# Marion Military Institute

## A Component Unit of the State of Alabama

## Independent Auditor's Report
## and Financial Statements

**September 30, 2022**

# Marion Military Institute
## A Component Unit of the State of Alabama
## September 30, 2022

## Table of Contents

**Independent Auditor's Report** .... 1

**Management's Discussion and Analysis** .... 4

**Financial Statements**

**Marion Military Institute**

Statement of Net Position .... 10

Statement of Revenues, Expenses and Changes in Net Position .... 11

Statement of Cash Flows .... 12

**Marion Military Institute Foundation, Inc.**

Statement of Financial Position .... 14

Statement of Activities .... 15

Notes to Financial Statements .... 16

**Required Supplementary Information**

Schedule of the Institute's Proportionate Share of the Net Pension Liability .... 42

Schedule of the Institute's Contributions – Pension .... 43

Schedule of the Institute's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability – Alabama Retired Education Employees' Health Care Trust .... 44

Schedule of the Institute's Contributions – Alabama Retired Education Employees' Health Care Trust .... 45

Notes to Required Supplementary Information .... 46

**Supplementary Information**

Schedule of Expenditures of Federal Awards .... 48

Notes to the Schedule of Expenditures of Federal Awards .... 49

# Marion Military Institute
## A Component Unit of the State of Alabama
## September 30, 2022

## Table of Contents (Continued)


**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* – Independent Auditor's Report .................. 50**

**Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance — Independent Auditor's Report .................. 52**

Schedule of Findings and Questioned Costs .................. 55

Summary Schedule of Prior Audit Findings .................. 58

FORVIS

1201 Walnut Street, Suite 1700 / Kansas City, MO 64106
**P** 816.221.6300 / **F** 816.221.6380
forvis.com

# Independent Auditor's Report

Alabama Community College System Board of Trustees
Marion Military Institute
Marion, Alabama

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the financial statements of the business-type activities and the discretely presented component unit of Marion Military Institute (the Institute), collectively a component unit of the State of Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Marion Military Institute as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Marion Military Institute Foundation, Inc. which represents 100 percent of the assets, net assets and revenues of the discretely presented component unit as of September 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marion Military Institute Foundation, Inc. are based solely on the report of the other auditor.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained *in Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Institute, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Marion Military Institute Foundation, Inc., which is included in the Institute's financial statements, was not audited in accordance with *Government Auditing Standards.*

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audits 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 Institute's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Institute's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.

FORVIS, LLP

Kansas City, Missouri
January 17, 2023

# Marion Military Institute
## A Component Unit of the State of Alabama
## Management's Discussion and Analysis (Unaudited)
## Year Ended September 30, 2022

### *Overview of the Financial Statements and Financial Analysis*

Marion Military Institute (the Institute) presents its financial statements for the fiscal year 2022. The fiscal year period is October 1, 2021 to September 30, 2022. Marion Military Institute merged into the Alabama Community College System on June 1, 2006, by Act of the State Legislature.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The discussion and analysis will focus on current year data with select comparative information for the fiscal year ended September 30, 2021.

### *Statement of Net Position*

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Institute as of the end of the fiscal year. The Statement of Net Position is a point in time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Marion Military Institute. The Statement of Net Position presents end-of-year data concerning Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position (Assets and Deferred Outflows of Resources less Liabilities and Deferred Inflows of Resources). The difference in current and non-current assets will be discussed in the financial statement disclosures.

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

The following schedule, displayed in thousands of dollars, summarizes the Statement of Net Position as of September 30, 2022 and 2021:

### Statement of Net Position (thousands of dollars)

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets | $ 9,005 | $ 8,287 |
| Capital assets, net | 18,818 | 17,972 |
| Total assets | 27,823 | 26,259 |
| Deferred outflows of resources | 3,985 | 4,689 |
| **Liabilities** | | |
| Current liabilities | 1,840 | 1,575 |
| Noncurrent liabilities | 13,314 | 16,872 |
| Total liabilities | 15,154 | 18,447 |
| Deferred inflows of resources | 6,386 | 4,252 |
| **Net Position** | | |
| Net invested in capital assets | 17,655 | 16,792 |
| Unrestricted | (7,389) | (8,543) |
| Total net position | $ 10,266 | $ 8,249 |

**Fiscal Year 2022 compared to Fiscal Year 2021**

As of September 30, 2022, total assets and deferred outflows of resources increased to $31.808 million. The increase is primarily the result of the receivable from state appropriations related to the MOU for the construction of the dining hall and tennis courts offset by a decrease of $.704 million for the change in the deferred outflows of resources related pensions and other postemployment benefits. This decrease of $.704 million in deferred outflows is due to the annual actuarial valuation of the Institute's pension liability and other post-employment benefits. Total liabilities and deferred inflows of resources decreased $1.159 million in fiscal year 2022. The GASB 68 actuarial evaluation of the Institute's portion of the net pension liability resulted in a decrease of $2.359 million in the pension liability and an increase of $2.023 million in the deferred inflows of resources. The annual note payable payments decreased the notes payable by $131 thousand.

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

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

Generally speaking, operating revenues are received for providing goods and services to various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

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

| | 2022 | 2021 |
|---|---|---|
| **Operating Revenue** | $ 3,559 | $ 4,129 |
| **Operating Expense** | 15,525 | 18,417 |
| **Operating Loss** | (11,966) | (14,288) |
| **Nonoperating Revenue, net** | 13,740 | 14,956 |
| **Income Before Capital Gifts and Grants** | 1,774 | 668 |
| **Capital Gifts and Grants** | 243 | - |
| **Increase in Net Position** | 2,017 | 668 |
| **Net Position at Beginning of Year** | 8,249 | 7,581 |
| **Net Position at End of Year** | $ 10,266 | $ 8,249 |

The Statement of Revenues, Expenses and Changes in Net Position reflect an operating year with a net increase in net position for the period.

### *Operating Expenses*

Operating expenses can be displayed in two formats, natural (object) classification and functional classification. The below presentation is based on functional classification:

**Operating Expenses**
**(thousands of dollars)**

| | 2022 | 2021 |
|---|---|---|
| **Operating Expenses** | | |
| Instruction | $ 1,640 | $ 1,723 |
| Institutional support | 2,471 | 3,940 |
| Academic support | 720 | 907 |
| Student services | 4,019 | 3,484 |
| Operation and maintenance of plant | 2,611 | 3,325 |
| Student aid (scholarships) | 860 | 1,265 |
| Auxiliary enterprises | 2,279 | 2,430 |
| Depreciation | 925 | 1,343 |
| Total operating expenses | $ 15,525 | $ 18,417 |

**<u>Fiscal Year 2022 compared to Fiscal Year 2021</u>**

In fiscal year 2022, total operating expenses decreased by $2.892 million or 15.7 percent from prior year. This was mainly attributed to a decrease in operation and maintenance of plant of $.4 million related to contributed services from the Foundation, a decrease in depreciation due to a one-time change in accounting estimate during 2021 of $.571 million and a decrease in student aid (scholarships) of $.405 million. This decrease in student aid represented approximately a 32.0 percent decrease driven by the change in enrollment and a decrease in scholarships from the Foundation.

### *Statement of Cash Flows*

The final statement presented by Marion Military Institute is the Statement of Cash Flows which presents information about the cash activity of the institution during the year. The statement is divided into six parts. The first part deals with operating cash flow and shows the net cash used by the operating activities of the institution. The second section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flow from investing activities and shows purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. The sixth and final section reflects activity that occurred at the Institution that were derived from non-cash activities. Shown below is a summary of the Cash Flows Statement:

**Cash Flows**
**(thousands of dollars)**

| | 2022 | 2021 |
|---|---|---|
| **Cash provided by (used in)** | | |
| Operating activities | $ (10,667) | $ (12,653) |
| Non-capital financing activities | 12,236 | 14,589 |
| Capital and related financing activities | (1,626) | (439) |
| Investing activities | 6 | 6 |
| **Net Change in Cash and Cash Equivalents** | (51) | 1,503 |
| **Cash and Cash Equivalents, Beginning of Year** | 6,619 | 5,116 |
| **Cash and Cash Equivalents, End of Year** | $ 6,568 | $ 6,619 |

### Capital Assets, net
### (thousands of dollars)

| | 2022 | 2021 |
|---|---|---|
| Land | $ 612 | $ 612 |
| Construction in progress | 1,457 | 155 |
| Buildings and building alterations | 14,303 | 14,667 |
| Collections | 17 | 17 |
| Improvements other than buildings and infrastructure | 1,283 | 1,398 |
| Furniture and equipment | 762 | 609 |
| Library materials | 384 | 514 |
| Total capital assets | $ 18,818 | $ 17,972 |

Additional information concerning capital assets is provided in *Note 4* to the financial statements as well as *Note 8* relating to capital related future commitments.

**Fiscal Year 2022 compared to Fiscal Year 2021**

As of September 30, 2022, the Institute had recorded $18.818 million in net capital assets, an increase of $.846 million from the prior year. Additions to capital assets consisted of projects under construction for the Institute's dining hall and tennis courts.

### Long-term Debt
### (thousands of dollars)

| | 2022 | 2021 |
|---|---|---|
| Note payable | $ 949 | $ 1,080 |

Additional information concerning long-term liabilities is provided in *Note 7* to the financial statements.

### *Economic Outlook*

The Institute is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative impact on the financial position.

The Institute expects growth in enrollment, after a year with lower enrollment, which in turn will strengthen its financial position and enable Marion Military Institute to perform its mission.

# Marion Military Institute

## A Component Unit of the State of Alabama

## Statement of Net Position

## September 30, 2022

| | | |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ | 6,567,904 |
| Accounts receivable, net | | 2,008,585 |
| Inventories | | 428,207 |
| Total current assets | | 9,004,696 |
| **Noncurrent Assets** | | |
| Capital assets | | |
| Nondepreciable | | 2,069,606 |
| Depreciable, net | | 16,748,120 |
| Total noncurrent assets | | 18,817,726 |
| Total assets | | 27,822,422 |
| **Deferred Outflows of Resources** | | |
| Pensions | | 2,087,296 |
| Other postemployment benefits | | 1,897,265 |
| Total deferred outflows of resources | | 3,984,561 |
| Total assets and deferred outflows of resources | $ | 31,806,983 |

## Liabilities

| | |
|---|---|
| **Current Liabilities** | |
| Accounts payable and accrued liabilities | $ 659,758 |
| Deposit liabilities | 152,858 |
| Unearned revenue | 881,118 |
| Compensated absences | 68,016 |
| Financed purchase arrangements | 19,271 |
| Notes payable | 59,399 |
| Total current liabilities | 1,840,420 |
| **Noncurrent Liabilities** | |
| Compensated absences, net of current | 612,146 |
| Financed purchase arrangements | 2,052 |
| Net pension liability | 7,780,000 |
| Net other postemployment benefit liability | 4,030,218 |
| Notes payable, net of current | 889,612 |
| Total noncurrent liabilities | 13,314,028 |
| Total liabilities | 15,154,448 |

## Deferred Inflows of Resources

| | |
|---|---|
| Pensions | 2,458,000 |
| Other postemployment benefits | 3,928,496 |
| Total deferred inflows of resources | 6,386,496 |

## Net Position

| | |
|---|---|
| Net invested in capital assets | 17,655,107 |
| Unrestricted | (7,389,068) |
| Total net position | $ 10,266,039 |

# Marion Military Institute
## A Component Unit of the State of Alabama
## Statement of Revenues, Expenses and Changes in Net Position
## Year Ended September 30, 2022

| | |
|---|---|
| **Operating Revenues** | |
| Student tuition and fees (net of scholarship allowance of $2,039,372) | $ 912,815 |
| Federal grants and contracts | 44,133 |
| State grants and contracts | 118,973 |
| Local grants and contracts | 130,500 |
| Sales and services of educational activities | 28,553 |
| Auxiliary enterprises: | |
| Residential life (net of scholarship allowances) | 1,473,541 |
| Bookstore (net of scholarship allowances) | 649,582 |
| Food service (net of scholarship allowances) | 127,211 |
| Other auxiliary enterprises | 73,799 |
| Total operating revenues | 3,559,107 |
| **Operating Expenses** | |
| Instruction | 1,640,450 |
| Institutional support | 2,470,531 |
| Academic support | 719,976 |
| Student services | 4,019,041 |
| Operation and maintenance of plant | 2,611,221 |
| Student aid (scholarships) | 859,912 |
| Auxiliary enterprises | 2,278,846 |
| Depreciation | 925,327 |
| Total operating expenses | 15,525,304 |
| **Operating Loss** | (11,966,197) |
| **Nonoperating Revenues (Expenses)** | |
| State appropriations | 10,622,379 |
| Federal grants and contracts | 2,959,352 |
| Private gifts | 165,000 |
| Investment income, net of fees | 6,154 |
| Loss on disposal of capital assets | (98,837) |
| Other nonoperating revenues | 134,122 |
| Interest on capital asset related debt | (48,238) |
| Total nonoperating revenues, net | 13,739,932 |
| **Income Before Capital Gifts and Grants** | 1,773,735 |
| **Capital Gifts and Grants** | 243,529 |
| **Increase in Net Position** | 2,017,264 |
| **Net Position, Beginning of Year** | 8,248,775 |
| **Net Position, End of Year** | $ 10,266,039 |

# Marion Military Institute
## A Component Unit of the State of Alabama
## Statement of Cash Flows
## Year Ended September 30, 2022

| | |
|---|---|
| **Cash Flows from Operating Activities** | |
| Tuition and fees | $ 1,524,293 |
| Federal, State and Local Grants and contracts | 293,606 |
| Sales and services of educational activities | 28,553 |
| Auxiliary enterprise charges | |
| Bookstore | 649,582 |
| Food service | 127,211 |
| Housing | 1,473,541 |
| Other auxiliary enterprise | 73,799 |
| Payments to suppliers | (5,542,546) |
| Payments for employees | (6,200,196) |
| Payments for benefits | (2,235,426) |
| Payments for scholarships and fellowships | (859,912) |
| Net cash used in operating activities | (10,667,495) |
| **Cash Flows from Noncapital Financing Activities** | |
| State appropriations | 9,534,104 |
| Private gifts | 165,000 |
| Direct lending receipts | 694,052 |
| Direct lending disbursements | (694,052) |
| Federal HEERF grant revenues | 1,633,340 |
| Federal Pell revenue | 735,107 |
| Other noncapital financing | 168,657 |
| Net cash provided by noncapital financing activities | 12,236,208 |
| **Cash Flows from Capital and Related Financing Activities** | |
| Proceeds from sale of capital assets | 234 |
| Purchases of capital assets and construction | (1,412,961) |
| Principal paid on capital debt and leases payable | (165,177) |
| Interest paid on capital debt and leases payable | (48,238) |
| Net cash used in capital and related financing activities | (1,626,142) |
| **Cash Flows from Investing Activities** | |
| Investment income | 6,154 |
| Net cash provided by investing activities | 6,154 |
| **Net Decrease in Cash and Cash Equivalents** | (51,275) |
| **Cash and Cash Equivalents, Beginning of Year** | 6,619,179 |
| **Cash and Cash Equivalents, End of Year** | $ 6,567,904 |

# Marion Military Institute
## A Component Unit of the State of Alabama
## Statement of Cash Flows (Continued)
## Year Ended September 30, 2022

| | |
|---|---|
| **Reconciliation of Operating Income to Net Cash Used In Operating Activities** | |
| Operating loss | $ (11,966,197) |
| | |
| **Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities** | |
| Depreciation expense | 925,327 |
| Changes in assets and liabilities | |
| Accounts receivable, net | 370,624 |
| Inventory | 189,399 |
| Deferred outflows of resources | 704,693 |
| Accounts payable and accrued liability | 54,370 |
| Unearned revenue | (13,188) |
| Deposit liabilities | 254,042 |
| Compensated absences | 94,310 |
| Net pension liability | (2,359,000) |
| Net other postemployment benefit liability | (1,055,756) |
| Deferred inflows of resources | 2,133,881 |
| | |
| **Net Cash Used in Operating Activities** | $ (10,667,495) |
| | |
| **Noncash Activities** | |
| Capital asset acquisitions included in accounts payable | $ 213,607 |
| Noncash gifts | 243,529 |

# Marion Military Institute
## A Component Unit of the State of Alabama
## Marion Military Institute Foundation, Inc.
## Statement of Financial Position
## September 30, 2022

### Assets

| | |
|---|---|
| Cash and cash equivalents | $ 3,448,897 |
| Pledges receivable, net | 100,907 |
| Investments | 9,368,456 |
| Perpetual trust | 25,090,762 |
| Total assets | $ 38,009,022 |

### Liabilities and Net Assets

| | |
|---|---|
| **Liabilities** | |
| Accounts payable | $ 45,032 |
| Deferred revenue | 58,117 |
| Due to Alumni Brigade | 158,737 |
| Due to Alabama Military Hall of Honor | 46,012 |
| Total liabilities | 307,898 |
| **Net Assets** | |
| Without donor restrictions | |
| Board designated | 1,524,222 |
| Undesignated | 2,097,882 |
| Total without donor restrictions | 3,622,104 |
| With donor restrictions | 34,079,020 |
| Total net assets | 37,701,124 |
| Total liabilities and net assets | $ 38,009,022 |

# Marion Military Institute

## A Component Unit of the State of Alabama

## Marion Military Institute Foundation, Inc.

## Statement of Activities

## Year Ended September 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and Other Support** | | | |
| Contributions and gifts | $ 1,044,928 | $ 30,307,308 | $ 31,352,236 |
| Special events | 39,660 | - | 39,660 |
| Investment income | (307,137) | (1,489,245) | (1,796,382) |
| Distribution from perpetual trust | 950,000 | (950,000) | - |
| Change in value - perpetual trust | - | (4,137,986) | (4,137,986) |
| Net assets released from restrictions | 968,161 | (968,161) | - |
| Total revenues and other support | 2,695,612 | 22,761,916 | 25,457,528 |
| **Expenses** | | | |
| Program | 1,792,320 | - | 1,792,320 |
| Management and general | 27,539 | - | 27,539 |
| Fundraising | 35,919 | - | 35,919 |
| Total expenses | 1,855,778 | - | 1,855,778 |
| **Change in Net Assets** | 839,834 | 22,761,916 | 23,601,750 |
| **Net Assets, Beginning of Year** | 2,782,270 | 11,317,104 | 14,099,374 |
| **Net Assets, End of Year** | $ 3,622,104 | $ 34,079,020 | $ 37,701,124 |

## Note 1: Nature of Operations and Summary of Significant Accounting Policies

### *Nature of Operations and Reporting Entity*

Marion Military Institute, "the Institute" is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, "The Financial Reporting Entity," states that a primary government is financially accountable for a component unit if it appoints a voting majority of an organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama through which the Alabama Community College System Board of Trustees governs the Alabama Community College System. The Alabama Community College System, through its Chancellor, has the authority and responsibility for the operation, management, supervision and regulation of the Institute. In addition, the Institute receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, the Institute is considered for financial reporting purposes to be a component unit of the State of Alabama.

Major federally funded student financial aid programs in which the Institute participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study and Federal Direct Loan Programs.

### *Foundation*

The Marion Military Institute Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the Institute. The Foundation's primary function is to raise and hold funds to support the Institute and its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the Institute.

Although the Institute does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Institute. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Institute, the Foundation is considered a component unit of the Institute and is discretely presented in the Institute's financial statements.

During the year ended September 30, 2022, the Foundation provided approximately $1,749,000 of support to the Institute, which includes approximately $966,000 of contributed services, $380,000 of scholarship awards, $165,000 of private gifts and $243,000 of capital contributions. Complete financial statements of the Foundation may be obtained from the Institute's Administrative Offices at: Marion Military Institute, 1101 Washington Street, Marion, Alabama 36756.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Institute's financial reporting entity for these differences.

### *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Institute have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal, state and local grants and state appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Institute first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

### *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, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Cash and Cash Equivalents*

The Institute considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2022, cash and cash equivalents consisted primarily of cash on hand and demand deposits.

### *Accounts Receivable*

Accounts receivable consists of state appropriations, tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable is recorded net of estimated uncollectible amounts.

### *Inventories*

The inventories are comprised of (1) consumable supplies and (2) items held for resale. Inventories are valued at the lower of cost or market. All inventories are valued using the first in/first out (FIFO) method.

### *Capital Assets*

Capital assets, other than intangibles, with a unit cost of over $5,000 and an estimated useful life in excess of one year, and all library books, are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for intangible assets such as capitalized software and internally generated computer software is $1 million and $100,000 for easements and land use rights and patents, trademarks and copyrights. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at acquisition value (an entry price) at the date of donation. Land, Construction in Progress and intangible assets with indefinite lives are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of capital assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

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

| Assets | Depreciation Method | Useful Lives |
|---|---|---|
| Buildings | Straight Line | 50 years |
| Building Alterations | Straight Line | 25 years |
| Improvements other than Buildings and Infrastructure | Straight Line | 25 years |
| Furniture and Equipment | Straight Line | 5-10 years |
| Library Materials | Composite | 20 years |

### *Deferred Outflows of Resources*

The Institute reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its statement of net position.

### *Unearned Tuition and Fee Revenue*

Unearned revenue represents unearned student fees for which the Institute has not met all of the applicable eligibility requirements.

### *Compensated Absences*

No liability is recorded for sick leave. Substantially all employees of the Institute earn 12 days of sick leave each year with unlimited accumulation. Payment is not made to employees for unpaid sick leave at termination or retirement.

All non-instructional employees earn annual leave at a rate which varies from 12 to 24 days per year depending on duration of employment, with accumulation limited to 60 days. Instructional employees do not earn annual leave. Payment is made to employees for unused leave at termination or retirement.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the statement of net position date is included in other long-term liabilities.

### *Risk Management*

The Institute is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits.

The Institute has insurance for its buildings and contents through the State Insurance Fund (SIF), part of the State of Alabama Department of Finance, Division of Risk Management, a public entity risk pool, which operates as a common risk management and insurance program for state owned properties. The Institute pays an annual premium based on the amount of coverage requested. The SIF provides coverage up to $2 million per occurrence and is self-insured up to a maximum of $6 million in aggregate claims. The SIF purchases commercial insurance for claims which in the aggregate exceed $6 million. The Institute purchases commercial insurance for its automobile coverage, general liability, and professional legal liability coverage. In addition, the Institute has fidelity bonds on the Institute president and business officer as well as on all other Institute personnel who handle funds.

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

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

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the Institute.

### *Cost-Sharing Defined Benefit Pension Plan*

The Institute participates in a cost-sharing multiple-employer defined benefit pension plan, the Teachers' Retirement System of Alabama (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Cost-Sharing Defined Benefit Other Postemployment Benefit Plan*

The Institute participates in a cost-sharing multiple-employer defined benefit other postemployment benefit plan, the Alabama Retired Education Employees' Health Care Trust, (the OPEB Plan). 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 OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Deferred Inflows of Resources*

The Institute reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its statement of net position.

### *Net Position*

Net position is defined as the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is required to be classified for accounting and reporting purposes into the following categories:

#### Net Investment in Capital Assets

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

#### Restricted

Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the Institute.

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

Unrestricted

Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

### *Scholarship Allowances and Student Aid*

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the Institute, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues in the Institute's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the Institute has recorded a scholarship allowance. The Institute reports stipends and other payments made directly to students as student aid expenses (scholarship expenses).

### *Income Taxes*

As a state institution of higher education, the income of the Institute is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the Institute is subject to federal income tax on any unrelated business taxable income.

### *New Accounting Pronouncements*

During the current fiscal year, the Institute implemented the following new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 87, *Leases*, changed the recognition and reporting requirement of leases

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB Statement No. 92, *Omnibus 2020*

GASB Statement No. 93, *Replacement of Interbank Offered Rates*

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective dates of pronouncements that were scheduled to become effective during the current reporting year

The implementation of these pronouncements did not have a material impact on the financial statements as of and for the year ended September 30, 2022.

## Note 2: Deposits

### *Custodial Credit Risk*

The Institute's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. Therefore, no deposits are subject to custodial credit risk.

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash, demand deposits, and certificates of deposits with maturities of three months or less.

## Note 3: Receivables

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

| | |
|---|---|
| Accounts Receivable | |
| Student receivables | $ 984,132 |
| Federal grants | 556,133 |
| State appropriations | 1,088,275 |
| Third party | 156,855 |
| Other | 1,180 |
| | 2,786,575 |
| Less: allowance for doubtful accounts | (777,990) |
| Total accounts receivables | $ 2,008,585 |

## Note 4: Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---|---|---|---|---|
| Land | $ 612,160 | $ - | $ - | $ 612,160 |
| Buildings | 17,040,872 | 219,126 | (110,493) | 17,149,505 |
| Building alterations | 4,013,330 | - | - | 4,013,330 |
| Collections | 17,036 | - | - | 17,036 |
| Improvements other than buildings and infrastructure | 2,874,773 | - | - | 2,874,773 |
| Construction in progress | 155,564 | 1,301,882 | - | 1,457,446 |
| Furniture and equipment | 2,746,185 | 343,298 | - | 3,089,483 |
| Library materials | 1,337,266 | 5,791 | (65,140) | 1,277,917 |
| Total at historical cost | 28,797,186 | 1,870,097 | (175,633) | 30,491,650 |
| Less Accumulated Depreciation | | | | |
| Buildings and building alterations | 6,386,978 | 507,190 | (33,884) | 6,860,284 |
| Improvements other than buildings and infrastructure | 1,477,037 | 114,990 | - | 1,592,027 |
| Furniture and equipment | 2,137,228 | 190,446 | - | 2,327,674 |
| Library materials | 824,150 | 112,701 | (42,912) | 893,939 |
| Total accumulated depreciation | 10,825,393 | 925,327 | (76,796) | 11,673,924 |
| Capital Assets, Net | $ 17,971,793 | $ 944,770 | $ (98,837) | $ 18,817,726 |

## Note 5: Defined Benefit Pension Plan

### *Plan Description*

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

### *Benefits Provided*

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

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

### *Contributions*

State statute has the authority to establish and amend the contribution requirements of the Institute and active employees. Employees are required to contribute 7.50 percent of earnable compensation for Tier 1 and 6.20 percent for Tier 2 employees for the year ended September 30, 2022.

The Institute's required contribution rate for the year ended September 30, 2022 was 12.36 percent of annual pay for Tier 1 members and 11.22 percent of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended September 30, 2022, total employer contributions to the pension plan from the Institute was approximately $726,000.

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

At September 30, 2022, the Institute reported a liability of approximately $7,780,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The Institute's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2021, the Institute's proportion was .082584 percent, which was an increase of 0.0061 percent from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the Institute recognized pension expense of approximately $648,000. At September 30, 2022, the Institute reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 360,000 | $ 453,000 |
| Changes of assumptions | 817,000 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,836,000 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 184,000 | 169,000 |
| Employer contributions subsequent to the measurement date | 726,296 | - |
| Total | $ 2,087,296 | $ 2,458,000 |

The $726,296 reported as deferred outflows of resources related to pensions resulting from Institute contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30: | |
|---|---|
| 2023 | $ (156,000) |
| 2024 | (141,000) |
| 2025 | (277,000) |
| 2026 | (523,000) |

### *Actuarial Assumptions*

The total pension liability (TPL) as of September 30, 2022 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50% |
| Investment rate of return* | 7.45% |
| Projected salary increases | 3.25% - 5.00% |

*Net of pension plan investment expense, including inflation

The actuarial assumptions used in the September 30, 2020 valuation, for purposes of determining the TPL, were based on the results of an actuarial experience study for the period October 1, 2015–September 30, 2020, and a discount rate of 7.45 percent as adopted by the Board of Trustees on September 13, 2021.

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

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

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

| | Target Allocation | Long-Term Expected Rate of Return* |
|---|---|---|
| Fixed Income | 15.00% | 2.80% |
| U.S. Large Stocks | 32.00% | 8.00% |
| U.S. Mid Stocks | 9.00% | 10.00% |
| U.S. Small Stocks | 4.00% | 11.00% |
| International Developed Market Stocks | 12.00% | 9.50% |
| International Emerging Market Stocks | 3.00% | 11.00% |
| Alternatives | 10.00% | 9.00% |
| Real Estate | 10.00% | 6.50% |
| Cash | 5.00% | 2.50% |
| | 100.00% | |

*Includes assumed rate of inflation of 2.00%.

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Sensitivity of the Institute's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate*

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

| | 1% Decrease (6.45%) | Current Rate (7.45%) | 1% Increase (8.45%) |
|---|---|---|---|
| Institute's proportionate share of collective net pension liability | $ 11,451 | $ 7,780 | $ 4,688 |

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

## Note 6: Other Postemployment Benefits

### *Plan Description*

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

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

### *Benefits Provided*

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

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

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

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

### *Contributions*

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

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

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

For the year ended September 30, 2022, total employer contributions to the plan from the Institute was approximately $152,692.

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

At September 30, 2022, the Institute reported a liability for its proportionate share of the collective net OPEB liability of approximately $4,030,000. The collective net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The Institute's proportion of the Net OPEB liability was based on the employers' share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the Institute's proportion was .078002 percent, which was a decrease of 0.0366 percent from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the Institute recognized OPEB expense of $(343,661). At September 30, 2022, the Institute reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 95,355 | $ 1,402,120 |
| Changes of assumptions | 1,435,323 | 1,562,147 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 125,717 |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 213,895 | 838,512 |
| Employer contributions subsequent to the measurement date | 152,692 | - |
| Total | $ 1,897,265 | $ 3,928,496 |

The $152,692 reported as deferred outflows of resources related to OPEB resulting from the Institute's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2023.

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

| Year ended September 30: | |
|---|---|
| 2023 | $ (682,286) |
| 2024 | (537,694) |
| 2025 | (612,411) |
| 2026 | (148,507) |
| 2027 | (82,859) |
| Thereafter | (120,166) |

### *Actuarial Assumptions*

The total OPEB 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:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increase[1] | 3.25% - 5.00% |
| Long-term Investment rate of return[2] | 7.00% |
| Municipal Bond Index Rate at Measurement Date | 2.29% |
| Municipal Bond Index Rate at Prior Measurement Date | 2.25% |
| Projected Year for Fiduciary Net Position (FNP) to be Depleted | 2051 |
| Single Equivalent Interest Rate at Measurement Date | 3.97% |
| Single Equivalent Interest Rate at Prior Measurement Date | 3.05% |
| Healthcare cost trend rates | |
| *Pre-Medicare Eligible* | 6.50% |
| *Medicare Eligible* | ** |
| Ultimate Trend Rate | |
| *Pre-Medicare Eligible* | 4.50% in 2028 |
| *Medicare Eligible* | 4.50% in 2025 |

[1] Includes 2.75% wage inflation

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

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

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

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

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

The remaining actuarial assumptions (*e.g*., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2021 valuation.

### *Long-term Rate of Return*

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments will be 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:

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

*Geometric mean includes inflation of 2.50%.

### *Discount Rate (Single Equivalent Interest Rate - SEIR)*

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 3.97 percent. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is $800 per non-university active member. Approximately, 12.990 percent of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990 percent will increase at the same rate as expected benefit payments for the closed group reaching 20.00 percent. It is assumed the $800 rate will increase with inflation at 2.50 percent starting in 2024. Retiree benefit payments for Institute members are paid by the Institute and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

### *Sensitivity of the Institute's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates*

The following table presents the Institute'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 (amount in thousands):

| | 1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible) | Current Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible) | 1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible) |
|---|---|---|---|
| Institute's net OPEB liability | $ 3,162 | $ 4,030 | $ 5,148 |

### *Sensitivity of the Institute's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate*

The following table presents the Institute's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.97 percent, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate (amount in thousands):

| | 1% Decrease (2.97%) | Current Discount Rate (3.97%) (Amount in Thousands) | 1% Increase (4.97%) |
|---|---|---|---|
| Institute's net OPEB liability | $ 4,973 | $ 4,030 | $ 3,287 |

### *OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

## Note 7: Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2022, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---|---|---|---|---|---|
| Financed purchase arranagements | $ 55,429 | $ - | $ 34,106 | $ 21,323 | $ 19,271 |
| Notes payable to bank | 1,080,082 | - | 131,071 | 949,011 | 59,399 |
| Compensated absences | 637,884 | 42,278 | - | 680,162 | 68,016 |
| | $ 1,773,395 | $ 42,278 | $ 165,177 | $ 1,650,496 | $ 146,686 |

### *Equipment Financed Purchase Arrangements*

The Institute financed certain items of equipment through a finance purchase arrangement, which are included in equipment and furniture on the statement of net position. Interest rates on these obligations range from 4.7 percent to 16.7 percent with maturity dates through 2024. Minimum payments under these obligations including interest payments are shown in the table below.

| Fiscal Years | Leases Payable Principal | Leases Payable Interest | Total |
|---|---|---|---|
| 2023 | $ 19,271 | $ 706 | $ 19,977 |
| 2024 | 2,052 | 108 | 2,160 |
| Totals | $ 21,323 | $ 814 | $ 22,137 |

### *Note Payable to Bank*

The Institute has a note payable agreement with Marion Bank and Trust Company, which carries an interest rate of 4.25 percent. Principal and interest maturity requirements on the agreement are as follows:

| Fiscal Years | Notes Payable Principal | Notes Payable Interest | Total |
|---|---|---|---|
| 2022-2023 | $ 59,399 | $ 45,944 | $ 105,343 |
| 2023-2024 | 61,878 | 44,465 | 106,343 |
| 2024-2025 | 64,710 | 40,633 | 105,343 |
| 2025-2026 | 763,024 | 28,545 | 791,569 |
| | $ 949,011 | $ 159,587 | $ 1,108,598 |

## Note 8: Significant Commitments

As of September 30, 2022, the Institute has an outstanding commitment on an uncompleted construction contract of approximately $12,948,000. A large portion of this commitment will be funded through a MOU agreed to during 2022 between the Alabama Community College System and the Institute.

As of September 30, 2022, the Institute has an outstanding commitment of approximately $855,000 for employment services through 2026, subject to certain terms noted in the contractual agreement.

## Note 9: Contingencies

### *Government Grants*

The Institute is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

### *Pension and Other Postretirement Benefit Obligations*

The Institute has a defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is reasonably possible that events could occur that would change the estimated amount of these liabilities materially in the near term.

## Note 10: Marion Military Institute Foundation, Inc.

### *Organization*

The purpose of the Marion Military Institute Foundation, Inc. (the Foundation) is to establish endowments and other forms of support to benefit scholarships, capital improvements, public relations, recruitment and the good name of Marion Military Institute.

### *Financial Statements*

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase net assets with donor restrictions and net assets without donor restrictions. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows. As permitted by GASB Statement No. 34, the Institute has elected not to present a statement of cash flows for the Foundation in the basic financial statements of the Institute's reporting entity.

### *Concentration of Credit Risk*

Financial instruments which potentially subject the Foundation to concentrations of credit risk, consist principally of cash. The Foundation maintains its cash in various bank deposit accounts located in Alabama. The Federal Deposit Insurance Company insures these cash accounts up to $250,000. At September 30, 2022, the Foundation had deposits at a local financial institution which exceeded FDIC limits by approximately $3,600,000.

### *Pledges Receivable*

The Foundation is expected to receive payments on pledges receivable through 2026. The timing of future receipts, the allowance for uncollectible pledges and the present value discount are as follows:

| | |
|---|---|
| Receivable within one year | $ 67,000 |
| Receivable within one to five years | 105,000 |
| Less: allowance for uncollectible pledges | (60,116) |
| Less: unamortized discount | (10,977) |
| | $ 100,907 |

### *Beneficial Interest in Perpetual Trust*

Perpetual trusts are trusts under which the Foundation will receive income distributions in perpetuity, but the assets remain under the control of the trustee. Perpetual trusts are initially recorded as contribution revenue with donor restrictions at the current fair value of the Foundation's interest in the trust assets at the date of gift. The estimated value of the expected future cash flows is approximately $25,090,000. The income from this trust for 2022 was approximately $950,000.

### *Net Assets*

Net assets with donor restrictions are available for the following purposes at September 30, 2022:

| | |
|---|---|
| Donor restricted endowment | $ 6,613,163 |
| Capital projects | 2,152,274 |
| Perpetual trust | 25,090,762 |
| Other support of Marion Military Institute | 222,821 |
| | $ 34,079,020 |

Net assets were released from restrictions during the year ended September 30, 2022, in satisfaction of the following purposes:

| | |
|---|---|
| Scholarships | $ 198,675 |
| Capital projects and other campaign expenses | 739,203 |
| Other support of Marion Military Institute | 30,283 |
| | $ 968,161 |

### *Endowment*

The Foundation's endowment serves primarily to provide scholarships to qualifying students of the Marion Military Institute. The net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment net asset composition as of September 30, 2022 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-designated endowment funds | | | |
| Historical gift value | $ - | $ 5,660,117 | $ 5,660,117 |
| Appreciation | - | 953,046 | 953,046 |
| Board-designated endowment funds | 1,524,222 | - | 1,524,222 |
| Total endowment | $ 1,524,222 | $ 6,613,163 | $ 8,137,385 |

Changes in endowment net assets for the year ended September 30, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment, October 1, 2021 | $ 1,770,193 | $ 8,203,583 | $ 9,973,776 |
| Contributions | - | 97,500 | 97,500 |
| Investment loss | (245,971) | (1,489,245) | (1,735,216) |
| Appropriation | - | (198,675) | (198,675) |
| Endowment, September 30, 2022 | $ 1,524,222 | $ 6,613,163 | $ 8,137,385 |

### *Financial Assets and Liquidity*

As of September 30, 2022, financial assets available within one year for general expenditures are as follows:

| | |
|---|---|
| Financial assets | |
| Cash | $ 3,448,897 |
| Less amount due to Alumni Brigade | (60,211) |
| Less amount due to Alabama Military Hall of Honor | (46,012) |
| Cash, net | 3,342,674 |
| Investments | 9,368,456 |
| Less amount due to Alumni Brigade | (98,526) |
| Less board-designated endowment and projects | (1,524,222) |
| Investments, net | 7,745,708 |
| Pledges receivable | 100,907 |
| Total financial assets available within one year | 11,189,289 |
| Less amounts with donor restrictions | (8,988,258) |
| Total financial assets available within one year without donor restrictions | $ 2,201,031 |

The Foundation holds cash and investments on behalf of the Alumni Brigade and the Alabama Military Hall of Honor. Amounts attributable to those entities are netted above.

### *Fair Value Measurements*

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB ASC 820 are described below.

***Level 1*** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

***Level 2*** – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs which are derived principally from or corroborated by observable market data by correlation or other means.

***Level 3*** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the financial instruments carried at fair value as of September 30, 2022, by caption on the statement of financial position by the valuation hierarchy defined above:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates of deposit | $ 378,634 | $ - | $ - | $ 378,634 |
| Money market accounts | 21,069 | - | - | 21,069 |
| ETF - Stocks | 7,192,136 | - | - | 7,192,136 |
| ETF - Bonds | 1,769,056 | - | - | 1,769,056 |
| Other investments | 7,561 | - | - | 7,561 |
| Total investments | $ 9,368,456 | $ - | $ - | $ 9,368,456 |
| Perpetual Trust | $ - | $ - | $ 25,090,762 | $ 25,090,762 |

# Required Supplementary Information

**(Unaudited)**

# Marion Military Institute

## A Component Unit of the State of Alabama

## Schedule of the Institute's Proportionate Share of the Net Pension Liability Teachers' Retirement Plan of Alabama Last 10 Fiscal Years*

## (Dollar amounts in thousands)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Institute's proportion of the net pension liability | 0.072956% | 0.078359% | 0.080317% | 0.084719% | 0.083543% | 0.080208% | 0.081968% | 0.082584% |
| Institute's proportionate share of the net pension liability | $ 6,628 | $ 8,201 | $ 8,695 | $ 8,327 | $ 8,306 | $ 8,869 | $ 10,139 | $ 7,780 |
| Institute's covered payroll | $ 4,652 | $ 5,000 | $ 5,169 | $ 5,706 | $ 5,668 | $ 5,780 | $ 5,886 | $ 6,065 |
| Institute's proportionate share of the net pension liability as a percentage of its covered payroll | 142% | 164% | 168% | 146% | 147% | 153% | 172% | 128% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.01% | 67.51% | 67.93% | 71.50% | 72.29% | 69.85% | 67.72% | 76.44% |

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

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81a) is for the measurement period, which for the September 30, 2022 year is October 1, 2020 – September 30, 2021.

# Marion Military Institute

## A Component Unit of the State of Alabama

## Schedule of the Institute's Contributions – Pension

## Teachers' Retirement System of Alabama Last 10 Fiscal Years

## (Dollar amounts in thousands)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 560 | $ 585 | $ 663 | $ 670 | $ 697 | $ 707 | $ 721 | $ 726 |
| Contributions in relation to the contractually required contribution | 560 | 585 | 663 | 670 | 697 | 707 | 721 | 726 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Institute's covered payroll | $ 5,000 | $ 5,169 | $ 5,706 | $ 5,668 | $ 5,780 | $ 5,886 | $ 6,065 | $ 6,052 |
| Contributions as a percentage of covered payroll | 11.20% | 11.32% | 11.62% | 11.82% | 12.06% | 12.01% | 11.89% | 12.00% |

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

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. The covered payroll for this RSI Schedule (GASB 68 paragraph 81b) is for the most recent fiscal year end, which for the September 30, 2022 year is October 1, 2021 – September 30, 2022.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

# Marion Military Institute

## A Component Unit of the State of Alabama

## Schedule of the Institute's Proportionate Share of the Net Other Postemployement Benefits (OPEB) Liability

## Alabama Retired Education Employees' Health Care Trust

## Last 10 Fiscal Years*

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Institute's proportion of the net OPEB liability (asset) | 0.084788% | 0.090681% | 0.091643% | 0.078368% | 0.078002% |
| Institute's proportionate share of the net OPEB liability (asset) | $ 6,297,568 | $ 7,452,823 | $ 3,457,478 | $ 5,085,974 | $ 4,030,218 |
| Institute's covered-employee payroll | $ 5,736,697 | $ 5,703,606 | $ 5,780,252 | $ 5,864,177 | $ 6,045,011 |
| Institute's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | 109.78% | 130.67% | 59.82% | 86.73% | 66.67% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 15.37% | 14.81% | 14.80% | 19.80% | 27.11% |

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

Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (*i.e.*, the measurement period), which for the September 30, 2022 year is October 1, 2020 – September 30, 2021.

# Marion Military Institute

## A Component Unit of the State of Alabama
## Schedule of the Institute's Contributions
## Alabama Retired Education Employees' Health Care Trust
## Last 10 Fiscal Years*

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 224,108 | $ 314,417 | $ 153,286 | $ 135,106 | $ 152,692 |
| Contributions in relation to the contractually required contribution | 224,108 | 314,417 | 153,286 | 135,106 | 152,692 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - |
| Institute's covered-employee payroll | $ 5,703,603 | $ 5,780,252 | $ 5,864,177 | $ 6,045,011 | $ 6,039,716 |
| Contributions as a percentage of covered employee payroll | 3.93% | 5.44% | 2.61% | 2.24% | 2.53% |

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

### *Changes in Actuarial Assumptions*

Changes to the actuarial assumptions as a result of the experience study for the five-year period ending June 30, 2020 are summarized below:

| Assumption | Description |
|---|---|
| Price inflation | 2.50% |
| Investment Return | 7.00% |
| Wage inflation | 2.75% |
| Mortality Rates (pre-Retirement, Post-Retirement, Healthy and Disabled) | Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66 2/3% to the table beginning in year 2019. |
| Retirement Rates | Deceased rates of retirement at most ages and extended retirement rates at age 80. |
| Withdrawal Rates | Changed from age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates. |
| Disability Rates | Lowered rates of disability retirement at most ages. |
| Salary increases | No change to total assumption rates of salary increases, but increased merit salary by 0.25% to offset the recommended decrease in wage inflation assumption by 0.25%. |

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 percent for all ages for males and 112 percent 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 percent for males and 120 percent for females.

### *Recent Plan Changes*

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

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

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

### *Method and Assumptions Used in Calculations of Actuarially Determined Contributions*

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2018, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of pay |
| Remaining Amortization Period | 23 years, closed |
| Asset Valuation Method | Market Value of Assets |
| Inflation | 2.75% |
| Healthcare Cost Trend Rate: | |
| Pre-Medicare Eligible | 6.75% |
| Medicare Eligible* | 5.00% |
| Ultimate Trend Rate: | |
| Pre-Medicare Eligible | 4.75% |
| Medicare Eligible | 4.75% |
| Year of Ultimate Trend Rate | 2026 for Pre-Medicare Eligible<br>2024 for Medicare Eligible |
| Optional Plans Trend Rate | 2.00% |
| Investment Rate of Return | 5.00%, including inflation |

** Initial Medicare claims are set based on scheduled increases through plan year 2019.*

# Supplementary Information

# Marion Military Institute
## A Component Unit of the State of Alabama
## Schedule of Expenditures of Federal Awards
## Year Ended September 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal Assistance Listing Number | Pass-Through Enity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| U. S. Department of Education | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | n/a | $ - | $ 22,634 |
| Federal Work Study Program | 84.033 | n/a | - | 21,499 |
| Federal Pell Grant Program | 84.063 | n/a | - | 735,107 |
| Federal Direct Students Loans | 84.268 | n/a | - | 694,052 |
| Total Student Financial Aid Cluster | | | - | 1,473,292 |
| COVID-19 - Education Stabilization Fund - Student Aid | 84.425E | n/a | - | 658,442 |
| COVID-19 - Education Stabilization Fund - Institutional Aid | 84.425F | n/a | - | 813,749 |
| COVID-19 - Education Stabilization Fund - Strengthening Institutions Program | 84.425M | n/a | - | 58,002 |
| Total Federal Assistance Listing Number 84.425 | | | - | 1,530,193 |
| Total Expenditures of Federal Awards | | | $ - | $ 3,003,485 |

# Marion Military Institute
## A Component Unit of the State of Alabama
## Notes to the Schedule of Expenditures of Federal Awards
## Year Ended September 30, 2022

### Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Marion Military Institute, under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marion Military Institute, it is not intended to and does not present the financial position, changes in net position, or cash flows of Marion Military Institute.

### Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### Note 3: Indirect Cost Rate

Marion Military Institute has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

FORVIS

1201 Walnut Street, Suite 1700 / Kansas City, MO 64106
**P** 816.221.6300 / **F** 816.221.6380
forvis.com

# Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

## Independent Auditor's Report

Alabama Community College System Board of Trustees
Marion Military Institute
Marion, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Marion Military Institute, (the Institute), a component unit of the State of Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements and have issued our report thereon dated January 17, 2023. Our report includes a reference to other auditors who audited the financial statements of Marion Military Institute Foundation, Inc. as described in our report on the Institute's financial statements. The financial statements of Marion Military Institute Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

### *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's internal control.

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

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

### *Report on Compliance and Other Matters*

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

### *Purpose of this Report*

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

FORVIS, LLP

Kansas City, Missouri
January 17 2023

FORV/S

1201 Walnut Street, Suite 1700 / Kansas City, MO 64106
**P** 816.221.6300 / **F** 816.221.6380
forvis.com

# Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

## Independent Auditor's Report

Board of Trustees – Alabama Community College System
Marion Military Institute
Marion, Alabama

### Report on Compliance for the Major Federal Program

#### *Opinion on the Major Federal Program*

We have audited Marion Military Institute's, the "Institute" compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Institute's major federal program for the year ended September 30, 2022. The Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2022.

#### *Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

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

#### *Responsibilities of Management for Compliance*

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

### *Auditor's Responsibilities for the Audit of Compliance*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control over compliance. Accordingly, no such opinion is expressed.

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

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Institute's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Institute's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Institute is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Institute's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

**Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FORVIS, LLP

Kansas City, Missouri
January 17, 2023

# Marion Military Institute
## A Component Unit of the State of Alabama
## Schedule of Findings and Questioned Costs
## Year Ended September 30, 2022

### Section I – Summary of Auditor's Results

*Financial Statements*

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

*Federal Awards*

4. Internal control over major federal award program:

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

   Material weakness(es) identified? ☐ Yes ☒ No

5. Type of auditor's report issued on compliance for major federal program:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

7. Identification of major federal programs:

| Assistance Listing Numbers | Name of Federal Program or Cluster |
|---|---|
| | Higher Education Emergency Relief Fund |
| 84.425E | COVID-19 – Education Stabilization Fund – Student Aid |
| 84.425F | COVID-19 – Education Stabilization Fund – Institutional Aid |
| 84.425M | COVID-19 – Education Stabilization Fund – Strengthening Institutions Program |

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

# Marion Military Institute
## A Component Unit of the State of Alabama
## Schedule of Findings and Questioned Costs (Continued)
## Year Ended September 30, 2022

### Section II – Financial Statement Findings

No matters were reportable.

## Section III – Federal Awards Findings and Questioned Costs

| Reference Number | Finding |
|---|---|
| 2022-001 | **Education Stabilization Fund, Higher Education Emergency Relief Fund (HEERF) - Institutional Portion #84.425F and Student Portion #84.425E**<br>**U.S. Department of Education**<br>**Award Year 2022** |

**Criteria or Specific Requirement –** Under the CARES Act 18004(e) and the CRRSAA 314(e), there are three components to reporting HEERF, public reporting on student aid portion, public reporting on the institutional portion, and annual reporting. The public reporting on student aid requires institutions to publicly post certain information, including four items defined by the U.S. Department of Education (ED) as key items, on their website as soon as possible but no later than 30 days after the publication of the notice or 30 days after the ED first obligated funds. The report must be updated no later than 10 days after the end of each calendar quarter. The public reporting on institutional aid requires institutions to publicly post the HEERF institutional reporting form on the institution's primary website no later than 10 days after the end of each calendar quarter with the exception of the first report, which was due October 30, 2020, and the report covering the first quarter of 2021, which was due July 10, 2021. The annual report was required to be submitted to the ED via the Annual Report Data Collection System by February 8, 2021 and applied to the reporting period from March 13, 2020 through December 31, 2020.

**Condition** – The Institute did not post two quarterly student reports to the website on a timely basis. Additionally, there were errors in the total funding awarded in two institutional reports.

**Questioned Costs –** None noted

**Context –** Out of a population of nine reports (one annual, four quarterly public reports for student aid and four quarterly public reports for institutional aid), we selected two quarters of student aid reports and four quarters of instructional aid reports for testing. We noted that the students report for the quarters ended December 31, 2021 and March 31, 2022 were not posted to the Institute's website on a timely basis. We also noted that in the December 31, 2021 and March 31, 2022 institutional reports the amount of funding awarded was reported incorrectly. The sample was not intended to be, and was not a statistically valid sample.

**Effect –** The Institute was not in compliance with the reporting requirements of the Education Stabilization Fund program.

**Cause –** The Institute does not have proper processes and related controls in place to complete the required reporting.

**Recommendation** – We recommend that management review this area and establish procedures to ensure required reports are completed timely and accurately.

**View of Responsible Official** – Management agrees with the stated finding and has implemented a corrective action plan.

# Marion Military Institute
## A Component Unit of the State of Alabama
## Summary Schedule of Prior Audit Findings
## Year Ended September 30, 2022

No matters are reportable.