



# Alabama Department of Examiners of Public Accounts

## *Report on the* **Marine Environmental Sciences Consortium Dauphin Island, Alabama**

October 1, 2022 through September 30, 2023

Filed: May 24, 2024

AUDEMUS JURA NOSTRA DEFENDERE  
ALABAMA STATE HOUSE

*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
Department of  
**Examiners of Public Accounts**

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

Dear Madam:

An audit was conducted on the Marine Environmental Sciences Consortium, Dauphin Island, Alabama, for the period October 1, 2022 through September 30, 2023, by Examiners Misty Medders and Holly White. I, Misty Medders, 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,

A handwritten signature in blue ink that reads "Misty C. Medders". The signature is written in a cursive style.

Misty C. Medders  
Examiner of Public Accounts

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# *Table of Contents*

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	<i>Page</i>
<b>Summary</b>	A
<p>Contains items pertaining to state and federal legal compliance, Consortium operations and other matters.</p>	
<b>Independent Auditor's Report</b>	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>	
<b>Management's Discussion and Analysis</b>	H
<p>Provides information required by the Governmental Accounting Standards Board (GASB) that is prepared by management of the Consortium introducing the basic financial statements and providing an analytical overview of the Consortium's financial activities for the year. This information has not been audited, and no opinion is provided about the information.</p>	
<b><u>Basic Financial Statements</u></b>	1
<p>Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Consortium's financial position and results of operations in accordance with GAAP.</p>	
<b>Marine Environmental Sciences Consortium</b>	
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
<b>Dauphin Island Sea Lab Foundation, Inc.</b>	
Exhibit #4      Statement of Financial Position	7
Exhibit #5      Statement of Activities	8



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## *Table of Contents*

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	<i>Page</i>
<b><u>Notes to the Financial Statements</u></b>	
Marine Environmental Sciences Consortium	9
Dauphin Island Sea Lab Foundation, Inc.	36
<b><u>Required Supplementary Information</u></b>	
Provides information required by the Governmental Accounting Standards 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 Consortium’s Proportionate Share of the Collective Net Pension Liability	46
Exhibit #7     Schedule of the Consortium’s Contributions – Pension	47
Exhibit #8     Schedule of the Consortium’s Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability Alabama Retired Education Employees’ Health Care Trust	48
Exhibit #9     Schedule of the Consortium’s Contributions Other Postemployment Benefits (OPEB) Alabama Retired Education Employees’ Health Care Trust	49
<b>Notes to Required Supplementary Information for Other Postemployment Benefits (OPEB)</b>	50
<b><u>Supplementary Information</u></b>	52
Contains financial information and notes relative to federal financial assistance.	
Exhibit #10     Schedule of Expenditures of Federal Awards	53
<b>Notes to the Schedule of Expenditures of Federal Awards</b>	57





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## *Table of Contents*

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---

	<i>Page</i>
<b><u>Additional Information</u></b>	58
Provides basic information related to the Consortium, 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.	
Exhibit #11 <b>Board Members and Officials</b> – a listing of the Board members and officials.	59
Exhibit #12 <b>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></b> – a report on internal controls related to the financial statements and on whether the Consortium complied with laws and regulations which could have a direct and material effect on the Consortium’s financial statements.	61
Exhibit #13 <b>Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i></b> – 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 Consortium complied with federal statutes, regulations, and terms and conditions of its federal awards which could have a direct and material effect on each major program.	63
Exhibit #14 <b>Schedule of Findings and Questioned Costs</b> – 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> .	67
Exhibit #15 <b>Summary Schedule of Prior Audit Findings</b> – a report, prepared by the management of the Consortium, which provides the status of all audit findings included in the prior audit report’s Schedule of Findings and Questioned Costs, as well as, unresolved findings included in the prior audit report’s Summary Schedule of Prior Audit Findings.	69





Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Marine Environmental Sciences Consortium  
October 1, 2022 through September 30, 2023**

**Dauphin Island Sea Lab Foundation, Inc.  
October 1, 2022 through September 30, 2023**

Marine Environmental Sciences Consortium (the “Consortium”), also known as Dauphin Island Sea Lab (“DISL”), located in Dauphin Island, Alabama, provides educational programs in Marine Sciences on both the undergraduate and graduate levels. As a marine laboratory, the DISL’s mission encompasses marine science education, marine science research, coastal zone management policy and educating the general public through the Alabama Aquarium, DISL’s public aquarium. The DISL primarily serves the 22 four-year colleges and universities of Alabama through its college summer courses and graduate programs of University Programs (UP). The Consortium’s educational mission also includes Discovery Hall Programs (DHP) which encompasses K-12 field programs, teacher-training, and public outreach. DHP also includes the Alabama Aquarium which focuses solely on the Mobile-Tensaw Estuary System. The research programs of the DISL range from biogeochemistry to oceanography to paleoecology. The Coastal Policy Center offers local government, industry, and agency decision makers a range of coastal zone management services. One of the area’s major players in coastal zone management is the Mobile Bay National Estuary Program, which falls within the DISL’s numerous programs.

The Dauphin Island Sea Lab Foundation, Inc. (the “Foundation”), was organized as a 501(c) (3) organization as defined by the Internal Revenue Service Code of 1954. The Foundation has been established to support the Consortium in its mission to provide wise stewardship of the marine environment through education and research.

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 Consortium 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 Consortium's component unit, the Foundation, which was audited by other auditors. The Consortium'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's 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 Consortium 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 ended September 30, 2023.

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 this audit: Dr. John Valentine, Executive Director; and David England, Deputy Director. The following individuals attended the exit conference: Dr. John Valentine, Executive Director; David England, Deputy Director and Sherry Brooks, Grants and Contracts Manager. Representing the Department of Examiners of Public Accounts were Bodie Pickens, Audit Manager and Misty Medders and Holly White, Examiners.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Dr. John F. Valentine, Executive Director  
Marine Environmental Sciences Consortium  
Dauphin Island, Alabama 36528

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the financial statements of the Marine Environmental Sciences Consortium, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Marine Environmental Sciences Consortium's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Marine Environmental Sciences Consortium and Dauphin Island Sea Lab Foundation, Inc., as of September 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Dauphin Island Sea Lab 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 Dauphin Island Sea Lab Foundation, Inc., is based on the report of other auditors.

#### **Basis for Opinions**

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 (***Government Auditing Standards***). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Marine Environmental Sciences Consortium and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Dauphin Island Sea Lab Foundation, Inc., were not audited in accordance with ***Government Auditing Standards***.

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

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

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

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

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

In performing an audit in accordance with generally accepted auditing standards and ***Government Auditing Standards***, we:

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ obtain an understanding of internal control relevant to the audit 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 Marine Environmental Sciences Consortium's internal control. Accordingly, no such opinion is expressed.
- ◆ evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

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

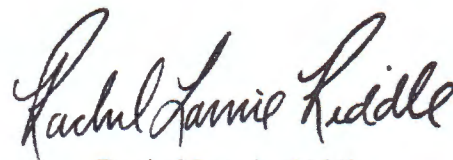
### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Marine Environmental Sciences Consortium, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 10) is presented for the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2024, on our consideration of the Marine Environmental Sciences Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marine Environmental Sciences Consortium's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marine Environmental Sciences Consortium's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 9, 2024

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

# Management's Discussion and Analysis

For the Year Ended September 30, 2023

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## **Introduction**

The following discussion presents an overview of the financial position and financial activities of the Marine Environmental Sciences Consortium (MESC) for the year ended September 30, 2023. This discussion was prepared by MESC's management and should be read in conjunction with the financial statements and notes thereto, which follow.

MESC's financial report consists of the following statements:

- ◆ The Statement of Net Position
- ◆ The Statement of Revenues, Expenses, and Changes in Net Position
- ◆ The Statement of Cash Flows

These statements are intended to present the financial position, operating activities and cash flows of MESC. The Notes to the Financial Statements provide additional information that is needed to fully understand the financial statements.

## **Analysis of Financial Position and Results of Operations**

### **Statement of Net Position**

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows and net position of MESC as of the fiscal year ended September 30, 2023. The net position is displayed in three parts, restricted, unrestricted and net investment in capital assets. Restricted net position may either be expendable or non-expendable and are those assets that are restricted by law or by an external donor. Unrestricted net position, while it is generally designated for specific purposes, is available for use by MESC to meet current expenses for any purpose. The Statement of Net Position, along with all of MESC's basic financial statements, is prepared under the accrual basis of accounting, whereby revenues are recognized when the service is provided and expenses are recognized when others provide the service to MESC, regardless of when cash is exchanged.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of MESC. They are also able to determine how much MESC owes to vendors and lending institutions. Finally, the Statement of Net Position provides a picture of end-of-year data concerning Assets (current and noncurrent), Deferred Outflows, Liabilities (current and noncurrent), Deferred Inflows and Net Position (assets and deferred outflows minus liabilities and deferred inflows) and their availability for expenditures by MESC.

# Management's Discussion and Analysis

For the Year Ended September 30, 2023

Total assets and total liabilities consist of both current and noncurrent portions. Current assets consist of cash totaling \$17,005,212, accounts receivables of \$6,096,351 and inventories of \$151,642. Liabilities, include accounts payable of \$111,987 current and non-current lease obligations of \$2,436,722, unearned revenues totaled \$2,327,733 and compensated absences totaled \$576,571.

	2023	2022
<b>Statement of Net Position</b>		
<b>For the Year ending September 30, 2023</b>		
	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current Assets	\$ 23,366,592	\$ 17,972,054
Non-Current Assets	158,125	106,417
Capital Assets, Net	16,512,849	15,485,933
<b>Total Assets</b>	40,037,566	33,564,404
<b>Deferred Outflow of Resources</b>		
Pension	3,908,000	1,806,000
OPEB	2,110,334	1,680,985
<b>Total Deferred Outflows</b>	6,018,334	3,486,985
<b>Liabilities</b>		
Current Liabilities	3,136,984	4,440,564
Noncurrent Liabilities	14,999,605	12,652,811
<b>Total Liabilities</b>	18,136,589	17,093,375
<b>Deferred Inflow of Resources</b>		
Pension	524,000	2,322,000
OPEB	4,950,825	3,230,397
<b>Total Deferred Inflows</b>	5,474,825	5,552,397
<b>Net Position</b>		
Net Investment in Capital Assets	14,346,929	13,030,426
Restricted-Expendable	996,965	475,302
Unrestricted	7,100,592	899,889
<b>Total Net Position</b>	\$ 22,444,486	\$ 14,405,617

# Management's Discussion and Analysis

For the Year Ended September 30, 2023

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At September 30, 2023, the Consortium reported a liability of \$11,180,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2022, and the pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. The Consortium'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, 2022, the Consortium's proportion was 0.071940 % which is an increase of 0.001614% from its proportion on September 30, 2021.

At September 30, 2023, the Consortium reported a liability of \$ 1,249,981 for its proportionate share of the collective net Other Post Employment Benefits (OPEB) liability. The collective net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Consortium's proportion of the collective net OPEB liability was based on a projection of the Consortium's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2022, the Consortium's proportion was 0.07173704%, which was an increase of 0.00955604% from its proportion measured as of September 30, 2021.

Capital assets include those with an acquisition cost of \$5,000 or more, and a useful life in excess of 1 year. The consumption of assets follows MESC's philosophy to use available resources to acquire and improve all areas of MESC to better serve its students and the public.

## **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 MESC, both operating and non-operating, and the expenses paid by MESC, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by MESC.

Generally, operating revenues are received for providing goods and services to the various customers and constituencies of MESC. 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 MESC. Non-operating revenues are revenues received for which goods and services are not provided. For example, state appropriations are non-operating revenues because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

# Management's Discussion and Analysis

For the Year Ended September 30, 2023

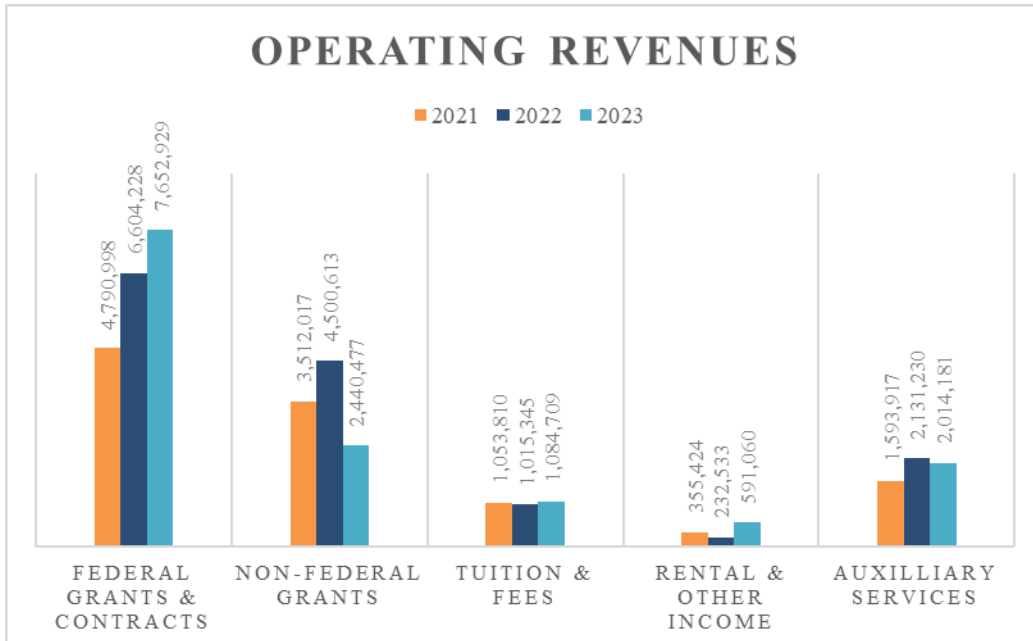
The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase of \$8,068,787.

<b>Statement of Revenues, Expenses and Changes in Net Position</b>		
<b>For the Year ending September 30, 2023</b>		
	<b>2023</b>	<b>2022</b>
Operating Revenues	\$ 13,783,356	\$ 14,483,948
Operating Expenses	18,911,919	19,680,122
Operating Loss	(5,128,563)	(5,196,174)
Non-Operating Revenues	13,284,418	11,973,491
Non-Operating Expenses	71,230	83,125
Increase (Decrease) in Net Position	8,084,625	6,694,192
Loss on Capital Asset Disposal	(15,838)	
Net Position - Beginning of the Year	14,405,617	7,711,425
Restatements	(29,918)	
Net Position - End of the Year	\$ 22,444,486	\$ 14,405,617

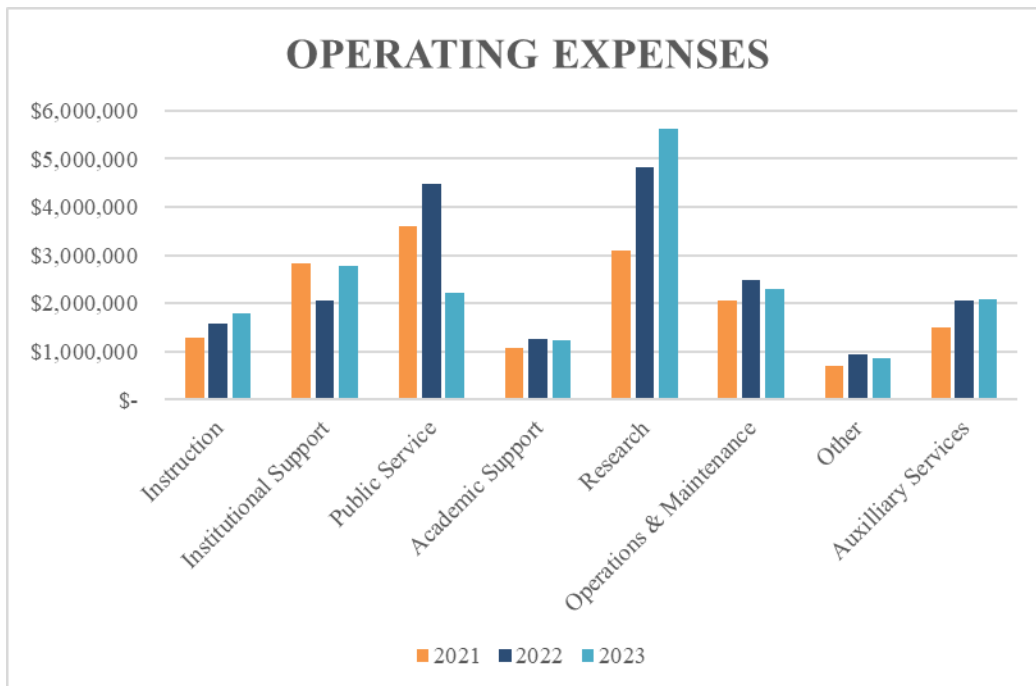
The chart below displays the operating revenues by type and their relationship to one another as discussed in the previous paragraph. Federal Grants and Contracts represent the largest source of Operating Revenues. The largest source of non-operating revenues is the State Appropriation. MESC annually receives a State Appropriation as a separate line item in the State of Alabama Education Trust Fund budget. The State Appropriation for fiscal year 2023 totaled \$12,500,849. \$100,000 was earmarked for Mobile Bay National Estuary Program, a division of MESC/Dauphin Island Sea Lab, and \$100,000 was earmarked for the Mississippi-Alabama Sea Grant Consortium, and \$7,000,000 was to help address MESC's aging dormitories, and other infrastructure needs, making the net appropriation available for operations to MESC \$5,300,849.

# Management's Discussion and Analysis

For the Year Ended September 30, 2023



The operating expenses by function are displayed in the following exhibit:





# Management's Discussion and Analysis

For the Year Ended September 30, 2023

The chart above allows the reader to visualize each functional expenditure category and how each functional category of expenditures compares to the other over the last three years.

## Statement of Cash Flows

The final statement presented by MESC is the Statement of Cash Flows. The Statement of Cash Flows presents detailed 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 flows and shows the net cash used by the operating activities of MESC. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

	<b>2023</b>	<b>2022</b>
<b>Statement of Cash Flows</b>		
<b>For the Year Ending September 30, 2023</b>		
	<u>2023</u>	<u>2022</u>
Cash Provided (Used) by:		
Operating Activities	\$ (5,395,757)	\$ (6,690,525)
Noncapital Financing Activities	11,830,220	10,945,404
Capital Financing Activities	(2,244,061)	(2,100,454)
Investing Activities	<u>97,159</u>	<u>5,112</u>
Net Change in Cash	4,287,561	2,159,537
Cash, Beginning of Year	<u>12,717,651</u>	<u>10,558,114</u>
Cash, End of Year	<u>\$ 17,005,212</u>	<u>\$ 12,717,651</u>

# Management's Discussion and Analysis

For the Year Ended September 30, 2023

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## *Economic Outlook*

MESC has followed a conservative fiscal policy during these times of uncertain levels of state and federal support, inflation, rising fuel and energy costs. Fortunately, the Consortium has not faced decreases in its appropriation in recent years but with the negative economic climate expenses may sometimes outpace the growth of the appropriation. In recent years we have received some supplemental appropriations that have helped address some of our infrastructure, but the need to replace, repair and retrofit our aging infrastructure across our campus continues to be a challenge for the Consortium. Hurricane Sally severely damaged one of our residential halls and providing adequate housing for our students continues to be a major issue. We continue to try to identify alternative sources of funding, upgrade and invest in new technology so we can continue to offer the same level of service to our constituents and give our researchers the resources needed to continue to be at the forefront of Marine research.

MESC anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain MESC's ability to react to unknown internal and external issues and continue to be wise stewards of all funds awarded to us.

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# *Basic Financial Statements*

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***Statement of Net Position***  
***September 30, 2023***

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**ASSETS**

**Current Assets**

Cash	\$ 17,005,212
Accounts Receivable	6,096,351
Inventories	151,642
Right-to-Use Assets - Leases	72,336
Subscription Assets	41,051
Total Current Assets	<u>23,366,592</u>

**Noncurrent Assets**

Right-to-Use Assets - Leases	120,269
Subscription Assets	37,856
Capital Assets:	
Land	658,757
Improvements Other Than Buildings	433,744
Buildings	17,438,002
Equipment	4,289,220
Vessels	1,220,431
Lease Purchased Assets	2,367,263
Library Holdings	126,694
Construction in Progress	1,383,490
Less: Accumulated Depreciation	<u>(11,404,752)</u>
Total Capital Assets, Net of Depreciation	<u>16,512,849</u>
Total Noncurrent Assets	<u>16,670,974</u>
Total Assets	<u>40,037,566</u>

**Deferred Outflow of Resources**

Pension	3,908,000
Other Postemployment Benefit (OPEB)	2,110,334
Total Deferred Outflow of Resources	<u>\$ 6,018,334</u>

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

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**LIABILITIES****Current Liabilities**

Accounts Payable and Accrued Liabilities	\$	111,987
Leases Payable		72,856
Purchase Lease Payable		299,819
Subscription Liability		36,400
Compensated Absences		34,594
Unearned Revenue		2,327,733
Deposits Held for Others		253,595
Total Current Liabilities		<u>3,136,984</u>

**Noncurrent Liabilities**

Leases Payable		123,690
Purchase Lease Payable		1,866,101
Subscription Liability		37,856
Compensated Absences		541,977
Net Pension Liability		11,180,000
Net Other Postemployment Benefit (OPEB)		1,249,981
Total Noncurrent Liabilities		<u>14,999,605</u>

Total Liabilities		<u>18,136,589</u>
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**Deferred Inflow of Resources**

Pension		524,000
Other Postemployment Benefit (OPEB)		4,950,825
Total Deferred Inflow of Resources		<u>5,474,825</u>

**NET POSITION**

Net Investment in Capital Assets		14,346,929
Restricted for:		
Expendable:		
Scholarships and Fellowships		55,726
Research and Public Outreach		736,396
Instruction		176,509
Capital Projects		28,334
Unrestricted		<u>7,100,592</u>
Total Net Position	\$	<u>22,444,486</u>

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***Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended September 30, 2023***

**OPERATING REVENUES**

Student Tuition and Fees	\$ 1,084,709
Federal Grants and Contracts	7,652,929
State and Local Grants and Contracts	1,729,551
Private Grants and Contracts	710,926
Sales and Services of Educational Departments	179,637
Rental Income	411,423
Auxiliary Enterprises:	
Estuarium	810,351
Gift Shop	580,383
Food Services	623,447
Total Operating Revenues	<u>13,783,356</u>

**OPERATING EXPENSES**

Instruction	1,801,220
Institutional Support	2,769,813
Public Service	2,205,065
Academic Support	1,238,187
Student Services	64,909
Research	5,631,754
Operation and Maintenance	2,304,924
Depreciation	807,180
Auxiliary Enterprises:	
Estuarium	704,513
Gift Shop	827,131
Food Services	557,223
Total Operating Expenses	<u>18,911,919</u>
Operating Income (Loss)	<u>(5,128,563)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	12,500,849
Investment Income	97,159
Private Gifts	682,825
Insurance Recovery	3,585
Interest on Capital Asset Related Debt	(71,230)
Net Nonoperating Revenues	<u>13,213,188</u>
Income Before Other Revenues, Expenses, Gains, or Losses	8,084,625
Loss on Disposal	(15,838)
Change in Net Position	<u>8,068,787</u>
Total Net Position - Beginning of Year, as Restated (Note 11)	14,375,699
Total Net Position - End of Year	<u>\$ 22,444,486</u>

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

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***Statement of Cash Flows***  
***For the Year Ended September 30, 2023***

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 1,221,509
Grants and Contracts	8,910,881
Payments to Suppliers	(7,755,808)
Payments to Utilities	(675,986)
Payments to Employees	(7,287,757)
Payments to Benefits	(2,398,480)
Auxiliary Enterprise Charges:	
Estuarium	829,887
Gift Shop	552,288
Food Services	616,649
Sales and Services of Educational Departments	179,637
Other Receipts (Payments)	411,423
Net Cash Provided (Used) by Operating Activities	<u>(5,395,757)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	12,500,849
Private Grants and Gifts	682,825
Other	(1,353,454)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>11,830,220</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of Capital Assets	(1,879,851)
Principal Paid on Capital Debt and Leases	(292,979)
Interest Paid on Capital Debt and Leases	(71,231)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,244,061)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on Investments	<u>97,159</u>
Net Cash Provided (Used) by Investing Activities	<u>97,159</u>
Net Increase (Decrease) in Cash	4,287,561
Cash - Beginning of Year	12,717,651
Cash - End of Year	<u>\$ 17,005,212</u>

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



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

Operating Income (Loss) \$ (5,128,563)

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

Depreciation Expense 807,180

Changes in Assets and Liabilities:

(Increase)/Decrease in Receivables (1,044,634)

(Increase)/Decrease in Inventories (10,463)

(Increase)/Decrease in Deferred Outflows (2,531,349)

Increase/(Decrease) in Accounts Payable (5,985)

Increase/(Decrease) in Compensated Absences 3,424

Increase/(Decrease) in Deferred Inflows (77,572)

Increase/(Decrease) in Pension Liability 4,555,000

Increase/(Decrease) in OPEB Liability (1,962,795)

Net Cash Provided (Used) by Operating Activities \$ (5,395,757)

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***Statements of Financial Position***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023 and 2022***

	2023	2022
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash	\$ 789,678	\$ 1,166,937
Promises to Give	12,730	300
Prepaid Expenses	3,095	2,863
Investments - Community Foundation of South Alabama	2,608,065	2,326,668
Total Current Assets	<u>3,413,568</u>	<u>3,496,768</u>
Property and Equipment:		
Boat	-	27,800
Accumulated Depreciation	-	(3,971)
Net Property and Equipment	<u>-</u>	<u>23,829</u>
Total Assets	<u>3,413,568</u>	<u>3,520,597</u>
<b><u>Liabilities and Net Assets</u></b>		
<b><u>Current Liabilities</u></b>		
Deferred Revenue	12,874	-
Total Current Liabilities	<u>12,874</u>	<u>-</u>
<b><u>Net Assets</u></b>		
Without Donor Restrictions:		
Undesignated	521,363	406,889
Board Designated for Quasi Endowment	2,359,732	2,092,785
Total Without Donor Restrictions	<u>2,881,095</u>	<u>2,499,674</u>
With Donor Restrictions	<u>519,599</u>	<u>1,020,923</u>
Total Net Assets	<u>3,400,694</u>	<u>3,520,597</u>
Total Liabilities and Net Assets	<u>\$ 3,413,568</u>	<u>\$ 3,520,597</u>

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

**Statements of Activities**  
**Dauphin Island Sea Lab Foundation, Inc.**  
**For the Years Ended September 30, 2023 and 2022**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	Without Donor Restrictions	With Donor Restrictions	2022 Total
<b>Support and Revenue</b>						
Special Events	\$ 130,226	\$ -	\$ 130,226	\$ 132,098	\$ -	\$ 132,098
Less Cost of Special Events	(49,714)	-	(49,714)	(39,380)	-	(39,380)
Net Special Events	80,512	-	80,512	92,718	-	92,718
Contributions and Grants	117,323	167,396	284,719	87,318	442,511	529,829
Contributions - In Kind	500	-	500	34,615	-	34,615
Investment Income	264,329	27,440	291,769	(376,199)	(42,171)	(418,370)
Loss on Disposal of Equipment	(23,829)	-	(23,829)	-	-	-
Net Assets Released from Restrictions	696,160	(696,160)	-	129,920	(129,920)	-
Total Support and Revenue	1,134,995	(501,324)	633,671	(31,628)	270,420	238,792
<b>Expenses</b>						
Program Expenses	695,953	-	695,953	133,256	-	133,256
General and Administrative Expenses	31,621	-	31,621	30,291	-	30,291
Fundraising Expenses	26,000	-	26,000	20,800	-	20,800
Total Expenses	753,574	-	753,574	184,347	-	184,347
Change in Net Assets	381,421	(501,324)	(119,903)	(215,975)	270,420	54,445
Net Assets - Beginning of Year	2,499,674	1,020,923	3,520,597	2,715,649	750,503	3,466,152
Net Assets - End of Year	\$ 2,881,095	\$ 519,599	\$ 3,400,694	\$ 2,499,674	\$ 1,020,923	\$ 3,520,597

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Marine Environmental Sciences Consortium (the “Consortium”) 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 Consortium are described below.

#### **A. Reporting Entity**

The Consortium 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 the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Consortium receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on this criterion, the Consortium is considered for financial reporting purposes to be a component unit of the State of Alabama.

#### **B. Component Unit**

The Dauphin Island Sea Lab Foundation, Inc. (the “Foundation”) has been established to support the Consortium in its mission to provide wise stewardship of the marine environment through education and research for the benefit of the Consortium. Because of the significance of the relationship between the Consortium and the Foundation, the Foundation is considered a component unit of the Consortium. 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.

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

The financial statements of the Consortium 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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It is the policy of the Consortium to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted resources 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 Consortium. 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 Consortium'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**

The Consortium has defined cash to include currency on hand and demand deposits with financial institutions.

##### **2. Receivables**

Accounts receivables relate to amounts due from federal grants, state appropriations and third party tuition.

##### **3. 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 are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (an entry price). Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. Land and Construction in Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. Intangible right-to-use lease assets are amortized over the shorter of the lease term or the asset's estimated useful life, unless the lease contains a purchase option the Consortium is reasonably certain will be exercised. In those instances, the right-to-use leased asset is amortized over the asset's estimated useful life. 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. Interest incurred during the construction period is expensed.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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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	40 – 50 years
Betterments	Straight-Line	7 – 20 years
Improvements Other Than Buildings	Composite	15 – 30 years
Equipment	Composite	5 – 10 years
Vessels	Straight-Line	20 years
Library Holdings	Composite	15 years
Lease Right to Use	Straight-Line	Over life of the lease or asset, whichever is shorter

#### **4. 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.

#### **5. Right-to-Use Assets, Lease Liability and Subscription Liability**

The Consortium has recorded right-to-use lease assets and liabilities as a result of implementing GASB Statement Number 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease. These right-to-use lease assets and liabilities are included on the Statement of Net Position.

The Consortium also entered into certain subscription-based agreements to use vendor-provided information technology (IT). In accordance with GASB Statement Number 96, Subscription-based information technology arrangements (SBITAs) result in an intangible right-to-use asset and a subscription obligation on the Statement of Net Position.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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An intangible right-to-use asset represents the Consortium's right to use an underlying asset for the lease or subscription term. Lease and/or subscription obligations represent the Consortium's liability to make lease and/or subscription payments arising from the lease and/or subscription agreement. Intangible right-to-use assets, lease obligations, and subscription obligations are recognized based on the present value of lease and/or subscription payments over the lease term, where the initial term exceeds 12 months. Residual value guarantees and the value of an option to extend or terminate a lease and/or subscription are reflected to the extent it is reasonably certain to be paid or exercised. Variable payments based on future performance or usage are not included in the measurement of the lease and/or subscription liability. Intangible right-to-use assets are amortized using a straight-line basis over the shorter of the lease and/or subscription term or useful life of the underlying asset. Prepayments made before the commencement of the lease and/or subscription are reported as intangible right-to-use assets in progress.

#### **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**

The Board of Directors determines annual, sick, and compensatory leave policies for the Consortium's employees. The annual, sick, and compensatory leave policies adopted by the Consortium are as follows:

No liability is recorded for sick leave. As of September 30, 2023, substantially all employees of the Consortium earn 12 days of sick leave each year. There is no limit on the amount of sick leave an employee may accrue. However, a separating employee will not be paid for unused sick leave.

Permanent employees employed to work more than 20 hours per week earn annual leave according to the schedule below:

Continuous Service	Annual Accrual Rate
1 month to 3 years	96 hours
3 to 5 years	120 hours
5 to 10 years	144 hours
Over 10 years	176 hours



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Employees resigning, retiring, or leaving the Consortium for any reason will be paid for compensatory time earned. Compensatory time may accrue to a maximum of 240 hours.

Payment is made to employees for unused leave at termination or retirement. The accrued liability recorded for accumulated unpaid leave is listed as compensated absences liability in the accompanying financial statements.

#### **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. 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 when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the 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.

#### **10. 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **11. Unearned Revenue**

Revenues received but related to the period after September 30, 2023, have been disclosed as unearned revenues.

#### **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 this calculation.
  
- ◆ **Restricted:**
  - ✓ **Expendable** – Net position whose use by the Consortium is subject to externally imposed stipulations that can be fulfilled by actions of the Consortium 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 Board of Directors.

#### **13. Federal Financial Assistance Programs**

The Consortium 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)*.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**14. Implementation of New Accounting Standard**

In the fiscal year ended September 30, 2023, the Consortium adopted GASB Statement Number 96, ***Subscription-Based Information Technology Arrangements***. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

**Note 2 – Deposits**

The Consortium’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 includes all readily available cash such as petty cash and demand deposits.

**Note 3 – Receivables**

Receivables are summarized as follows:

<b><u>Accounts Receivable:</u></b>	
Federal	\$5,580,156
Third Party Tuition and Fees	471,495
Auxiliary	44,700
Total Accounts Receivable	<u>\$6,096,351</u>

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

#### Note 4 – Capital and Leased Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Reclassifications/ Adjustments	Ending Balance
Land	\$ 658,757	\$	\$	\$	\$ 658,757
Improvements Other Than Buildings	433,744				433,744
Buildings	16,138,728	242,026		1,057,248	17,438,002
Equipment	4,156,592	254,336	121,708		4,289,220
Vessels	1,220,431				1,220,431
Library Holdings	126,694				126,694
Lease Purchased Assets	2,260,500			106,763	2,367,263
Construction in Progress	1,057,248	1,383,490		(1,057,248)	1,383,490
Total	26,052,694	1,879,852	121,708	106,763	27,917,601
Less: Accumulated Depreciation					
Improvements Other Than Buildings	344,247	23,409			367,656
Buildings	6,515,268	305,210		3,685	6,824,163
Equipment	2,711,173	300,929	105,870	78,468	2,984,700
Vessels	805,545	59,269			864,814
Library Holdings	77,503			49,190	126,693
Lease Purchased Assets	113,025	118,363		5,338	236,726
Total Accumulated Depreciation	10,566,761	807,180	105,870	136,681	11,404,752
Capital Assets, Net	\$15,485,933	\$1,072,672	\$ (15,838)	\$ (29,918)	\$16,512,849

Right-to-Use Asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Right-to-Use Assets</u>				
Buildings	\$167,925	\$	\$(61,507)	\$106,418
Equipment		108,977	(22,790)	86,187
Total Right-to-Use Assets	\$167,925	\$108,977	\$(84,297)	\$192,605

Right-to-use assets consist of an office lease with lease a term of five years. The equipment portion includes a copier lease with Xerox and a telephone lease with Spectrum. The lease contract and payment terms are detailed in Note 9.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Subscription based asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Subscription Based Assets</u>				
Software	\$	\$109,256	\$(30,349)	\$78,907
Total Subscription Based Assets	\$	\$109,256	\$(30,349)	\$78,907

Subscription based assets consists of a grants management software with Cayuse, LLC that has a three-year subscription term. The subscription contract and payment terms are detailed in Note 9.

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

##### **B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. 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 up to 80% of their average final compensation.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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 Tier 1 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.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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Participating employers' contractually required contribution rate for the year ended September 30, 2023, was 12.59% of annual pay for Tier 1 members and 11.44% 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 Consortium were \$723,394.30 for the year ended September 30, 2023.

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

At September 30, 2023, the Consortium reported a liability of \$11,180,000 for its proportionate share of the collective Net Pension liability. The collective Net Pension liability was measured as of September 30, 2022, and the total Pension liability used to calculate the collective Net Pension liability was determined by an actuarial valuation as of September 30, 2021. The Consortium'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, 2022, the Consortium's proportion was 0.071940%, which was an increase of 0.001614% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the Consortium recognized pension expense of \$655,000. At September 30, 2023, the Consortium 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	\$ 246	\$271
Changes of assumptions	507	
Net difference between projected and actual earnings on pension plan investments	2,243	
Changes in proportion and differences between employer contributions and proportionate share of contributions	189	253
Employer contributions subsequent to the measurement date	723	
Total	\$3,908	\$524
(Dollar amounts in thousands)		

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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The \$723,000 reported as deferred outflows of resources related to pensions resulting from Consortium contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending	
September 30, 2024	\$736,000
2025	\$595,000
2026	\$407,000
2027	\$923,000
2028	\$ 0
Thereafter	\$ 0

#### **E. Actuarial Assumptions**

The total Pension liability as of September 30, 2022, was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases	3.25-5.00%
Investment Rate of Return (*)	7.45%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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

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

(\*) Includes assumed rate of inflation of 2.00%.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **F. Discount Rate**

The discount rate used to measure the total Pension liability was 7.45%. 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.

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

The following table presents the Consortium's proportionate share of the collective Net Pension liability calculated using the discount rate of 7.45%, as well as what the Consortium'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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Consortium's proportionate share of collective Net Pension liability	\$14,467	\$11,180	\$8,412
(Dollar Amounts in Thousands)			

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **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.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts 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 Trust 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retired members and covered dependents are eligible to enroll in 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. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC 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. With the UHC plan for PEEHIP, 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.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### 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.

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, 2023, the Consortium reported a liability of \$1,249,981 for its proportionate share of the collective Net OPEB liability. The collective Net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The Consortium's proportion of the collective Net OPEB liability was based on the Consortium's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the Consortium's proportion was 0.07173704%, which was an increase of 0.00955604% from its proportion measured as of September 30, 2021.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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For the year ended September 30, 2023, the Consortium recognized OPEB expense of \$(570,637), with no special funding situations. At September 30, 2023, the Consortium 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	\$ 57,329	\$2,527,359
Changes of assumptions	1,013,905	1,819,423
Net difference between projected and actual earnings on OPEB plan investments	157,197	
Changes in proportion and differences between employer contributions and proportionate share of contributions	777,803	604,043
Employer contributions subsequent to the measurement date	104,100	
Total	\$2,110,334	\$4,950,825

The \$104,100 reported as deferred outflows of resources related to OPEB resulting from the Consortium's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2024.

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, 2024	\$(713,797)
2025	\$(793,232)
2026	\$(398,952)
2027	\$(348,039)
2028	\$(441,961)
Thereafter	\$(248,610)

***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.00%
Municipal Bond Index Rate at the Measurement Date	4.40%
Municipal Bond Index Rate at the Prior Measurement Date	2.29%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	N/A
Single Equivalent Interest Rate at the Measurement Date	7.00%
Single Equivalent Interest Rate at the Prior Measurement Date	3.97%
Healthcare Cost Trend Rate:	
Initial Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50% in 2031
Medicare Eligible	4.50% in 2027

(1) Includes 2.75% wage inflation.  
(2) Compounded annually, net of investment expense, and including inflation.  
(\*\*) Initial Medicare claims are set based on scheduled increases through plan year 2025

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

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

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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

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

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 Real Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	100.00%	
(*) Geometric mean, includes 2.5% inflation		



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **F. Discount Rate**

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement 74) used to measure the total OPEB liability was 7.00%. Premiums paid to the PEEHIB for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

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

The following table presents the Consortium'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 (5.50% Decreasing to 3.50% for Pre-Medicare and Known Decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% Decreasing to 4.50% for Pre-Medicare and Known Decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% Decreasing to 5.50% for Pre-Medicare and Known Decreasing to 5.50% for Medicare Eligible)
Consortium's proportionate share of collective Net OPEB liability	\$947,863	\$1,249,981	\$1,620,500

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**H. Sensitivity of the Consortium’s Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate**

The following table presents the Consortium’s proportionate share of the collective Net OPEB liability of the Trust calculated using the discount rate of 7.00%, 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 (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Consortium’s proportionate share of collective Net OPEB liability	\$1,545,417	\$1,249,981	\$1,001,971

**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, 2023. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2023. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Note 7 – Significant Commitments**

As of September 30, 2023, the Consortium had been awarded approximately \$58.1 million 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.

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

#### **Note 8 – Long-Term Liabilities and Lease Obligations**

Long-term liabilities activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Purchase Lease Payable – Bond	\$ 485,000	\$	\$240,000	\$ 245,000	\$245,000
Purchase Lease Payable – GESG	1,970,507		49,587	1,920,920	54,819
Total Financing Lease Payable	<u>2,455,507</u>		<u>289,587</u>	<u>2,165,920</u>	<u>299,819</u>
Other Liabilities:					
Lease Liability	170,606	114,736	88,796	196,546	72,856
Subscription Liability		109,256	35,000	74,256	36,400
Compensated Absences	573,146	3,425		576,571	34,594
Total Other Liabilities	<u>743,752</u>	<u>227,417</u>	<u>123,796</u>	<u>847,373</u>	<u>143,850</u>
Total Long-Term Liabilities	<u>\$3,199,259</u>	<u>\$227,417</u>	<u>\$413,383</u>	<u>\$3,013,293</u>	<u>\$443,669</u>

#### **Note 9 – Lease Obligations**

Dauphin Island Public Education Building Authority (the “Authority”), a non-profit corporation, issued the Dauphin Island Public Education Building Authority Revenue Bond, Series 2015, in the principal amount of \$2,000,000 in fiscal year 2015. These bonds were issued to finance the acquisition, construction and renovation of equipment and existing building on the Consortium’s campus located on Dauphin Island, Alabama. The Consortium leases the land, upon which the improvements were made, to the Authority.

The Consortium leases the improvements from the Authority. The lease payments are payable solely from non-appropriated funds and are equal to the principal and interest payments on the bond issue. The lease term begins July 2015 and ends July 2024.

The bond issuance is secured by a guaranty agreement, the Authority and Trustmark National Bank. After payment in full of indebtedness secured by the mortgage, the Consortium may purchase the improvements for the purchase price equal to the sum of \$100.00.

Principal and interest maturity requirements on the financing lease debt are as follows:

Fiscal Years	Principal	Interest	Total
2023-2024	\$245,000	\$4,497	\$249,497
Totals	<u>\$245,000</u>	<u>\$4,497</u>	<u>\$249,497</u>

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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The Consortium entered into a Guaranteed Energy Savings Contract with Southland Energy (GESC) and financed through a financing lease with Bank of America. The energy savings plan includes replacement of aged HVAC equipment, solar arrays on 3 buildings, and upgraded LED lighting throughout the campus. Being a lease purchase asset, this energy savings are guaranteed by the contractor to cover the lease payments for the life of the capital lease, 20 years. If the energy savings fail to yield enough savings to cover the lease payment, Southland is contractually required to pay the difference.

Principal and interest maturity requirements on the GESC financing lease debt are as follows:

Fiscal Years	Principal	Interest	Total
2023-2024	\$ 54,819	\$ 61,047	\$ 115,866
2024-2025	60,336	59,305	119,641
2025-2026	66,152	57,387	123,539
2026-2027	72,278	55,285	127,563
2027-2028	78,731	52,988	131,719
2028-2029	85,525	50,486	136,011
2029-2030	92,674	47,768	140,442
2030-2031	100,195	44,822	145,017
2031-2032	108,103	41,638	149,741
2032-2033	116,417	38,203	154,620
2033-2034	125,154	34,503	159,657
2034-2035	134,332	30,526	164,858
2035-2036	143,972	26,257	170,229
2036-2037	154,093	21,681	175,774
2037-2038	164,717	16,784	181,501
2038-2039	175,864	11,549	187,413
2039-2040	187,558	5,961	193,519
Totals	<u>\$1,920,920</u>	<u>\$656,190</u>	<u>\$2,577,110</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2023*

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#### **Right-to-Use Assets Leases**

The Consortium leases two office spaces with lease terms of one year and five years and monthly rent payments. With the implementation of GASB Statement 87, the Consortium recognized a Lease Liability and an Intangible Right-to-Use Asset valued at the present value of all future lease payments, with an interest rate of 2%. Amortization of the discount on the lease and lease purchase liability is reported as an outflow of resources and is included in interest in the Statement of Revenues, Expenses and Changes in Net Position. The Consortium also leases equipment as it included a copier lease with Xerox that began in March 2023 and a telephone lease with Spectrum that began in June 2022. With these equipment leases, the Consortium recognized a Lease Liability and an Intangible Right-to-Use Asset valued at the present value of all future lease payments, with an interest rate of 0%. Leased assets that are not financed purchases are amortized over the shorter of the lease term or the useful life of the underlying asset. Amortization of leased assets is reported as an outflow of resources and is included in depreciation in the Statement of Revenues, Expenses and Changes in Net Position. See the summary of changes in capital assets (Note 4) for the amount of leased assets and related accumulated amortization.

Future minimum payments under the lease agreements and the present value of the minimum payments as of September 30, 2023, are as follows:

Fiscal Year	Right-to-Use Buildings Lease		Right-to-Use Equipment Copier Lease Telephone Lease		Total Interest	Total Principal	Total
	Principal	Interest	Principal	Principal			
2023-2024	\$ 46,127.52	\$1,787.80	\$ 9,453.36	\$ 17,275.20	\$1,787.80	\$ 72,856.08	\$ 74,643.88
2024-2025	47,943.13	848.67	9,453.36	17,275.20	848.67	74,671.69	75,520.36
2025-2026	16,287.66	73.66	3,938.90	17,275.20	73.66	37,501.76	37,575.42
2026-2027				11,516.80		11,516.80	11,516.80
Total	<u>\$110,358.31</u>	<u>\$2,710.13</u>	<u>\$22,845.62</u>	<u>\$ 63,342.40</u>	<u>\$2,710.13</u>	<u>\$196,546.33</u>	<u>\$199,256.46</u>

#### **Subscription-Based Information Technology Agreements (SBITA)**

The Consortium entered a subscription-based information technology arrangement (SBITA) with a vendor named Cayuse, LLC for its grants management system. The agreement has a three-year subscription term beginning in December of 2022, with payments totaling \$109,256. The Consortium made its initial payment in October of 2022, reducing the liability by \$35,000, and reported a liability of \$74,256 for September 30, 2023. Subsequent payments are due in December of 2023 and December of 2024 in the amounts of \$36,400 and \$32,448 respectively with the remaining payment due thereafter in the amount of \$5,408.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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Principal maturity requirements on the subscription-based technology agreement are as follows:

Fiscal Years	Principal	Total
2023-2024	\$36,400.00	\$36,400.00
2024-2025	32,448.00	32,448.00
2025-2026	5,408.00	5,408.00
Totals	<u>\$74,256.00</u>	<u>\$74,256.00</u>

**Note 10 – Risk Management**

The Consortium 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 Consortium purchases commercial insurance for its automobile coverage and general liability. In addition, the Consortium has fidelity bonds on the Consortium’s 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 Consortium 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 Consortium’s coverage in any of the past three fiscal years.

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***Notes to the Financial Statements***  
***For the Year Ended September 30, 2023***

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**Note 11 – Net Position Restatement**

In fiscal year 2023, the Consortium made prior period adjustments to recognize accumulated depreciation and lease purchased assets related to the GESC from the prior year, totaling (\$29,918), which resulted in a decrease in Net Position as outlined below:

Beginning Net Position, October 1, 2022	\$14,405,617
<u>Adjustments</u>	
Recognize Accumulated Depreciation	(136,681)
Recognize Lease Purchased Assets	106,763
Total Adjustments	<u>(29,918)</u>
Net Position, October 1, 2022, as Restated	<u>\$14,375,699</u>

**Note 12 – Component Unit**

During the year ended September 30, 2023, the Dauphin Island Sea Lab Foundation, Inc. is a discretely presented component unit of the Consortium's financial statements because it operates almost exclusively for the benefit of the Consortium. During the fiscal year ended September 30, 2023, the Foundation contributed \$651,214 to the Consortium. Separate financial statements of the Dauphin Island Sea Lab Foundation, Inc. can be obtained from Kim Enikeieff, CPA, P. O. Box 8754, Mobile, Alabama 36689.

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***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Dauphin Island Sea Lab Foundation, Inc. (the “Foundation”) was formed to support the Dauphin Island Sea Lab (the “Sea Lab”) in its mission to provide wise stewardship of the marine environment through education and research. The Foundation provides funds to sustain the activities of the Sea Lab and promotes awareness of the Sea Lab and its environmental issues. The Foundation is also building an endowment for the Sea Lab. Because of the significance of the relationship between the Foundation and the Sea Lab, the Foundation is considered a component unit of the Sea Lab. The Sea Lab is a governmental entity and follows the reporting model of the Governmental Accounting Standards Board (GASB) and the Foundation follows the reporting model of the Financial Accounting Standards Board (FASB). The audited financial statements of the Foundation are included in the annual audited financial statements of the Sea Lab and are reported as a separately reported component unit of the Sea Lab because of the difference in the reporting model of the Sea Lab.

**Summary of Significant Accounting Policies**

**Method of Accounting**

The financial statements of the Foundation have been prepared utilizing the accrual basis of accounting.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with initial maturity of three months or less to be cash equivalents.



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***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

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**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy that prioritizes the inputs to valuation techniques is used to measure the fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into the following three levels, based on the reliability of the inputs:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;

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

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

Investments are composed of index funds and hedge funds investing in debt and equity securities and are carried at fair value. Unrealized gains and losses are included in the change in net assets.

**Contributions**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

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***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

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**Property and Equipment**

Purchased property and equipment is capitalized at cost. The Foundation follows the practice of capitalizing, at cost, or fair market value if donated, all expenditures for fixed assets in excess of \$500. Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets.

**Income Taxes**

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation.

A policy for accounting for uncertainty in income taxes was adopted in prior years that require the Foundation to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The Foundation has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements at September 30, 2023 or September 30, 2022.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Donated Materials and Services**

Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Foundation's program services.

**Cost Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation, occupancy and telephone costs which are allocated based on the ratio of program revenue to total revenue.

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***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

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**Reclassifications**

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Such reclassifications had no effect on previously reported change in net assets.

**Evaluation of Subsequent Events**

The Foundation has evaluated subsequent events through January 5, 2024 the date which the financial statements were available to be issued.

**Restrictions on Net Assets**

Net assets with donor restrictions are available for the following purposes or period at September 30:

	2023	2022
Program expenses and equipment	\$271,266	\$ 787,040
Endowment	248,333	233,883
Total	<u>\$519,599</u>	<u>\$1,020,923</u>

**Promises to Give**

Unconditional promises to give at September 30 are as follows:

	2023	2022
Promises Without Donor Restrictions	\$12,730	\$300
Gross Unconditional Promises to Give	12,730	300
Less Allowance for Uncollectible Promises	-	-
Net Unconditional Promises to Give	12,730	300
Amounts Due In:		
Less Than One Year	12,730	300
One to Five Years	-	-
Gross Unconditional Promises to Give	<u>\$12,730</u>	<u>\$300</u>

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***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

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**NOTE 2 – INVESTMENTS**

The Community Foundation of South Alabama holds and invests the Foundation’s investment portfolio. These funds are under the control of the Community Foundation of South Alabama and at the request of the Foundation, the Community Foundation of South Alabama disburses funds as needed.

Investments are stated at fair value and are summarized as follows as of September 30:

	2023			
	Fair Value Measurements Using			
	Measured at Fair Value	Level 1	Level 2	Level 3
Community Foundation of South Alabama	\$2,608,065	\$2,608,065	\$	\$
Total	<u>\$2,608,065</u>	<u>\$2,608,065</u>	<u>\$</u>	<u>\$</u>

	2022			
	Fair Value Measurements Using			
	Measured at Fair Value	Level 1	Level 2	Level 3
Community Foundation of South Alabama	\$2,326,668	\$2,326,668	\$	\$
Total	<u>\$2,326,668</u>	<u>\$2,326,668</u>	<u>\$</u>	<u>\$</u>

***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

Investment return for the year ended September 30, 2023 and 2022 is summarized as follows:

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest and Dividend Income	\$ 54,576	\$ 4,651	\$ 59,227
Realized Gains (Losses)	42,241	4,471	46,712
Unrealized Gains (Losses)	192,024	21,347	213,371
Administrative Fees	(24,512)	(3,029)	(27,541)
Total	\$264,329	\$27,440	\$291,769

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Interest and Dividend Income	\$ 37,094	\$ 4,169	\$ 41,263
Realized Gains (Losses)	54,810	6,314	61,124
Unrealized Gains (Losses)	(442,567)	(49,247)	(491,814)
Administrative Fees	(25,536)	(3,407)	(28,943)
Total	\$(376,199)	\$(42,171)	\$(418,370)

**NOTE 3 – GOVERNING BOARD DESIGNATIONS**

Dauphin Island Sea Lab Foundation, Inc.'s governing board has designated, from net assets without donor restrictions of \$2,881,095 and \$2,499,674 as of September 30, 2023 and 2022, respectively, net assets for the following purpose as of September 30:

	2023	2022
Quasi - Endowment	\$2,359,732	\$2,092,785
Total	\$2,359,732	\$2,092,785

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***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

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**NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2023	2022
Financial Assets at Year-End	\$3,410,473	\$3,493,905
Less those unavailable for general expenditures within one year, due to:		
Donor Restrictions	271,266	787,040
Endowment	248,333	233,883
Board Designations: Quasi Endowment Fund	2,359,732	2,092,785
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 531,142</u>	<u>\$ 380,197</u>

**NOTE 5 – ENDOWMENT**

The Foundation’s endowment consists of donor restricted endowment funds and board designated endowment funds, which are held in an agency endowment arrangement at the Community Foundation of South Alabama (the “Community Foundation”). The Community Foundation provides professional management of the Foundation’s investments, which consist of index funds and hedge funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor restrictions.

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*Notes to the Financial Statements*  
*Dauphin Island Sea Lab Foundation, Inc.*  
*September 30, 2023*

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The Board of Trustees of the Foundation has interpreted the 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 of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions as (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Foundation classifies amounts in its donor restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide the Foundation's programs with current income. Endowment assets are invested in indexed funds. The Foundation seeks to build endowment assets through investment earnings and additional contributions. The Foundation has a policy of appropriating for distribution annually a portion of the endowment fund's investment income from the previous years. The current spending policy is expected to allow the Foundation's endowment fund to grow as a result of investment returns. This is consistent with the Foundation's objective to provide income to the Foundation's programs, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through investment income and new gifts.

***Notes to the Financial Statements***  
***Dauphin Island Sea Lab Foundation, Inc.***  
***September 30, 2023***

Changes in endowment net assets for the year ended September 30, 2023 and 2022, is summarized as follows:

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment Net Assets			
Beginning of Year	\$2,092,785	\$233,883	\$2,326,668
Investment Return:			
Investment Income	19,692	1,622	21,314
Net Appreciation (Realized and Unrealized)	234,265	25,818	260,083
Total Investment Return	253,957	27,440	281,397
Contributions	12,990		12,990
Amounts Appropriated for Expenditure		(12,990)	(12,990)
Total	\$2,359,732	\$248,333	\$2,608,065

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment Net Assets			
Beginning of Year	\$2,456,320	\$289,184	\$2,745,504
Investment Return:			
Investment Income	11,092	762	11,854
Net Appreciation (Realized and Unrealized)	(387,757)	(42,933)	(430,690)
Total Investment Return	(376,665)	(42,171)	(418,836)
Contributions	13,130		13,130
Amounts Appropriated for Expenditure		(13,130)	(13,130)
Total	\$2,092,785	\$233,883	\$2,326,668



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*Required Supplementary Information*

***Schedule of the Consortium's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Consortium's proportion of the collective net pension liability	0.071940%	0.070326%	0.073444%	0.072430%	0.074816%	0.072610%	0.068555%	0.063946%	0.067073%
Consortium's proportionate share of the collective net pension liability	\$ 11,180	\$ 6,625	\$ 9,085	\$ 8,009	\$ 7,439	\$ 7,136	\$ 7,422	\$ 6,692	\$ 6,093
Consortium's covered payroll during the measurement period (*)	\$ 5,844	\$ 5,126	\$ 5,317	\$ 5,305	\$ 5,388	\$ 5,103	\$ 4,759	\$ 4,434	\$ 4,340
Consortium's proportionate share of the collective net pension liability as a percentage of its covered payroll	191.31%	129.24%	170.87%	150.97%	138.07%	139.84%	155.96%	150.91%	140.40%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.)  
For fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022.

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

***Schedule of the Consortium's Contributions - Pension***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 723	\$ 672	\$ 616	\$ 633	\$ 629	\$ 601	\$ 564	\$ 515	\$ 457
Contributions in relation to the contractually required contribution	\$ 723	\$ 672	\$ 616	\$ 633	\$ 629	\$ 601	\$ 564	\$ 515	\$ 457
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
Consortium's covered payroll	\$ 5,967	\$ 5,844	\$ 5,126	\$ 5,317	\$ 5,305	\$ 5,388	\$ 5,103	\$ 4,759	\$ 4,434
Contributions as a percentage of covered payroll	12.12%	11.50%	12.02%	11.91%	11.86%	11.15%	11.05%	10.83%	10.32%

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

***Schedule of the Consortium'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, 2023***  
***(Dollar amounts in thousands)***

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Consortium's proportion of the collective net OPEB liability	0.071737%	0.062181%	0.064060%	0.075803%	0.071968%	0.067102%
Consortium's proportionate share of the collective net OPEB liability (asset)	\$ 1,250	\$ 3,213	\$ 4,157	\$ 2,860	\$ 5,915	\$ 4,984
Consortium's covered-employee payroll during the measurement period (*)	\$ 5,174	\$ 5,126	\$ 5,317	\$ 5,305	\$ 5,388	\$ 5,103
Consortium's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	24.16%	62.68%	78.18%	53.91%	109.78%	97.67%
Plan fiduciary net position as a percentage of the total collective OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

(\*) Employer's covered payroll during the measurement period is the total covered-employee payroll.  
For fiscal year 2023, the measurement period is October 1, 2021 through September 30, 2022.

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

***Schedule of the Consortium's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2023***  
***(Dollar amounts in thousands)***

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 104	\$ 140	\$ 106	\$ 127	\$ 210	\$ 178
Contributions in relation to the contractually required contribution	\$ 104	\$ 140	\$ 106	\$ 127	\$ 210	\$ 178
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$
Consortium's covered-employee payroll	\$ 5,350	\$ 5,174	\$ 5,126	\$ 5,317	\$ 5,305	\$ 5,388
Contributions as a percentage of covered-employee payroll	1.94%	2.71%	2.07%	2.39%	3.96%	3.30%

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2023***

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**Changes in Actuarial Assumptions**

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

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

**Recent Plan Changes**

Beginning in plan year 2021, the Medicare Advantage Plan with Prescription Drug Coverage (MAPD) plan premium rates exclude the Affordable Care Act (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.

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

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***Notes to Required Supplementary Information  
for Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2023***

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

The actuarially determined contribution rates in the Schedule of Consortium’s Contributions – Other Postemployment Benefits (OPEB) were calculated as of September 30, 2019, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	22 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(*)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2027 for Pre-Medicare Eligible 2024 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation
(*) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
<b><u>Research and Development Cluster</u></b>				
<b><u>U. S. Department of Commerce</u></b>				
<b><u>Direct Programs</u></b>				
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427		\$ 11,975.48	\$ 147,308.19
Marine Mammal Data Program	11.439			21,947.20
<b><u>Passed Through Mississippi State University</u></b>				
NOAA Mission-Related Education Awards	11.008	015901.340580.01		92,173.27
<b><u>Passed Through University of South Alabama</u></b>				
Sea Grant Support	11.417	MASTER AGREEMENT 01-13 SHORT FORM 53		281,837.32
Sea Grant Support	11.417	MASTER AGREEMENT 01-13 SHORT FORM 55		10,396.50
<b><u>Passed Through University of Southern Mississippi</u></b>				
Sea Grant Support	11.417	8005953-01.01 DISL-E/O-101		4,949.01
Sea Grant Support	11.417	USM-8005953-EO-94 DISL		55,971.42
Sea Grant Support	11.417	8006883-01.01 R-SFA-31 DISL	781.84	69,841.29
Sea Grant Support	11.417	8007225-02.01-R/RCE-22 DISL		3,731.75
Sub-Total Sea Grant Support			781.84	426,727.29
<b><u>Passed Through Mississippi State University</u></b>				
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	191001.361472.02	18,124.94	18,124.94
<b><u>Passed Through University of Southern Mississippi</u></b>				
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432	8006995-01.01 DISL		21,468.00
Sub-Total National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes			18,124.94	39,592.94
<b><u>Passed Through University of South Alabama</u></b>				
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring and Technology	11.451	MASTER AGREEMENT 01-13 SHORT FORM 44		284,303.27
<b><u>Passed Through Gulf States Marine Fisheries Commission</u></b>				
Unallied Management Projects	11.454	ACQ-210-039-2022-DISL	303,937.00	334,811.30
<b><u>U. S. Department of Defense</u></b>				
<b><u>Direct Program</u></b>				
Basic and Applied Scientific Research	12.300			144,672.84
Sub-Total Forward			\$ 334,819.26	\$ 1,491,536.30

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
Sub-Total Brought Forward			\$ 334,819.26	\$ 1,491,536.30
<b><u>U. S. Department of the Interior</u></b>				
<b><u>Direct Program</u></b>				
Prescott Marine Mammal Rescue Assistance	15.683			42,215.89
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>				
GoMESA	15.435	GMSN2017		62,602.15
<b><u>Passed Through Gulf of Mexico Alliance</u></b>				
Adaptive Science	15.670	FG-122321		5,625.00
<b><u>U. S. Department of the Treasury</u></b>				
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>				
Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	21.015	B5COEADM	649,303.92	1,876,983.37
<b><u>National Science Foundation</u></b>				
<b><u>Direct Programs</u></b>				
Integrative Activities	47.083			4,275.39
Geosciences	47.050		84,259.26	401,365.86
<b><u>Passed Through Florida Gulf Coast University</u></b>				
Geosciences	47.050	17056-NSF-DISL-01		52,825.70
<b><u>Passed Through University of South Alabama</u></b>				
Geosciences	47.050	MASTER AGREEMENT 01-13 SHORT FORM 56		14,292.38
Sub-Total Geosciences			84,259.26	468,483.94
<b><u>Passed Through University of South Alabama</u></b>				
Office of International Science and Engineering	47.079	MASTER AGREEMENT 01-13 SHORT FORM 49		120,666.62
<b><u>U. S. Department of Health and Human Services</u></b>				
<b><u>Direct Program</u></b>				
Food and Drug Administration Research	93.103			47,796.68
Total Research and Development Cluster			1,068,382.44	4,120,185.34
Sub-Total Forward			\$ 1,068,382.44	\$ 4,120,185.34

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
Sub-Total Brought Forward			\$ 1,068,382.44	\$ 4,120,185.34
<b><u>Other Federal Awards</u></b>				
<b><u>U. S. Department of Commerce</u></b>				
<b><u>Passed Through National Marine Sanctuary Foundation (NMSF)</u></b>				
Ocean Exploration	11.011	22-09-B-467		3,753.52
Ocean Exploration	11.011	5300-23-02-033		3,658.50
Sub-Total Ocean Exploration				7,412.02
<b><u>Passed Through Texas A&amp;M University</u></b>				
Integrated Ocean Observing System (IOOS)	11.012	M2201255-02-410041-05001		12,582.64
Integrated Ocean Observing System (IOOS)	11.012	M1602740		17,489.42
Integrated Ocean Observing System (IOOS)	11.012	M2300661	4,250.23	185,586.47
Integrated Ocean Observing System (IOOS)	11.012	M2302128		7,398.51
Sub-Total Integrated Ocean Observing System (IOOS)			4,250.23	223,057.04
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>				
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306-21-2		20,410.91
Coastal Zone Management Administration Awards	11.419	DISL-CZM-306A-23-1		3,576.15
Coastal Zone Management Administration Awards	11.419	MBNEP-CZM-306-22-1		13,000.00
Sub-Total Coastal Zone Management Administration Awards				36,987.06
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>				
Environmental Sciences, Applications, Data, and Education	11.440	STRANDING RESPONSE 2010-2014		27,913.18
<b><u>Passed Through The Nature Conservancy</u></b>				
Habitat Conservation	11.463	SA111621_A107343_1		39,145.55
<b><u>National Aeronautics and Space Administration</u></b>				
<b><u>Passed Through University of South Alabama</u></b>				
Science	43.001	MASTER AGREEMENT 01-13 SHORT FORM 51		9,062.61
<b><u>Passed Through Mississippi State University</u></b>				
Science	43.001	015901.342921.01		65,965.61
Sub-Total Science				75,028.22
Sub-Total Forward			\$ 1,072,632.67	\$ 4,529,728.41

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2023***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Pass-Through to Subrecipients	Total Federal Expenditures
Sub-Total Brought Forward			\$ 1,072,632.67	\$ 4,529,728.41
<b><u>Environmental Protection Agency</u></b>				
<b><u>Direct Programs</u></b>				
Geographic Programs - Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component	66.130			120,548.12
National Estuary Program	66.456			761,572.05
<b><u>Passed Through University of South Alabama</u></b>				
Geographic Programs - Gulf of Mexico Program	66.475	MASTER AGREEMENT 01-13 SHORT FORM 54		29,547.40
<b><u>Passed Through Tampa Bay Estuary Program</u></b>				
Geographic Programs - Gulf of Mexico Program	66.475	TRASH FREE WATERS		2,214.67
<b><u>Passed Through The Nature Conservancy</u></b>				
Geographic Programs - Gulf of Mexico Program	66.475	AL-SA-081122-A107960-02		26,153.27
Geographic Programs - Gulf of Mexico Program	66.475	AL-SA-08052022-A107959		21,197.57
Sub-Total Geographic Programs - Gulf of Mexico Program				79,112.91
<b><u>Passed Through Alabama Department of Environmental Management</u></b>				
Performance Partnership Grants	66.605	C10595028		31,579.42
<b><u>U. S. Department of Gulf Coast Ecosystem Restoration Council</u></b>				
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>				
Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	87.051	B2F1-NEPWS/18/MBNEP	163,186.11	717,484.33
Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	87.051	B2F1-CLSM	778,416.43	1,087,793.76
Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	87.051	B2F1-SAV/18/DISL		94,243.32
Sub-Total Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program			941,602.54	1,899,521.41
Total Other Federal Awards			945,852.77	3,235,911.37
Total Expenditures of Federal Awards			\$ 2,014,235.21	\$ 7,422,062.32

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

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***Notes to the Schedule of Expenditures  
of Federal Awards  
For the Year Ended September 30, 2023***

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Marine Environmental Sciences Consortium, under programs of the federal government for the year ended September 30, 2023. 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 Marine Environmental Sciences Consortium, it is not intended to and does not present the financial position, changes in net position, or cash flows of Marine Environmental Sciences Consortium.

**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**

Marine Environmental Sciences Consortium has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2022 through September 30, 2023***

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<b>Board Members</b>		<b>Term Expires</b>
Hon. Jo Bonner, Chairman	President, University of South Alabama	Indefinite
Dr. Daniel K. Wims	President, Alabama A & M University	Indefinite
Dr. Quinton T. Ross	President, Alabama State University	Indefinite
Dr. Catherine Wehlburg	Interim President, Athens State University	Indefinite
Dr. Phillip Way	President, Athens State University	December 2022
Dr. Christopher Roberts	President, Auburn University	Indefinite
Dr. Carl Stockton	Chancellor, Auburn University at Montgomery	Indefinite
Hon. Daniel Coleman, MBA	President, Birmingham Southern College	Indefinite
Rev. John Cameron West	President, Huntingdon College	Indefinite
Dr. Don C. Killingsworth, Jr.	President, Jacksonville State University	Indefinite
Dr. Beck Taylor	President, Samford University	Indefinite
Dr. Mary H. Van Brunt	President, Spring Hill College	Indefinite
Dr. E. Joseph Lee, II	President, Spring Hill College	December 2022
Dr. Yolanda W. Page	President, Stillman College	Indefinite
Dr. Cynthia Warwick	President, Stillman College	June 2023



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***Board Members and Officials***  
***October 1, 2022 through September 30, 2023***

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<b>Board Members</b>		<b>Term Expires</b>
Dr. Gregory J. Vincent	President, Talladega College	Indefinite
Dr. Jack Hawkins, Jr.	Chancellor, Troy University	Indefinite
Dr. Charlotte P. Morris	President, Tuskegee University	Indefinite
Dr. Stuart Bell	President, University of Alabama	Indefinite
Dr. Ray Watts	President, University of Alabama at Birmingham	Indefinite
Dr. Charles L. Karr	President, University of Alabama at Huntsville	Indefinite
Dr. Lonnie Burnett	President, University of Mobile	Indefinite
Dr. John W. Stewart, III	President, University of Montevallo	Indefinite
Dr. Kenneth D. Kitts	President, University of North Alabama	Indefinite
Dr. Ken Tucker	President, University of West Alabama	Indefinite

**Officials**

Dr. John F. Valentine	Executive Director
David England	Deputy Director

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***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***

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***Independent Auditor's Report***

Dr. John F. Valentine, Executive Director  
Marine Environmental Sciences Consortium  
Dauphin Island, Alabama 36528

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 (***Government Auditing Standards***), the financial statements of the Marine Environmental Sciences Consortium, a component unit of the State of Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Marine Environmental Sciences Consortium's basic financial statements, and have issued our report thereon dated May 9, 2024. Our report includes a reference to other auditors who audited the financial statements of Dauphin Island Sea Lab Foundation, Inc. as described in our report on Marine Environmental Sciences Consortium's financial statements. The financial statements of Dauphin Island Sea Lab Foundation, Inc. were not audited in accordance with ***Government Auditing Standards***.

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

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

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

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***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***

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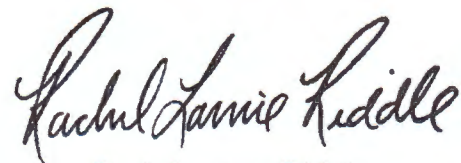
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

May 9, 2024

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

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***Independent Auditor's Report***

Dr. John F. Valentine, Executive Director  
Marine Environmental Sciences Consortium  
Dauphin Island, Alabama 36528

***Report on Compliance for Each Major Federal Program***

***Opinion on Each Major Federal Program***

We have audited the Marine Environmental Sciences Consortium's, a component unit of the State of Alabama, compliance with the types of compliance requirements identified as subject to audit in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the Marine Environmental Sciences Consortium's major federal programs for the year ended September 30, 2023. The Marine Environmental Sciences Consortium'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 Dauphin Island Sea Lab Foundation, Inc. were not audited in accordance with the *Uniform Guidance*, accordingly, this report does not extend to Dauphin Island Sea Lab Foundation, Inc.

In our opinion, the Marine Environmental Sciences Consortium complied, in all material respects, with the 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, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

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

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### **Responsibilities of Management for Compliance**

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

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

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

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

- ◆ exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Marine Environmental Sciences Consortium's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- ◆ obtain an understanding of Marine Environmental Sciences Consortium's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of Marine Environmental Sciences Consortium's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

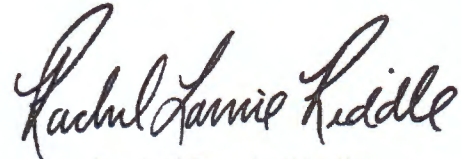
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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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

May 9, 2024



***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2023***

**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

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Programs or Clusters
11.012	Integrated Ocean Observing System (IOOS)
66.130	Geographic Programs - Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component
66.456	National Estuary Program
87.051	Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program

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***Schedule of Findings and Questioned Costs***  
***For the Year Ended September 30, 2023***

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**Section I – Summary of Examiner’s Results**

Dollar threshold used to distinguish between  
Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee?                           Yes      X   No

**Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

**Section III – Federal Awards Findings and Questioned Costs**

No matters were reportable.

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*Summary Schedule of Prior Audit Findings*



## Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2023

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511, the Marine Environmental Sciences Consortium has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of September 30, 2023.

Finding Ref. No.	Status of Prior Audit Finding
<b>Reference Number:</b> <b>Compliance Requirement:</b> <b>Type of Finding:</b> <b>Internal Control Impact:</b> <b>Compliance Impact:</b>	2022-002 Cash Management Compliance None Nonmaterial Noncompliance
<b>AL Number and Title:</b> <b>Federal Awarding Agency:</b> <b>Federal Award Number:</b> <b>Pass-through Entity:</b> <b>Pass-through Award Number:</b>	<u>Research and Development Cluster</u> 11.008 – NOAA Mission-Related Education Awards U.S. Department of Commerce NA20SEC0080010 Mississippi State University 015901.340580.01
<b>AL Number and Title:</b> <b>Federal Awarding Agency:</b> <b>Federal Award Number:</b> <b>Pass-through Entity:</b> <b>Pass-through Award Number:</b>	11.417 - Sea Grant Support U.S. Department of Commerce NA20OAR4170494 University of South Alabama MASTER AGREEMENT 01-13 SHORT FORM 53
<b>AL Number and Title:</b> <b>Federal Awarding Agency:</b> <b>Federal Award Number:</b> <b>Pass-through Entity:</b> <b>Pass-through Award Number:</b>	11.417 - Sea Grant Support U.S. Department of Commerce NA22OAR4170090 University of South Alabama MASTER AGREEMENT 01-13 SHORT FORM 55 SFA-23

**AL Number and Title:** 11.417 - Sea Grant Support  
**Federal Awarding Agency:** U.S. Department of Commerce  
**Federal Award Number:** NA18OAR4170080  
**Pass-through Entity:** University of Southern Mississippi  
**Pass-through Award Number:** USM-8005953-EO-94 DISL, 8005953-01.01 DISL-R-SFA-23

**AL Number and Title:** 11.417 - Sea Grant Support  
**Federal Awarding Agency:** U.S. Department of Commerce  
**Federal Award Number:** None  
**Pass-through Entity:** Woods Hole Oceanographic Institution  
**Pass-through Award Number:** C119844

**AL Number and Title:** 11.427 - Fisheries Development and Utilization  
Research and Development Grants and  
Cooperative Agreements Program  
**Federal Awarding Agency:** U.S. Department of Commerce  
**Federal Award Number:** NA20NMF4270193  
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**AL Number and Title:** 11.432 - National Oceanic and Atmospheric  
Administration (NOAA) Cooperative Institutes  
**Federal Awarding Agency:** U.S. Department of Commerce  
**Federal Award Number:** NA21OAR4320190  
**Pass-through Entity:** Mississippi State University  
**Pass-through Award Number:** 191001.361472.02

**AL Number and Title:** 11.439 - Marine Mammal Data Program  
**Federal Awarding Agency:** U.S. Department of Commerce  
**Federal Award Number:** NA22NMF4390273  
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**AL Number and Title:** 11.451 - Gulf Coast Ecosystem Restoration Science,  
Observation, Monitoring, and Technology  
**Federal Awarding Agency:** U.S. Department of Commerce  
**Federal Award Number:** NA19NOS4510194  
**Pass-through Entity:** University of South Alabama  
**Pass-through Award Number:** MASTER AGREEMENT 01-13 SHORT FORM 44

**AL Number and Title:** 11.454 - Unallied Management Projects  
**Federal Awarding Agency:** U.S. Department of Commerce

**Federal Award Number:** NA20NMF4540293  
**Pass-through Entity:** Gulf States Marine Fisheries Commission  
**Pass-through Award Number:** ACQ-210-039-2022-DISL

**AL Number and Title:** 12.300 - Basic and Applied Scientific Research  
**Federal Awarding Agency:** U.S. Department of Defense  
**Federal Award Number:** N00014-20-1-2377, N00014-21-1-2214  
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**AL Number and Title:** 15.435 - GoMESA  
**Federal Awarding Agency:** U.S. Department of the Interior  
**Federal Award Number:** None  
**Pass-through Entity:** Alabama Department of Conservation and Natural Resources  
**Pass-through Award Number:** GMSN2017

**AL Number and Title:** 15.683 - Prescott Marine Mammal Rescue Assistance  
**Federal Awarding Agency:** U.S. Department of the Interior  
**Federal Award Number:** F20AP11129-01, F21AP03656-00  
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**AL Number and Title:** 21.015 - Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States  
**Federal Awarding Agency:** U.S. Department of the Treasury  
**Federal Award Number:** RCEGR010006-01-00  
**Pass-through Entity:** Alabama Department of Conservation and Natural Resources  
**Pass-through Award Number:** B5COEADMIN

**AL Number and Title:** 47.050 - Geosciences  
**Federal Awarding Agency:** National Science Foundation  
**Federal Award Number:** 1838618, 1844910, 1924585, 1948441, 2150347, 2205278  
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**AL Number and Title:** 47.050 - Geosciences  
**Federal Awarding Agency:** National Science Foundation  
**Federal Award Number:** 1841811  
**Pass-through Entity:** Florida Gulf Coast University  
**Pass-through Award Number:** 17056-NSF-DISL-01

**Number:**

**AL Number and Title:** 47.079 - Office of International Sciences and  
**Federal Awarding Agency:** Engineering  
**Federal Award Number:** National Science Foundation  
**Pass-through Entity:** 1743802  
**Pass-through Award Number:** University of South Alabama  
A17-0170-S004

**AL Number and Title:** 47.083 - Office of Integrative Activities  
**Federal Awarding Agency:** National Science Foundation  
**Federal Award Number:** 1833053  
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**AL Number and Title:** 93.103 – Food and Drug Administration Research  
**Federal Awarding Agency:** Department of Health and Human Resources  
**Federal Award Number:** 3U19FD005923-06S1, 2U19FD005923-06  
**Pass-through Entity:** None  
**Pass-through Award Number:** None

**Questioned Costs:** \$127,110.16

**The Consortium did not minimize the time elapsing between the transfer of funds and the disbursement of those funds and, as a result, did not comply with cash management requirements.**

**Finding**

Title 2 of the ***Code of Federal Regulations*** Section 200.305(b) states, " For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means."

During a review of the general ledger, it was noted that Assistance Listing Number (ALN) 93.103, Food and Drug Administration Research, which is part of the Research and Development Cluster, had an unearned revenue balance at year-end. Upon inquiry and investigation, it was discovered that the Consortium drew more funds than had been expended during the year. The error was made due to the Consortium using the wrong report when determining the amount of funds to draw. The improper draw resulted in the Consortium having excess cash for most of the year. The amount of excess cash varied throughout the year due to subsequent expenses and drawdowns, and at September 30, 2022, the Consortium had \$127,110.16 remaining in excess cash from the overdraw. As a result, the Consortium did not minimize the time

elapsing between the transfer of funds and the disbursement of those funds and, as a result, did not comply with cash management requirements.


**Recommendation**

The Consortium should ensure that draw downs of Federal funds are properly supported and should comply with Title 2 of the ***Code of Federal Regulations*** Section 200.305(b) by minimizing the time elapsing between the transfer of funds from the grantor and the expense of those funds.

**Result:**

<b>Reference Number:</b>	2022-002
<b>Compliance Requirement:</b>	Cash Management
<b>Type of Finding:</b>	Compliance
<b>Internal Control Impact:</b>	None
<b>Compliance Impact:</b>	Nonmaterial Noncompliance

Corrective action has been taken. A refund was issued to the Food and Drug Administration and we are in compliance.



David England  
Deputy Director