

Report on the

Marion Military Institute

Marion, Alabama

October 1, 2020 through September 30, 2021

Filed: June 17, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Marion Military Institute, Marion, Alabama, for the period October 1, 2020 through September 30, 2021, by Examiners Denise Clark-Owens, Nick Jarrett and Zachary Pugh. I, Denise Clark-Owens, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Denise Clark-Owens
Examiner of Public Accounts

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Table of Contents

	<i>Page</i>
Summary	A
<p>Contains items pertaining to state and federal legal compliance, Institute operations and other matters.</p>	
Independent Auditor's Report	C
<p>Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).</p>	
Management's Discussion and Analysis	G
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Institute introducing the basic financial statements and providing an analytical overview of the Institute's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<u>Basic Financial Statements</u>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Institute's financial position and results of operations in accordance with GAAP.</p>	
Marion Military Institute	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Revenues, Expenses and Changes in Net Position	4
Exhibit #3 Statement of Cash Flows	5
Marion Military Institute Foundation, Inc.	
Exhibit #4 Statement of Financial Position	7
Exhibit #5 Statement of Activities	8

Table of Contents

	<i>Page</i>
<u>Notes to the Financial Statements</u>	
Marion Military Institute	9
Marion Military Institute Foundation, Inc.	33
<u>Required Supplementary Information</u>	
Provides information required by the Governmental Accounting Standard Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #6 Schedule of the Institute’s Proportionate Share of the Collective Net Pension Liability	44
Exhibit #7 Schedule of the Institute’s Contributions – Pension	45
Exhibit #8 Schedule of the Institute’s Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees’ Health Care Trust	46
Exhibit #9 Schedule of the Institute’s Contributions – Other Postemployment Benefits (OPEB) Alabama Retired Education Employees’ Health Care Trust	47
Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB)	48
<u>Supplementary Information</u>	50
Contains financial information and notes relative to federal financial assistance.	
Exhibit #10 Schedule of Expenditures of Federal Awards	51
Notes to the Schedule of Expenditures of Federal Awards	52

Table of Contents

		<i>Page</i>
<u>Additional Information</u>		53
<p>Provides basic information related to the Institute, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i> for federal compliance audits.</p>		
Exhibit #11	Institute Officials – a listing of the Institute officials.	54
Exhibit #12	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Institute complied with laws and regulations which could have a direct and material effect on the Institute’s financial statements.	55
Exhibit #13	Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Institute complied with federal statutes, regulations, and the terms and conditions of federal awards which could have a direct and material effect on each major program.	57
Exhibit #14	Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> .	60



Department of
Examiners of Public Accounts

SUMMARY

**Marion Military Institute
October 1, 2020 through September 30, 2021**

**Marion Military Institute Foundation, Inc.
October 1, 2020 through September 30, 2021**

Marion Military Institute (the “Institute”) is located in Marion, Alabama, and serves residents of Perry and surrounding counties. The Institute provides general education at the freshman and sophomore levels leading to the Associate of Art Degree and Associate of Science Degree that are designated to facilitate transfers to senior institutions. The Institute also provides the Service Academy Preparation Program (SAP), a freshman year of solid academic and physical preparation for students who wish to attend one of the Service Academies. The Institute awards the Associate in Arts and the Associate in Science degrees.

Marion Military Institute Foundation (the “Foundation”) was organized for the purpose of establishing endowments, and other forms of support for the benefit of scholarships, capital improvements, public relations, and recruitment. The Foundation receives, administers, and distributes funds for the benefit of Marion Military Institute.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Institute complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the Institute’s component unit, the Foundation, which was audited by other auditors. The Institute’s audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. The Foundation audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the Institute and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal year ending September 30, 2021.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

EXIT CONFERENCE

The following officials/employees were invited to an exit conference to discuss the results of the audit: Colonel David J. Mollahan, President; and Jimmy Baker, Chancellor of the Alabama Community College System. The following Institute employees attended the exit conference, Colonel David J. Mollahan, President; Jada Harrison, Comptroller; and Jackie Wilson, Director of Financial Aid. The following individuals representing the Alabama Community College System attended virtually: Sara Calhoun, Chief Financial Officer; Billy Merrill; Deputy Chief Financial Officer; Donna Boutwell, Director of Compliance; Julia Dennis, Accountant; and Erika Doody, Financial Compliance Accountant. Representing the Department of Examiners of Public Accounts were Peter M. Fisher, Audit Manager, and Denise Clark-Owens and Nick Jarrett, Examiners.

Independent Auditor's Report

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Colonel David J. Mollahan, President – Marion Military Institute
Marion, Alabama 36756

Report on the Financial Statements

We have audited the accompanying financial statements of Marion Military Institute, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and related notes to the financial statements which collectively comprise Marion Military Institute's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Marion Military Institute Foundation, Inc., a discretely presented component unit, which represents 100% of the total assets, total net assets and revenues of the component unit. Those financial statements, which were prepared in accordance with the Financial Reporting Standards of the Financial Accounting Standards Board (FASB), were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marion Military Institute Foundation, Inc., is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Marion Military Institute Foundation, Inc. were not audited in accordance with ***Government Auditing Standards***.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Marion Military Institute as of September 30, 2021 and Marion Military Institute Foundation, Inc., as of September 30, 2021 and 2020 and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Institute's Proportionate Share of the Collective Net Pension Liability, the Schedule of the Institute's Contributions – Pension, the Schedule of the Institute's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the Institute's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

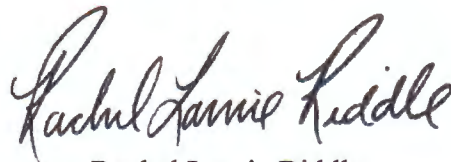
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Marion Military Institute's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 10) is presented for purposes of additional analysis as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the 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 June 3, 2022, on our consideration of Marion Military 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 Marion Military 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 Marion Military Institute's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 3, 2022

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

MARION MILITARY INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements and Financial Analysis

Marion Military Institute presents its financial statements for the fiscal year 2021. The fiscal year period is October 1, 2020 to September 30, 2021. 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 be on current year data.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College 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, Liabilities (current and non-current), Deferred Inflows, and Net Position (Assets and Deferred Outflows less Liabilities and Deferred Inflows). 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 minus liabilities and deferred inflows) 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, 2021.

Statement of Net Position
(thousands of dollars)

	<u>2021</u>	<u>2020</u>
Assets:		
Current Assets	\$ 8,287	\$7,062
Capital Assets, Net	17,972	19,097
Total Assets	<u>26,259</u>	<u>26,159</u>
Deferred Outflow of Resources	<u>4,689</u>	<u>2,513</u>
Liabilities:		
Current Liabilities	1,575	3,224
Noncurrent Liabilities	16,872	12,917
Total Liabilities	<u>18,447</u>	<u>16,141</u>
Deferred Inflow of Resources	<u>4,252</u>	<u>4,949</u>
Net Position:		
Net Investment in Capital Assets	16,792	17,732
Scholarships and Fellowships	-	(4)
Unrestricted	(8,543)	(10,147)
Total Net Position	<u>\$ 8,249</u>	<u>\$7,581</u>

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

	<u>2021</u>	<u>2020</u>
Operating Revenue	\$ 4,129	\$ 4,593
Operating Expense	18,471	14,928
Operating Surplus (Loss)	(14,288)	(10,335)
 Nonoperating Revenue and Expenses	 14,956	 11,522
 Surplus (Loss) Before Other Revenues Expenses, Gains or Losses	 668	 1,187
 Other Revenues, Expenses, Gains or Losses	 	
 Increase (Decrease) in Net Position	 668	 1,187
 Net Position at Beginning of Year	 7,581	 6,394
Restatements		
Net Position at End of Year	\$ 8,249	\$ 7,581

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

Statement of Cash Flow

The final statement presented by Marion Military Institute is the Statement of Cash Flow which presents information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash 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 Revenue, Expenses, and Changes in Net Position. Shown below is a summary of the Cash Flow Statement.

Cash Flow For Fiscal Year Ending September 30, 2021 (In thousands of Dollars)

	<u>2021</u>	<u>2020</u>
Cash provided (used) by:		
Operating activities	\$(12,653)	\$(10,012)
Non-capital financing activities	14,589	11,450
Capital and related financing activities	(439)	(411)
Investing activities	6	5
Net Change in Cash	1,503	1,032
Cash, beginning of year	5,116	4,084
Restatements		
Cash, end of year	<u>\$ 6,619</u>	<u>\$ 5,116</u>

Economic Outlook

The College 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 college 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.

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Basic Financial Statements

Statement of Net Position
September 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 6,619,178.97
Accounts Receivable, Net	1,050,696.72
Inventories	617,603.96
Total Current Assets	<u>8,287,479.65</u>

Noncurrent Assets

Capital Assets:	
Land	612,160.00
Improvements Other Than Buildings	2,874,773.10
Buildings	17,040,871.71
Building Alterations	4,013,330.49
Equipment and Furniture	2,746,184.68
Library Holdings	1,337,266.69
Construction in Progress	155,564.00
Capitalized Collections	17,036.00
Less: Accumulated Depreciation	<u>(10,825,395.94)</u>
Total Capital Assets, Net of Depreciation	<u>17,971,790.73</u>
Total Noncurrent Assets	<u>17,971,790.73</u>
Total Assets	<u>26,259,270.38</u>

Deferred Outflow of Resources

Defined Benefit Pension Plan	2,343,052.19
Other Postemployment Benefit (OPEB)	2,346,202.39
Total Deferred Outflow of Resources	<u>\$ 4,689,254.58</u>

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

LIABILITIES**Current Liabilities**

Accounts Payable and Accrued Liabilities	\$	339,749.20
Deposit Liabilities		214,713.02
Unearned Revenue		894,305.81
Note Payable		56,906.87
Capital Lease Payable		34,926.40
Compensated Absences		34,877.00
Total Current Liabilities		<u>1,575,478.30</u>

Noncurrent Liabilities

Note Payable		1,023,175.16
Capital Lease Payable		20,502.98
Compensated Absences		603,006.82
Net Pension Liability		10,139,000.00
Net OPEB Liability		5,085,974.00
Total Noncurrent Liabilities		<u>16,871,658.96</u>
Total Liabilities		<u>18,447,137.26</u>

Deferred Inflow of Resources

Defined Benefit Pension Plan		435,000.00
Other Postemployment Benefit (OPEB)		3,817,615.00
Total Deferred Inflow of Resources		<u>4,252,615.00</u>

Net Position

Net Investment in Capital Assets		16,791,828.23
Unrestricted		<u>(8,543,055.53)</u>
Total Net Position	\$	<u>8,248,772.70</u>

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Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2021

OPERATING REVENUES

Student Tuition and Fees (Net of Scholarship Allowance of \$2,510,261.00)	\$ 1,120,046.16
Federal Grants and Contracts	206,329.35
State Grants and Contracts	118,937.94
Local Grants and Contracts	49,950.00
Auxiliary Enterprises:	
Residential Life	1,882,948.30
Bookstore	582,681.58
Food Service	147,224.35
Other	20,571.60
Total Operating Revenues	<u>4,128,689.28</u>

OPERATING EXPENSES

Instruction	1,722,907.78
Institutional Support	3,939,720.27
Academic Support	906,613.10
Student Services	3,483,742.73
Operation and Maintenance	3,324,653.68
Scholarships and Financial Aid	1,264,631.18
Depreciation	1,343,021.46
Auxiliary Enterprises:	
Residential Life	1,572,648.62
Bookstore	725,657.89
Other	133,377.68
Total Operating Expenses	<u>18,416,974.39</u>
Operating Income (Loss)	<u>(14,288,285.11)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	10,670,349.75
Federal Grants	3,449,380.79
Gifts	70,000.08
Noncash Gifts	624,424.60
Interest Expense	(59,832.11)
Bond Surety Fee Expense	(9,488.00)
Investment Income	5,620.38
Other Nonoperating Revenues (Expenses)	205,365.81
Net Nonoperating Revenues	<u>14,955,821.30</u>
Changes in Net Position	667,536.19
Total Net Position - Beginning of Year	7,581,236.51
Total Net Position - End of Year	<u>\$ 8,248,772.70</u>

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

Statement of Cash Flows
For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and Fees	\$ 1,494,026.82
Grants and Contracts	428,264.14
Payments to Employees	(6,012,209.80)
Payments for Benefits	(2,086,769.00)
Payments to Suppliers	(4,901,676.32)
Payments to Utilities	(450,781.80)
Scholarships and Fellowships	(1,264,631.18)
Auxiliary Enterprise Charges:	
Residence Halls	330,127.36
Bookstore	(72,484.25)
Uniforms	(151,609.20)
Food Service	147,224.35
Other	(112,806.08)
Net Cash Provided (Used) by Operating Activities	<u>(12,653,324.96)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Appropriations	10,670,349.75
Federal Grants	3,028,629.86
Gifts and Grants for Other Than Capital Purposes	694,424.68
Bond Surety Fees	(9,488.00)
Loan Receipts	1,090,722.00
Loan Disbursements	(1,090,722.00)
Other Nonoperating Revenues (Expenses)	205,365.81
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,589,282.10</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	(218,044.54)
Principal Paid on Capital Debt	(160,925.95)
Interest Paid on Capital Debt	(59,832.11)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (438,802.60)</u>

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

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	\$ 5,620.38
Net Cash Provided (Used) by Investing Activities	<u>5,620.38</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,502,774.92
Cash and Cash Equivalents - Beginning of Year	<u>5,116,404.05</u>
Cash and Cash Equivalents - End of Year	<u><u>6,619,178.97</u></u>

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	(14,288,285.11)
-------------------------	-----------------

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

Depreciation Expense	1,343,021.46
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	779,029.69
(Increase)/Decrease in Inventories	(81,117.14)
(Increase)/Decrease in Deferred Outflows	(2,176,752.59)
Increase/(Decrease) in Accounts Payable	(173,337.44)
Increase/(Decrease) in Deposit Liabilities	6,746.74
Increase/(Decrease) in Unearned Revenue	(338,921.24)
Increase/(Decrease) Compensated Absences	74,575.67
Increase/(Decrease) Net Pension Liability	1,270,000.00
Increase/(Decrease) OPEB Liability	1,628,496.00
Increase/(Decrease) Deferred Inflows	<u>(696,781.00)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (12,653,324.96)</u></u>

Statement of Financial Position
Marion Military Institute Foundation, Inc.
September 30, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,923,624	\$ 261,841
Pledges Receivable, Net	180,528	544,720
Investments	9,286,875	7,941,954
Total Assets	<u>14,391,027</u>	<u>8,748,515</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts Payable	45,032	45,032
Deferred Revenue	37,578	21,198
Due to Alumni Brigade	159,202	172,761
Due to Alabama Military Hall of Honor	49,841	57,994
Total Liabilities	<u>291,653</u>	<u>296,985</u>
<u>Net Assets</u>		
Without Donor Restrictions:		
Board Designated	298,351	298,351
Undesignated	2,483,919	1,122,072
Total Without Donor Restrictions	<u>2,782,270</u>	<u>1,420,423</u>
With Donor Restrictions	<u>11,317,104</u>	<u>7,031,107</u>
Total Net Assets	<u>14,099,374</u>	<u>8,451,530</u>
Total Liabilities and Net Assets	<u>\$ 14,391,027</u>	<u>\$ 8,748,515</u>

See accompanying Notes.

Statement of Activities
Marion Military Institute Foundation, Inc.
For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues and Other Support</u>			
Contributions and Gifts	\$ 1,474,440	\$ 4,137,817	\$ 5,612,257
Special Events	25,000		25,000
Investment Income	300,478	1,022,877	1,323,355
Net Assets Released from Restrictions	874,697	(874,697)	
Total Revenues and Support	2,674,615	4,285,997	6,960,612
<u>Expenses</u>			
Program	1,266,749		1,266,749
Management and General	22,757		22,757
Fundraising	23,262		23,262
Total Expenses	1,312,768		1,312,768
Change in Net Assets	1,361,847	4,285,997	5,647,844
Net Assets - Beginning of Year	1,420,423	7,031,107	8,451,530
Net Assets - End of Year	\$ 2,782,270	\$ 11,317,104	\$ 14,099,374

See accompanying Notes.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 1 – Summary of Significant Accounting Policies

The financial statements of Marion Military Institute (the “Institute”) are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Institute are described below.

A. Reporting Entity

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 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.

B. Component Unit

The Marion Military Institute Foundation, Inc. is organized exclusively for charitable, scientific and educational purposes for the benefit of the Institute. Because of the significance of the relationship between the Institute and the Foundation, the Foundation is considered a component unit of the Institute. The Foundation’s financial statements and accompanying notes are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements for these differences.

Notes to the Financial Statements
For the Year Ended September 30, 2021

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

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

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

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

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

1. Cash and Cash Equivalents

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

2. Receivables

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

3. 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.

Notes to the Financial Statements

For the Year Ended September 30, 2021

4. 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 fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

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

Assets	Depreciation Method	Useful Lives
Buildings	Straight-Line	50 years
Building Alterations	Straight- Line	25 years
Improvements Other Than Buildings	Straight-Line	25 years
Equipment	Straight-Line	5 – 10 years
Library Materials	Composite	20 years
Capitalized Software	Straight-Line	10 years
Internally Generated Computer Software	Straight-Line	10 years
Easement and Land Use Rights	Straight-Line	20 years
Patents, Trademarks and Copyrights	Straight-Line	20 years

5. Deferred Outflows of Resources

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

7. 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.

8. Deferred Inflows of Resources

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

9. Unearned Tuition and Fee Revenue

Tuition and fee revenues received for Fall Term but related to the portion of the term that occurs in the subsequent fiscal year have been disclosed as unearned revenues.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Notes to the Financial Statements

For the Year Ended September 30, 2021

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Net Position

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

13. Federal Financial Assistance Programs

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

14. Scholarship Allowances and Student Aid

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the Institute and the amount that is paid by the student and/or third parties making payments on behalf of the student. The Institute uses the case-by-case method to determine the amount of scholarship allowances and discounts.

15. Change in Accounting Estimates

Beginning October 1, 2020, the accounting estimated useful lives for Equipment and Building Alterations have been updated. The change in accounting estimates include the move from the composite method to straight-line depreciation for Equipment and Improvements Other Than Buildings. Additionally, there is an addition of a Building Alterations assets class.

Several factors lead to the accounting estimated changes. The composite method is an antiquated calculation standard developed before software had the capability of individually tracking capital assets. (The composite method will be retained for library books, as there is not a reasonable alternative method for these purchases and most of the colleges are purchasing library books at a non-material rate). The accounting software utilized by the Alabama Community College System calculates depreciation on a straight-line basis.

The establishment of a Building Alterations Asset Class is necessary to separately account for the building alterations, so that records of renovations and improvements can be identified and calculated by project, with a 25-year estimate of the life for qualifying projects.

The change in estimate resulted in an increase to depreciation and a decrease to Net Investment in Plant in the amount of \$570,706.06.

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note 2 – Deposits

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.

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:

<u>Accounts Receivable:</u>	
Federal	\$ 686,564.65
Third Party	25,464.79
Student Receivables	1,207,347.50
Less: Allowance for Doubtful Accounts	<u>(868,680.22)</u>
Total Accounts Receivable, Net	<u>\$1,050,696.72</u>

Notes to the Financial Statements
For the Year Ended September 30, 2021

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance October 1	Additions	Deductions	Reclassifications/ Adjustments	Balance September 30
Land	\$ 612,160.00	\$	\$	\$	\$ 612,160.00
Buildings	21,100,832.20		46,630.00	(4,013,330.49)	17,040,871.71
Building Alterations				4,013,330.49	4,013,330.49
Improvements Other Than Buildings	2,874,773.10				2,874,773.10
Equipment	2,504,907.98	261,876.70	20,600.00		2,746,184.68
Library Books and Audiovisuals	1,394,351.69		57,085.00		1,337,266.69
Construction in Progress	155,564.00				155,564.00
Capitalized Collections	17,036.00				17,036.00
Total	28,659,624.97	261,876.70	124,315.00		28,797,186.67
Less: Accumulated Depreciation					
Buildings and Alterations	5,347,176.60	471,893.62	2,797.80	570,706.06	6,386,978.48
Improvements Other Than Buildings	1,362,045.59	114,990.93			1,477,036.52
Equipment	1,995,592.40	162,235.91	20,600.00		2,137,228.31
Library Books and Audiovisuals	858,042.69	23,194.94	57,085.00		824,152.63
Total Accumulated Depreciation	9,562,857.28	772,315.40	80,482.80	570,706.06	10,825,395.94
Total Capital Assets, Net	\$19,096,767.69	\$(510,438.70)	\$43,832.20	\$ (570,706.06)	\$17,971,790.73

Note 5 – Defined Benefit Pension Plan

A. Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for 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). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2021

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members 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% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

C. Contributions

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Institute were \$721,051.74 for the year ended September 30, 2021.

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

At September 30, 2021, the Institute reported a liability of \$10,139,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, the Institute's proportion was 0.081968%, which was an increase of 0.001760% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the Institute recognized pension expense of \$1,124,030.00. At September 30, 2021, 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	\$ 502,000	\$176,000
Changes of assumptions	105,000	
Net difference between projected and actual earnings on pension plan investments	753,000	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	262,000	259,000
Employer contributions subsequent to the measurement date	721,051	
Total	\$2,343,051	\$435,000

Notes to the Financial Statements

For the Year Ended September 30, 2021

The \$721,051.00 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, 2022. 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, 2022	\$268,000
2023	\$342,000
2024	\$356,000
2025	\$221,000
2026	\$ 0
Thereafter	\$ 0

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25% - 5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the September 30, 2019, valuation were based on results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates were based on the sex-distinct RP-2000 White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Notes to the Financial Statements
For the Year Ended September 30, 2021

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

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

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

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

Notes to the Financial Statements
For the Year Ended September 30, 2021

G. 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 collective net pension liability calculated using the discount rate of 7.70%, as well as what the Institute’s proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Institute’s proportionate share of collective net pension liability	\$13,528,000	\$10,139,000	\$7,272,000

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor’s report dated April 23, 2021, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 6 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Alabama Retired Education Employees’ Health Care Trust (the “Trust”) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees’ Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education 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.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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.

B. Benefits Provided

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

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

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

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

C. Contributions

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

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

Notes to the Financial Statements
For the Year Ended September 30, 2021

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

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

At September 30, 2021, the Institute reported a liability of \$5,085,974.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The Institute's proportion of the collective net OPEB liability was based on a projection of the Institute's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the Institute's proportion was 0.078368%, which was a decrease of 0.013275% from its proportion measured as of September 30, 2019.

Notes to the Financial Statements
For the Year Ended September 30, 2021

For the year ended September 30, 2021, the Institute recognized OPEB expense of \$(231,941.00) with no special funding situations. At September 30, 2021, 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	\$ 128,977	\$1,828,530
Changes of assumptions	1,776,491	944,419
Net difference between projected and actual earnings on OPEB plan investments		214
Changes in proportion and differences between Employer contributions and proportionate share of contributions	305,628	1,044,452
Employer contributions subsequent to the measurement date	135,106	
Total	\$2,346,202	\$3,817,615

The \$135,106.00 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, 2022.

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

Year Ending:	
September 30, 2022	\$(494,328.00)
2023	\$(486,580.00)
2024	\$(341,560.00)
2025	\$(416,404.00)
2026	\$ 49,798.00
Thereafter	\$ 82,555.00

Notes to the Financial Statements

For the Year Ended September 30, 2021

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024
(1) Includes 3.00% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2019.

Notes to the Financial Statements

For the Year Ended September 30, 2021

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

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

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

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

(*) Geometric mean, includes 2.5% inflation.

Notes to the Financial Statements
For the Year Ended September 30, 2021

F. Discount Rate

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020, and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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

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

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare and Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare and Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare and Known Decreasing to 5.75% for Medicare Eligible)
Institute's proportionate share of collective net OPEB liability	\$4,020,479	\$5,085,974	\$6,472,887

Notes to the Financial Statements
For the Year Ended September 30, 2021

H. 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 3.05%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Discount Rate (3.05%)	1% Increase (4.05%)
Institutes proportionate share of collective net OPEB liability	\$6,238,211	\$5,085,974	\$4,170,848

I. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Significant Commitments

As of September 30, 2021, the Institute had been awarded approximately \$1,533,373.98 in contracts and grants on which performance had not been accomplished and funds had not been received. These awards, which represent commitments of sponsors to provide funds for specific purposes, have not been reflected in the financial statements.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent amounts due at September 30, 2021, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$181,273.42
Benefits	35,394.36
Sales Tax Payable	12,181.71
Supplies	110,899.71
Total	<u>\$339,749.20</u>

Notes to the Financial Statements
For the Year Ended September 30, 2021

Note 9 – Lease Obligations

Capital Leases

The Institute leases certain items of equipment, which are classified as capital leases. Minimum lease payments under capital leases together with the present value of the net minimum lease payments are shown in the table below:

Fiscal Years	Equipment
2021-2022	\$36,477.73
2022-2023	20,039.20
2023-2024	2,230.32
Minimum Lease Payments	58,747.25
Less: Amount Representing Interest	3,317.87
Present Value of Net Minimum Lease Payments	<u>\$55,429.38</u>

Note 10 – Long-Term Liabilities

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	\$ 563,308.15	\$74,575.67	\$	\$ 637,883.82	\$ 34,877.00
Note Payable	1,199,487.23		119,405.20	1,080,082.03	56,906.87
Capital Lease Payable	96,950.13		41,520.75	55,429.38	34,926.40
Totals	<u>\$1,859,745.51</u>	<u>\$74,575.67</u>	<u>\$160,925.95</u>	<u>\$1,773,395.23</u>	<u>\$126,710.27</u>

Notes to the Financial Statements

For the Year Ended September 30, 2021

Note Payable

The Institute has a Note Payable agreement with Marion Bank and Trust Company. Principal and interest maturity requirements on the agreement are as follows:

Fiscal Year	Notes Payable		Totals
	Principal	Interest	
2021-2022	\$ 56,906.87	\$ 48,435.97	\$ 105,342.84
2022-2023	59,398.91	45,943.93	105,342.84
2023-2024	61,877.78	43,465.06	105,342.84
2024-2025	64,709.81	40,633.03	105,342.84
2025-2026	837,188.59	28,545.28	865,733.87
Totals	\$1,080,081.96	\$207,023.27	\$1,287,105.23

Note 11 – Risk Management

The Institute is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The 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 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’s President, Comptroller, 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 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 employee’s 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.

Notes to the Financial Statements
For the Year Ended September 30, 2021

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.

Note 11 – Component Unit

During the year ended September 30, 2021, Marion Military Institute Foundation, Inc., a discretely presented component unit, distributed \$1,186,694.00 to the Institute for both restricted and unrestricted purposes. This organization is included in the financial statements as a component unit of the Institute because it operates almost exclusively for the benefit of the Institute. Separate financial statements of Marion Military Institute Foundation, Inc. can be obtained from Haynes Downard LLP, 3161 Cahaba Heights Road, Suite 203, Birmingham, Alabama 35243.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Effective June 1, 2006, by resolution of the Board of Trustees of Marion Military Institute (the Organization), all assets and liabilities of the college and high school division of Marion Military Institute, as well as governance and control, were transferred to the State of Alabama Department of Education. The Organization retained all endowments, library archives, historical documents and other assets designated for the support of the college and high school, Marion Military Institute. The Organization reincorporated as the Marion Military Institute Foundation (the Foundation). The purpose of 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.

Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared in accordance with U. S. generally accepted accounting principles (“GAA”). Resources are classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net assets categories and the types of transaction affecting each category follow:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of gifts without restrictions, previously restricted gifts whose donor-imposed restrictions have met during the year, investment income, and the expenses associated with the core activities of the Foundation: providing support to Marion Military Institute.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Foundation or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

The Foundation reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

Revenue Recognition

Unconditional promises to give are recognized as contribution revenue in the period received. Promises to give are recorded at net realizable value if expected to be collected within one year, and at fair value if expected to be collected in more than one year. Amounts expected to be received in future periods have been discounted to present value at 5%. The methodology for calculating an allowance for uncollectible promises to give is based upon management's analysis of the aging of payment schedules for all outstanding pledges and historical experience with donors.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments (defined as investments having an original maturity of three months or less) as cash equivalents, except for money market and other cash equivalents held in investment accounts at the discretion of the Foundation's investment advisors.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Donated investments are recorded at fair market value on the date of receipt.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the U. S. Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Functional Expenses

The costs of providing the program have been summarized on a functional basis in the statement of functional expenses. Costs that cannot be directly attributed to a particular function have been allocated based upon management estimates.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

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.

Uncertain Tax Positions

As of September 30, 2021, the Foundation has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

The Foundation has performed an evaluation of subsequent events through March 26, 2022, which is the date the financial statements were available to be issued.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

Estimates

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

Related Party Transactions

The Foundation and Marion Military Institute are under common management control. Certain employees of Marion Military Institute provide management and fundraising services to the Foundation. No amount has been recorded in these financial statements to reflect the value of these services. The existence of common management control could result in operating results or financial position of the Foundation significantly different from those that would have been obtained if these entities were autonomous.

Comparative Financial Statements

The financial statements include certain prior year summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2020, from which the summarized information was derived.

NOTE 2 – 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, 2021, the Foundation had deposits at a local financial institution which exceeded FDIC limits by approximately \$5,100,000.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

NOTE 3 – 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	\$128,144
Receivable Within One to Five Years	112,500
Less: Allowance for Uncollectible Pledges	(60,116)
Less: Unamortized Discount	0
	\$180,528

NOTE 4 – INVESTMENTS

Investments at September 30, 2021, are stated at fair market value and consist of the following:

	2021
Certificates of Deposit	\$ 377,222
Money Market Accounts	109,504
Exchange Traded Funds – Stocks	5,306,336
Exchange Traded Funds – Bonds	3,486,252
Other	7,561
	\$9,286,875

Investment income for the years ended September 30, 2021, is comprised of the following:

	2021
Interest and Dividends	\$ 131,600
Gains and Losses on Investments, Net	1,193,001
Investment Fees	(1,246)
	\$1,323,355

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

NOTE 5 – NET ASSETS

Net assets with donor restrictions are available for the following purposes at September 30, 2021:

	2021
Donor Restricted Endowment	\$ 8,203,583
Capital Projects	2,878,477
Other Support of Marion Military Institute	235,044
	<u>\$11,317,104</u>

Net assets were released from restrictions during the year ended September 30, 2021, in satisfaction of the following purposes:

	2021
Scholarships	\$ 190,901
Capital Projects and other Campaign Expenses	639,849
Other Support of Marion Military Institute	43,947
	<u>\$874,697</u>

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

NOTE 6 – 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, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-designated endowment funds:			
Historical gift value	\$	\$5,562,617	\$5,562,617
Appreciation		2,640,966	2,640,966
Board-designated endowment funds	338,206		338,206
Total Endowment	\$338,206	\$8,203,583	\$8,541,789

Changes in endowment net assets for the year ended September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, 10/01/2020	\$298,321	\$5,388,763	\$5,687,084
Contributions		1,978,302	1,978,302
Investment Income	54,885	1,022,877	1,077,762
Appropriation	(15,000)	(186,359)	(201,359)
Endowment, 09/30/2021	\$338,206	\$8,203,583	\$8,541,789

The following is a description of the strategies and policies related to the endowment funds under the Foundation's control.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

Interpretation of Relevant Law

The Foundation has interpreted the Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions, the original value of gifts to the permanent endowment. The remaining portion of the endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions (board designated endowment).

The board designated endowment consists of amounts designated for the Academic Success Center.

Accumulated earnings on the permanent endowment are classified as net assets with donor restrictions until expended as described in the spending policy of this footnote.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain a fund of perpetual duration. There are no such deficiencies at September 30, 2021.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of comparable recognized measures of performance, while assuming a moderate level of investment risk.

The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5 percentage points higher than the rate of inflation as measured by the Consumer Price Index over the same period of time. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Spending from the endowment to provide scholarships and other support to Marion Military Institute is expected to be, at most, 5% of the beginning-of-year total financial assets. This policy is based on the expectation that the endowment will grow by 8-9% annually.

The Board approves the annual appropriation rate each year. Expenditures from the endowment during the year ended September 30, 2021 was \$186,359.

Notes to the Financial Statements
Marion Military Institute Foundation, Inc.
September 30, 2021

NOTE 7 – FAIR VALUE MEASUREMENTS

The Foundation determines the fair value of its investments through application of FASB ASC 820. The following tables present the financial instruments carried at fair value as of September 30, 2021, by caption on the statement of financial position by the valuation hierarchy defined above:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 377,222	\$ -	\$ -	\$ 377,222
Money Market Accounts	109,504	-	-	109,504
ETF – Stocks	5,306,336	-	-	5,306,336
ETF – Bonds	3,486,252	-	-	3,486,252
Other investments	7,561	-	-	7,561
Total Investments	<u>\$9,286,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,286,875</u>

NOTE 8 – FINANCIAL ASSETS AND LIQUIDITY

As of September 30, 2021, financial assets available within one year for general expenditures are as follows:

Financial Assets:	
Cash	\$ 4,923,624
Less Amount Due to Alumni Brigade	(38,808)
Less Amount Due to Alabama Military Hall of Honor	(49,841)
Cash, Net	<u>4,834,975</u>
Investments	9,286,875
Less Amount Due to Alumni Brigade	(120,394)
Less Board Designated Endowment	(298,351)
Investments, Net	<u>8,868,130</u>
Pledges Receivable	<u>180,528</u>
Total Financial Assets Available Within One Year	13,883,633
Less Amounts with Donor Restrictions	<u>(11,317,104)</u>
Total financial assets available within one year without donor restrictions	<u>\$ 2,566,529</u>

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.

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Required Supplementary Information

Schedule of the Institute's Proportionate Share of the Collective Net Pension Liability
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015
Institute's proportion of the collective net pension liability	0.081968%	0.080208%	0.083543%	0.084719%	0.080317%	0.078359%	0.072956%
Institute's proportionate share of the collective net pension liability	\$ 10,139	\$ 8,869	\$ 8,306	\$ 8,327	\$ 8,695	\$ 8,201	\$ 6,628
Institute's covered payroll during the measurement period (*)	\$ 5,886	\$ 5,780	\$ 5,668	\$ 5,706	\$ 5,169	\$ 5,000	\$ 4,652
Institute's proportionate share of the collective net pension liability as a percentage of its covered payroll	172.26%	153.44%	146.54%	145.93%	168.21%	164.02%	142.48%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) 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. For fiscal year 2021, the measurement period for covered payroll is October 1, 2019 through September 30, 2020.

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

Schedule of the Institute's Contributions - Pension
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

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

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. For fiscal year 2021, the covered payroll is for the reporting fiscal year October 1, 2020 through September 30, 2021.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the Institute's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the Institute'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.

***Schedule of the Institute's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2021
(Dollar amounts in thousands)***

	2021	2020	2019	2018
Institute's proportion of the collective net OPEB liability	0.078368%	0.091643%	0.090681%	0.084788%
Institute's proportionate share of the collective net OPEB liability (asset)	\$ 5,086	\$ 3,457	\$ 7,453	\$ 6,298
Institute's covered-employee payroll during the measurement period (*)	\$ 5,864	\$ 5,780	\$ 5,704	\$ 5,737
Institute's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	86.73%	59.81%	130.66%	109.78%
Plan fiduciary net position as a percentage of the total collective OPEB liability	19.80%	28.14%	14.81%	15.37%

(*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2021 year is October 1, 2019 through September 30, 2020.

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

Schedule of the Institute's Contributions - Other Postemployment Benefits (OPEB)
Alabama Retired Education Employees' Health Care Trust
For the Year Ended September 30, 2021
(Dollar amounts in thousands)

	2021	2020	2019	2018
Contractually required contribution	\$ 135	\$ 153	\$ 314	\$ 224
Contributions in relation to the contractually required contribution	\$ 135	\$ 153	\$ 314	\$ 224
Contribution deficiency (excess)	\$	\$	\$	\$
Institute's covered-employee payroll	\$ 6,045	\$ 5,864	\$ 5,780	\$ 5,704
Contributions as a percentage of covered-employee payroll	2.23%	2.61%	5.43%	3.93%

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

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2021***

Changes in Actuarial Assumptions

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

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

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.

***Notes to Required Supplementary Information
for Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2021***

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2020, is determined based on the actuarial valuation as of September 30, 2017. 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	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
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 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation
(*) Initial Medicare claims are set based on scheduled increases through plan year 2019.	

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Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021***

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Total Federal Expenditures
<u>Student Financial Assistance Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 20,500.00
Federal Work-Study Program	84.033			6,817.01
Federal Pell Grant Program	84.063			792,046.00
Federal Direct Students Loans	84.268			1,090,722.00
Total Student Financial Assistance Cluster				1,910,085.01
<u>Research and Development Cluster</u>				
<u>U. S. Department of Education</u>				
<u>Direct Program</u>				
Higher Education-Institutional Aid	84.031			179,012.34
<u>OTHER FEDERAL AWARDS</u>				
<u>U. S. Department of Education</u>				
<u>Direct Programs</u>				
Higher Education Emergency Relief Fund (HEERF):				
COVID-19 HEERF Student Aid Portion	84.425E			257,119.19
COVID-19 HEERF Institutional Aid Portion	84.425F			607,881.59
COVID-19 HEERF Strengthening Institutions Program (SIP)	84.425M			56,867.00
<u>Passed Through Ingram State Technical College</u>				
COVID-19 HEERF Student Aid Portion	84.425E	P425E203452		224,132.00
Total Higher Education Emergency Relief Fund (HEERF)				1,145,999.78
<u>U. S. Department of the Treasury</u>				
<u>Passed Through State of Alabama Department of Finance</u>				
COVID-19 Coronavirus Relief Fund	21.019	20GEERFHLTHMMI01		8,927.31
<u>Passed Through Alabama Community College System</u>				
COVID-19 Coronavirus Relief Fund	21.019	20GEERFMMI01		407,690.16
Total COVID-19 Coronavirus Relief Fund				416,617.47
Total Expenditures of Federal Awards				\$ 3,651,714.60

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2021***

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, 2021. 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.

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*.

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Additional Information

Institute Officials
October 1, 2020 through September 30, 2021

Officials	Position
Jimmy Baker	Chancellor, Alabama Community College System
Colonel David J. Mollahan	President
Jada Harrison	Comptroller

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

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Colonel David J. Mollahan, President – Marion Military Institute
Marion, Alabama 36756

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 Marion Military Institute, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Marion Military Institute's basic financial statements and have issued our report thereon dated June 3, 2022. 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 Marion Military Institute's financial statements. The financial statements of Marion Military Institute Foundation, Inc. were not audited in accordance with ***Government Auditing Standards***.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marion Military 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 Marion Military Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Marion Military 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 may exist that have not been identified.

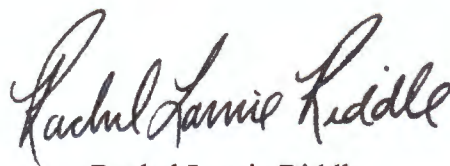
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion Military Institute's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 3, 2022

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

Independent Auditor's Report

Jimmy Baker, Chancellor – Alabama Community College System
Colonel David J. Mollahan, President – Marion Military Institute
Marion, Alabama 36756

Report on Compliance for Each Major Federal Program

We have audited Marion Military Institute's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on each of Marion Military Institute's major federal programs for the year ended September 30, 2021. Marion Military Institute's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. The financial statements of Marion Military Institute Foundation, Inc. were not audited in accordance with **OMB Uniform Guidance**, accordingly, this report does not extend to Marion Military Institute Foundation, Inc.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Marion Military Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

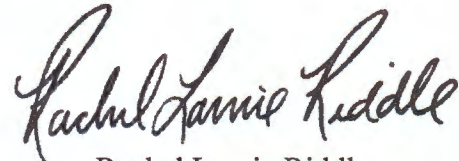
Management of Marion Military Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marion Military Institute's internal control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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

June 3, 2022

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I – Summary of Examiner's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

_____ Yes X No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I – Summary of Examiner's Results

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
84.007	<u>Student Financial Assistance Cluster</u> Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
	<u>COVID-19 Higher Education Emergency Relief Fund (HEERF)</u>
84.425E	COVID-19 HEERF Student Aid Portion
84.425F	COVID-19 HEERF Institutional Aid Portion
84.425M	COVID-19 HEERF Strengthening Institutions Program (SIP)

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

\$750,000.00

Auditee qualified as low-risk auditee?

 X Yes No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Section III – Federal Awards Findings and Questioned Costs

No matters were reportable.