Lease obligation	11,320,664	12,298,895
Pension and OPEB	669,275,315	781,836,068
Other noncurrent liabilities	11,077,331	11,546,942
Due to other funds	48,194,194	47,135,974
Total noncurrent liabilities	1,850,302,357	1,701,203,287
Total liabilities	2,267,141,659	2,143,760,548
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	359,798	189,862
Pension and OPEB	198,506,756	88,256,043
Total deferred inflows of resources	198,866,554	88,445,905
NET POSITION		
Net investment in capital assets	1,357,834,476	1,272,759,802
Restricted		
Nonexpendable	24,794,892	24,593,873
Expendable:		
Scholarships, research, instruction, other	172,631,610	157,810,220
Loans	4,671,171	5,118,993
Capital projects	41,950,923	41,080,279
Unrestricted	(121,460,286)	(114,745,309)
Total net position	\$ 1,480,422,786	\$ 1,386,617,858

AUBURN UNIVERSITY MAIN CAMPUS

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$122,754,700 and \$122,580,580, respectively	\$ 497,796,203	\$ 480,777,264
Federal appropriations	12,486	43,056
Federal grants and contracts, net	72,632,552	61,094,702
State and local grants and contracts, net	12,591,194	12,189,613
Nongovernmental grants and contracts, net	14,779,890	14,410,508
Sales and services of educational departments	37,071,328	45,136,497
Auxiliary revenue, net of scholarship allowances of \$5,954,127 and \$7,377,462, respectively	136,763,235	151,420,556
Other operating revenues	19,926,400	25,791,607
Total operating revenues	<u>791,573,288</u>	<u>790,863,803</u>
OPERATING EXPENSES		
Compensation and benefits	628,580,673	617,644,806
Scholarships and fellowships	28,677,960	23,592,867
Utilities	21,159,678	21,456,910
Other supplies and services	225,001,191	260,558,783
Depreciation	87,839,118	73,940,389
Total operating expenses	<u>991,258,620</u>	<u>997,193,755</u>
Operating loss	<u>(199,685,332)</u>	<u>(206,329,952)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	186,054,126	175,697,931
Gifts	38,925,254	46,227,372
Grants	32,956,059	16,750,081
Net investment income	51,857,926	59,112,411
Interest expense on capital debt	(31,037,404)	(31,231,115)
Nonoperating revenues, net	<u>278,755,961</u>	<u>266,556,680</u>
Income before other changes in net position	79,070,629	60,226,728
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	14,533,281	15,125,719
Additions to permanent endowments	201,018	447,912
Net increase in net position	<u>93,804,928</u>	<u>75,800,359</u>
Net position - beginning of year	<u>1,386,617,858</u>	<u>1,310,817,499</u>
Net position - end of year	<u>\$ 1,480,422,786</u>	<u>\$ 1,386,617,858</u>

AUBURN UNIVERSITY AT MONTGOMERY

STATEMENTS OF NET POSITION SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,912,527	\$ 3,505,183
Operating investments	1,558,357	1,671,446
Accounts receivable, net	2,429,809	3,449,248
Student accounts receivable, net	10,180,386	9,137,088
Loans receivable, net	288,299	327,990
Accrued interest receivable	319,529	301,012
Inventories	1,211,305	1,224,868
Prepaid expenses	2,994,504	2,691,805
Total current assets	21,894,716	22,308,640
Noncurrent assets		
Investments	18,760,945	15,114,998
Loans receivable, net	1,739,270	1,968,528
Investment in plant, net	101,182,660	102,604,424
Due from other funds	41,138,722	40,367,049
Total noncurrent assets	162,821,597	160,054,999
Total assets	184,716,313	182,363,639
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	16,384,977	17,094,090
Total deferred outflows of resources	16,384,977	17,094,090
LIABILITIES		
Current liabilities		
Accounts payable	2,453,125	3,613,062
Accrued salaries and wages	420,320	357,079
Accrued compensated absences	1,597,755	1,384,162
Student deposits	84,755	49,745
Deposits held in custody	2,754,905	3,172,517
Unearned revenues	18,063,094	17,884,194
Noncurrent liabilities-current portion	115,827	180,409
Due to other funds	3,517,830	3,366,272
Total current liabilities	29,007,611	30,007,440
Noncurrent liabilities		
Lease obligation	54,974	132,447
Pension and OPEB	74,667,731	85,831,819
Due to other funds	78,889,028	82,521,533
Total noncurrent liabilities	153,611,733	168,485,799
Total liabilities	182,619,344	198,493,239
DEFERRED INFLOWS OF RESOURCES		
Nonexchange transactions	26,868	—
Pension and OPEB	19,615,827	8,759,309
Total deferred inflows of resources	19,642,695	8,759,309
NET POSITION		
Net investment in capital assets	17,925,645	16,438,846
Restricted		
Nonexpendable	5,255,679	5,243,935
Expendable:		
Scholarships, research, instruction, other	29,340,001	29,482,673
Loans	308,148	356,858
Capital projects	9,802	147,295
Unrestricted	(54,000,024)	(59,464,426)
Total net position	\$ (1,160,749)	\$ (7,794,819)

AUBURN UNIVERSITY AT MONTGOMERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$15,969,905 and \$14,226,324, respectively	\$ 38,344,523	\$ 39,267,930
Federal grants and contracts, net	1,036,522	1,065,556
State and local grants and contracts, net	3,103,835	3,425,806
Nongovernmental grants and contracts, net	24,536	156,112
Sales and services of educational departments	1,652,963	2,151,550
Auxiliary revenue, net of scholarship allowances of \$1,814,247 and \$2,025,876, respectively	6,865,851	9,769,436
Other operating revenues	459,338	1,129,463
Total operating revenues	51,487,568	56,965,853
OPERATING EXPENSES		
Compensation and benefits	54,580,822	54,202,539
Scholarships and fellowships	4,681,300	3,153,617
Utilities	3,713,571	3,857,472
Other supplies and services	18,935,778	20,638,689
Depreciation	4,977,071	5,035,025
Total operating expenses	86,888,542	86,887,342
Operating loss	(35,400,974)	(29,921,489)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	27,002,506	25,598,839
Gifts	917,571	916,311
Grants	14,614,962	10,837,659
Net investment income	2,386,485	1,034,488
Interest expense on capital debt	(2,898,225)	(3,978,232)
Nonoperating revenues, net	42,023,299	34,409,065
Income before other changes in net position	6,622,325	4,487,576
OTHER CHANGES IN NET POSITION		
Capital gifts and grants	—	6,652
Additions to permanent endowments	11,745	9,085
Net increase in net position	6,634,070	4,503,313
Net position - beginning of year	(7,794,819)	(12,298,132)
Net position - end of year	\$ (1,160,749)	\$ (7,794,819)

ALABAMA AGRICULTURAL EXPERIMENT STATION

STATEMENTS OF NET POSITION SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,668,309	\$ 7,978,572
Operating investments	3,032,847	3,804,556
Accounts receivable, net	4,318,319	3,480,074
Total current assets	<u>13,019,475</u>	<u>15,263,202</u>
Noncurrent assets		
Investments	36,512,222	34,404,862
Due from other funds	1,334,272	1,280,256
Total noncurrent assets	<u>37,846,494</u>	<u>35,685,118</u>
Total assets	<u>50,865,969</u>	<u>50,948,320</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	10,394,683	10,956,911
Total deferred outflows of resources	<u>10,394,683</u>	<u>10,956,911</u>
LIABILITIES		
Current liabilities		
Accounts payable	720,680	2,215,277
Accrued salaries and wages	245,358	212,857
Accrued compensated absences	1,216,593	1,209,755
Deposits held in custody	6,400	6,400
Unearned revenues	2,610,491	2,825,372
Total current liabilities	<u>4,799,522</u>	<u>6,469,661</u>
Noncurrent liabilities		
Pension and OPEB	51,043,691	56,202,263
Total noncurrent liabilities	<u>51,043,691</u>	<u>56,202,263</u>
Total liabilities	<u>55,843,213</u>	<u>62,671,924</u>
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	10,757,676	5,630,431
Total deferred inflows of resources	<u>10,757,676</u>	<u>5,630,431</u>
NET POSITION		
Restricted		
Expendable:		
Scholarships, research, instruction, other	2,377,860	2,570,956
Unrestricted	(7,718,097)	(8,968,080)
Total net position	<u>\$ (5,340,237)</u>	<u>\$ (6,397,124)</u>

ALABAMA AGRICULTURAL EXPERIMENT STATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
OPERATING REVENUES		
Federal appropriations	\$ 5,528,729	\$ 5,009,609
Federal grants and contracts	7,622,122	10,644,089
State and local grants and contracts	917,029	1,178,310
Nongovernmental grants and contracts	5,029,323	2,274,284
Sales and services of educational departments	3,403,991	3,077,439
Other operating revenues	557,249	701,176
Total operating revenues	<u>23,058,443</u>	<u>22,884,907</u>
OPERATING EXPENSES		
Compensation and benefits	33,804,954	35,190,687
Scholarships and fellowships	273,052	233,018
Utilities	919,073	921,088
Other supplies and services	25,077,348	23,350,706
Total operating expenses	<u>60,074,427</u>	<u>59,695,499</u>
Operating loss	<u>(37,015,984)</u>	<u>(36,810,592)</u>
NONOPERATING REVENUES		
State appropriations	34,201,428	32,037,581
Gifts	3,498,366	1,732,361
Grants	2,803	—
Net investment income	598,607	628,654
Interest expense on capital debt	(228,333)	—
Nonoperating revenues, net	<u>38,072,871</u>	<u>34,398,596</u>
Net increase (decrease) in net position	1,056,887	(2,411,996)
Net position - beginning of year	<u>(6,397,124)</u>	<u>(3,985,128)</u>
Net position - end of year	<u>\$ (5,340,237)</u>	<u>\$ (6,397,124)</u>

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF NET POSITION SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4,014,733	\$ 4,830,873
Operating investments	2,148,095	2,303,586
Accounts receivable, net	3,255,241	4,439,668
Total current assets	9,418,069	11,574,127
Noncurrent assets		
Investments	25,860,764	20,831,487
Due from other funds	5,721,201	5,488,669
Total noncurrent assets	31,581,965	26,320,156
Total assets	41,000,034	37,894,283
DEFERRED OUTFLOWS OF RESOURCES		
Pension and OPEB	17,922,462	17,268,704
Total deferred outflows of resources	17,922,462	17,268,704
LIABILITIES		
Current liabilities		
Accounts payable	851,303	1,225,986
Accrued salaries and wages	369,199	329,281
Accrued compensated absences	1,858,202	1,947,662
Unearned revenues	255,192	435,736
Total current liabilities	3,333,896	3,938,665
Noncurrent liabilities		
Pension and OPEB	132,415,842	143,786,301
Total noncurrent liabilities	132,415,842	143,786,301
Total liabilities	135,749,738	147,724,966
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB	14,731,723	6,589,829
Total deferred inflows of resources	14,731,723	6,589,829
NET POSITION		
Restricted		
Nonexpendable:	24,487	24,487
Expendable:		
Scholarships, research, instruction, other	6,300,945	5,430,833
Capital projects	146	139
Unrestricted	(97,884,543)	(104,607,267)
Total net position	\$ (91,558,965)	\$ (99,151,808)

ALABAMA COOPERATIVE EXTENSION SYSTEM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019 (UNAUDITED)

	2020	2019
OPERATING REVENUES		
Federal appropriations	\$ 8,062,126	\$ 11,801,305
Federal grants and contracts, net	9,383,675	9,913,834
State and local grants and contracts, net	2,739,111	2,686,636
Nongovernmental grants and contracts, net	311,045	706,828
Sales and services of educational departments	547,436	558,152
Other operating revenues	905,215	1,154,305
Total operating revenues	<u>21,948,608</u>	<u>26,821,060</u>
OPERATING EXPENSES		
Compensation and benefits	40,917,109	45,558,432
Scholarships and fellowships	3,497	4,276
Utilities	57,599	75,370
Other supplies and services	16,652,324	20,179,004
Total operating expenses	<u>57,630,529</u>	<u>65,817,082</u>
Operating loss	<u>(35,681,921)</u>	<u>(38,996,022)</u>
NONOPERATING REVENUES		
State appropriations	42,580,388	39,594,504
Gifts	72,351	73,081
Grants	65,175	—
Net investment income	556,850	399,996
Nonoperating revenues, net	<u>43,274,764</u>	<u>40,067,581</u>
Net increase in net position	7,592,843	1,071,559
Net position - beginning of year	<u>(99,151,808)</u>	<u>(100,223,367)</u>
Net position - end of year	<u>\$ (91,558,965)</u>	<u>\$ (99,151,808)</u>





2020

FINANCIAL REPORT

UNAUDITED REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION (UNAUDITED)

Teachers' Retirement System Schedule of Proportionate Share of Collective Net Pension Liability

	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability	6.396880 %	6.475262 %	6.306790 %	6.146014 %	5.965792 %	5.757899 %
University's proportionate share of the collective net pension liability	\$707,297,000	\$643,808,000	\$619,862,000	\$665,367,000	\$624,361,000	\$523,080,000
University's covered payroll during the measurement period*	\$463,535,019	\$440,124,441	\$422,375,257	\$395,094,076	\$380,477,086	\$368,745,049
University's proportionate share of the collective net pension liability as a percentage of its covered payroll	152.59 %	146.28 %	146.76 %	168.41 %	164.10 %	141.85 %
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 %

*University's covered payroll during the measurement period is the total payroll on which contributions to a pension plan are based. For fiscal year 2020, the measurement period is October 1, 2018–September 30, 2019.

Teachers' Retirement System Schedule of System Contributions

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 57,443,019	\$ 55,172,904	\$ 51,809,686	\$ 49,273,810	\$ 46,139,070	\$ 42,534,706
Contributions in relation to the contractually required contribution	57,443,019	55,172,904	51,809,686	49,273,810	46,139,070	42,534,706
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
System covered payroll	\$ 482,882,303	\$ 463,535,019	\$ 440,124,441	\$ 422,375,257	\$ 395,094,076	\$ 380,477,086
Contributions as a percentage of covered payroll	11.90%	11.90%	11.77%	11.67%	11.68%	11.18%

Employees' Retirement System Schedule of Changes in the Net Pension Liability

	2019	2018	2017	2016	2015	2014
Service cost	\$ —	\$ —	\$ —	\$ 21,595	\$ 46,380	\$ 104,069
Interest	3,187,077	3,329,186	3,490,964	3,539,730	3,678,959	3,800,103
Changes of benefit terms	—	—	—	—	—	—
Differences between expected and actual experience	272,197	587,695	(238,683)	590,134	264,685	—
Changes of assumptions	—	130,809	—	2,271,808	—	—
Benefit payments, including refunds of employee contributions	(5,840,684)	(5,387,960)	(5,291,519)	(5,958,850)	(5,501,945)	(5,334,993)
Net change in total pension liability	\$ (2,381,410)	\$ (1,340,270)	\$ (2,039,238)	\$ 464,417	\$ (1,511,921)	\$ (1,430,821)
Total pension liability - beginning	44,310,953	45,651,223	47,690,461	47,226,044	48,737,965	50,168,786
Total pension liability - ending (a)	\$ 41,929,543	\$ 44,310,953	\$ 45,651,223	\$ 47,690,461	\$ 47,226,044	\$ 48,737,965

Employee's Retirement System Plan Fiduciary Net Position

	2019	2018	2017	2016	2015	2014
Contributions-employer	\$ 4,621,907	\$ 5,721,023	\$ 5,336,057	\$ 5,645,920	\$ 4,159,117	\$ 1,790,336
Contributions-member	35,540	63,922	66,106	80,506	104,131	125,268
Net investment income	—	21,698	—	3,837	9,066	331,362
Benefits payments, including refunds of employee contributions	(5,840,684)	(5,387,960)	(5,291,519)	(5,958,850)	(5,501,945)	(5,334,993)
Transfers among employers	—	—	—	—	—	—
Net change in total pension liability	\$(1,183,237)	\$ 418,683	\$ 110,644	\$ (228,587)	\$(1,229,631)	\$(3,088,027)
Plan net position - beginning	454,634	35,951	(74,693)	153,894	1,383,525	4,471,552
Plan net position - ending (b)	\$ (728,603)	\$ 454,634	\$ 35,951	\$ (74,693)	\$ 153,894	\$ 1,383,525
Net pension liability - ending (a)-(b)	\$42,658,146	\$43,856,319	\$45,615,272	\$47,765,154	\$47,072,150	\$47,354,440
Plan fiduciary net position as a percentage of total pension liability	(1.74)%	1.03 %	0.08 %	(0.16)%	0.33 %	2.84 %
Covered payroll*	\$ 1,186,971	\$ 1,373,434	\$ 1,755,903	\$ 2,138,954	\$ 2,775,630	\$ 3,341,010
Net pension liability as a percentage of covered payroll	3,593.87 %	3,193.19 %	2,597.82 %	2,233.11 %	1,695.91 %	1,417.37 %

*Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018-September 30, 2019.

Employees' Retirement System Schedule of Employer Contributions

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 6,129,799	\$ 4,617,318	\$ 5,680,659	\$ 5,321,011	\$ 5,629,191	\$ 4,151,926
Contributions in relation to the actuarially determined contribution	6,129,799	4,617,318	5,680,659	5,321,011	5,629,191	4,151,926
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll**	\$ 1,575,784	\$ 1,186,971	\$ 1,373,434	\$ 1,755,903	\$ 2,138,954	\$ 2,775,630
Contributions as a percentage of covered payroll	389.00 %	389.00 %	413.61 %	303.04 %	263.17 %	149.58 %

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the twelve month period of the underlying financial statement.

**Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statements.

Employee's Retirement System Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method:	Entry Age	Inflation:	2.750%
Amortization method:	Level percent closed	Salary increases:	3.25-5.00%, including inflation
Remaining amortization period:	5.4 years	Investment rate of return:	7.75%, net of pension plan investment expense, including inflation
Asset valuation method:	Five year smoothed market		



**Alabama Public Education Employees Health Insurance Plan (PEEHIP)
Schedule of Proportionate Share of the Net OPEB Liability**

for the Fiscal Year Ended September 30

	2020	2019	2018
The University's proportion of the net OPEB liability	3.559551%	4.072098%	4.404229%
The University's proportionate share of the net OPEB liability	\$134,293,596	\$334,674,593	\$327,120,973
The University's covered-employee payroll during the measurement period*	\$463,535,019	\$440,124,441	\$422,375,257
The University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	28.97%	76.04%	77.45%
Plan fiduciary net position as a percentage of the total OPEB liability	28.14%	14.81%	15.37%

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

*The University's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018–September 30, 2019.

PEEHIP Schedule of Contributions

for the Fiscal Year Ended September 30

	2020	2019	2018
Contractually required contribution	\$ 10,418,286	\$ 9,283,861	\$ 10,838,760
Contributions in relation to the contractually required contribution	\$ 10,418,286	\$ 9,283,861	\$ 10,838,760
Contribution deficiency (excess)	—	—	—
The University's covered-employee payroll during the measurement period	\$482,882,302.83	\$ 463,535,019	\$ 440,124,441
Contributions as a percentage of covered-employee payroll	2.16%	2.00%	2.46%

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

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 periodically to reflect the Affordable Care Act (ACA) maximum annual out-of-pocket amounts.

Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions 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
Remaining Amortization Period	25 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.875%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.75%
Medicare Eligible	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	5.00%
Medicare Eligible	5.00%
Year of Ultimate Trend Rate	2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

AU Medical Plan

Historical Changes in the Net Plan Liability

Year Ending September 30	2020	2019	2018
Total Plan Liability			
Service Cost	\$ 15,698	\$ 90,744	\$ 85,534
Interest	1,173,631	1,265,684	1,293,714
Changes to benefit terms	—	—	—
Differences between expected and actual experience	(5,783,481)	1,020,854	(32,891)
Changes of assumptions or other inputs	4,854,093	2,031,106	—
Benefit payments	(2,423,643)	(2,379,120)	(2,192,737)
Net Change in total Plan liability	<u>(2,163,702)</u>	<u>2,029,268</u>	<u>(846,380)</u>
Total Plan liability-beginning	<u>45,317,539</u>	<u>43,288,271</u>	<u>44,134,651</u>
Total Plan liability-ending (a)	<u>\$ 43,153,837</u>	<u>\$ 45,317,539</u>	<u>\$ 43,288,271</u>
Plan fiduciary net position			
Contributions-employer	2,423,643	2,379,120	2,192,737
Net investment income	—	—	—
Benefit payments	(2,423,643)	(2,379,120)	(2,192,737)
Administrative expense	—	—	—
Net Change in plan fiduciary net position	<u>—</u>	<u>—</u>	<u>—</u>
Plan fiduciary net position-beginning	<u>—</u>	<u>—</u>	<u>—</u>
Plan fiduciary net position-ending (b)	<u>—</u>	<u>—</u>	<u>—</u>
Net Plan liability-ending (a)-(b)	<u>\$ 43,153,837</u>	<u>\$ 45,317,539</u>	<u>\$ 43,288,271</u>
Plan fiduciary net position as a percentage of the total Plan liability	—	—	—
Covered employee payroll	\$ 1,575,784	\$ 1,186,971	\$ 1,373,434
Net Plan liability as a percentage of covered payroll	2,738.56 %	3,817.91 %	3,151.83 %

AU Medical Plan

Notes to the Required Supplemental Schedules

Changes in Key Actuarial Assumptions and Methods from Prior Valuation

Interest rate	The discount rate was updated from 2.66% as of September 30, 2019 to 2.25% as of September 30, 2020.
Mortality table	The mortality table was updated from Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2019 to Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2020.
Trend rates	The medical trend rate table was updated from the initial medical trend rate of 8.00% in fiscal 2019 grading down linearly to an ultimate trend rate of 5.00% in fiscal 2025 to the initial medical trend rate of 7.50% in fiscal 2020 grading down to an ultimate trend rate of 4.50% in fiscal 2040.

AUBURN UNIVERSITY BOARD OF TRUSTEES

Auburn University is governed by a Board of Trustees consisting of one member from each congressional district, as these districts were constituted on January 1, 1961, one member from Lee County, five at-large members, all of whom shall be residents of the continental United States, and the Governor, who is ex-officio. The Governor is the President of the Board of Trustees. Prior to 2003, trustees were appointed by the Governor, by and with the consent of the State Senate, for a term of 12 years. Any new trustees will be appointed by a committee, by and with the consent of the State Senate, for a term of seven years, and may serve no more than two full seven-year terms. A member may continue to serve until a successor is confirmed, but in no case for more than one year after the completion of a term. Members of the board receive no compensation. By executive order of the Governor in 1971, two non-voting student representatives selected by the student body serve as members ex-officio, one from the Auburn campus and one from the Montgomery campus.



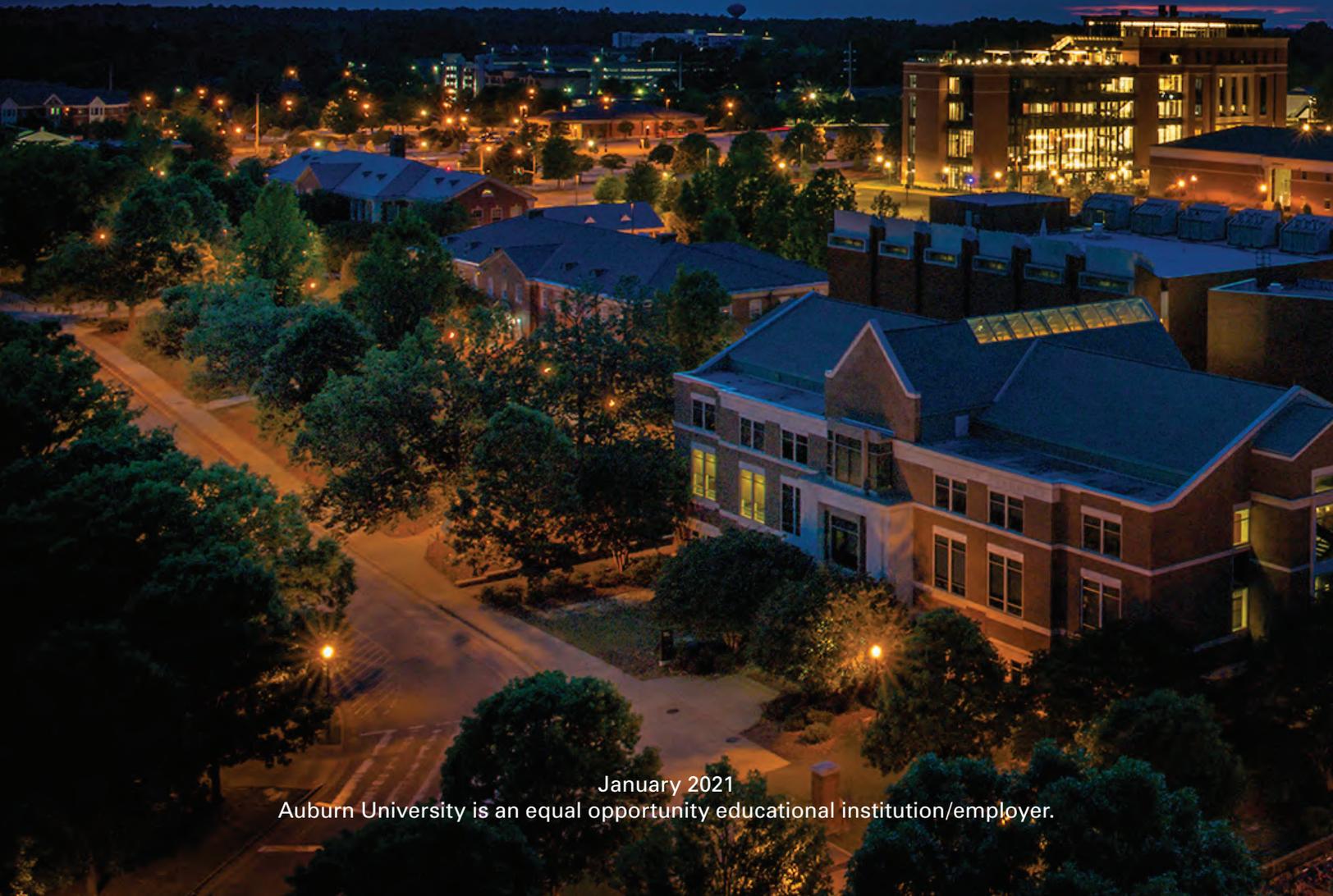
At Large			Third District - Lee	First District		
						
GOV. KAY IVEY President (Ex-officio)	WAYNE T. SMITH (Nashville, Tenn.) Healthcare Executive President Pro Tempore		BOB DUMAS (Auburn) Banking Executive Vice President Pro Tempore	B.T. ROBERTS (Mobile) Commercial Real Estate Executive		
Second District	Third District	Fourth District	Fifth District	Sixth District	Seventh District	
						
CLARK SAHLIE (Montgomery) Business Executive	JAMES W. RANE (Abbeville) Business Executive	JAMES H. SANFORD (Prattville) Agriculture Executive	GAINES LANIER (Lanett) Business Executive	ELIZABETH HUNTLEY (Clanton) Attorney	SARAH B. NEWTON (Fayette) Retired School Principal	
Eighth District	Ninth District	At Large	At Large	At Large	At Large	
						
MICHAEL A. DEMAIORIBUS (Huntsville) Retired Technology Executive	JAMES PRATT (Birmingham) Attorney	LLOYD AUSTIN (Great Falls, Va.) Retired Army General	RAYMOND J. HARBERT (Birmingham) Investment Management Executive	CHARLES D. MCCRARY (Birmingham) Retired Utility Executive	QUENTIN P. RIGGINS (Birmingham) Utility Executive	



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