



**CLARK ATLANTA
UNIVERSITY**

CLARK ATLANTA UNIVERSITY

Financial Statements and Reports Required
as Required by the Uniform Guidance

June 30, 2023 and 2022

(With Independent Auditors' Reports Thereon)

CLARK ATLANTA UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Clark Atlanta University:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clark Atlanta University (the University), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements Section of our report. We are required to be independent of the University 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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

- Exercise professional judgment and maintain professional skepticism throughout the 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 University'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 University'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedule of changes in net assets (Schedule 1) is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary schedule of financial responsibility data (Schedule 2) is presented for purposes of additional analysis as required by the US Department of Education, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 changes in net assets and the supplementary schedule of financial responsibility data are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 University'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 University's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
January 30, 2024

CLARK ATLANTA UNIVERSITY

Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents	\$ 60,712,641	69,713,781
Restricted cash	8,602,348	9,136,392
Accounts receivable, net (note 2)	19,576,196	6,694,868
Pledges receivable, net (note 2)	3,652,743	546,432
Prepays and other assets	2,172,192	2,247,800
Right-of-use lease asset, net	893,159	—
Property, plant, and equipment, net (note 5)	140,849,246	133,817,199
Investments (notes 3 and 9)	110,487,768	100,945,659
Beneficial interest in perpetual trust (note 9)	440,045	427,244
Perkins loans receivable, net (note 4)	2,512,790	3,623,972
Asset held and not used, net (note 1)	460,000	460,000
Total assets	\$ 350,359,128	327,613,347
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 9,364,444	10,242,982
Advances from granting agencies	717,690	708,825
Deferred revenue	6,163,839	963,414
Refundable advances (note 4)	1,434,948	2,943,280
Lease liabilities	941,786	—
Note payable	7,165	22,813
BOA loans payable (note 6)	3,702,935	2,272,365
Mortgages payable, net (note 6)	291,787	473,528
Other liabilities (note 14)	688,960	1,033,440
Asset retirement obligation	1,210,937	1,142,393
Total liabilities	24,524,491	19,803,040
Commitments and contingencies (notes 6, and 14)		
Net assets:		
Without donor restrictions	180,071,037	175,528,922
With donor restrictions (note 11)	145,763,600	132,281,385
Total net assets	325,834,637	307,810,307
Total liabilities and net assets	\$ 350,359,128	327,613,347

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2023

(with summarized financial information for the year ended June 30, 2022)

	2023			2022 Total
	Without donor restrictions	With donor restrictions	Total	
Revenue, gains, and other support:				
Tuition and fees, net student aid	\$ 69,909,719	—	69,909,719	66,294,211
Government grants	3,411,522	25,192,366	28,603,888	70,691,806
Private gifts and grants	3,012,146	10,333,729	13,345,875	14,586,631
Investment income, net	2,233,588	91,900	2,325,488	195,369
Auxiliary enterprises	19,223,133	—	19,223,133	16,281,964
Net realized and unrealized gains (losses) on investments	593,725	400,461	994,186	(2,286,563)
Amounts allowed per University's endowment spending policy	—	1,956,227	1,956,227	1,704,302
Other revenue	2,451,677	229,524	2,681,201	2,965,017
Net assets released from restriction for satisfaction of program restrictions (note 12)	34,876,050	(34,876,050)	—	—
Total operating revenue, gains, and other support	135,711,560	3,328,157	139,039,717	170,432,737
Expenses (note 7):				
Instruction	34,866,020	—	34,866,020	35,253,592
Research	9,719,381	—	9,719,381	9,409,491
Academic support	11,422,161	—	11,422,161	10,035,882
Student services	14,126,377	—	14,126,377	13,437,536
Institutional support	39,593,623	—	39,593,623	36,296,034
Public service	3,939,245	—	3,939,245	2,727,757
Auxiliary enterprise	17,502,638	—	17,502,638	19,717,449
Student aid	—	—	—	10,375,559
Total operating expenses	131,169,445	—	131,169,445	137,253,300
Change in net assets from operating activities	4,542,115	3,328,157	7,870,272	33,179,437
Nonoperating activities:				
Private gifts and grants	—	4,209,246	4,209,246	2,925,253
Investment income, net	—	1,957,131	1,957,131	2,252,984
Net realized and unrealized gains (losses) on investments	—	5,931,107	5,931,107	(13,400,171)
Change in beneficial interest in perpetual trusts	—	12,801	12,801	(12,874)
Amounts allowed per university's endowment spending policy	—	(1,956,227)	(1,956,227)	(1,704,302)
Change in net assets from nonoperating activities	—	10,154,058	10,154,058	(9,939,110)
Change in net assets	4,542,115	13,482,215	18,024,330	23,240,327
Net assets, beginning of year	175,528,922	132,281,385	307,810,307	284,569,980
Net assets, end of year	\$ 180,071,037	145,763,600	325,834,637	307,810,307

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2022

	2022		
	Without donor restrictions	With donor restrictions	Total
Revenue, gains, and other support:			
Tuition and fees, net student aid	\$ 66,294,211	—	66,294,211
Government grants	5,813,214	64,878,592	70,691,806
Private gifts and grants	2,356,578	12,230,053	14,586,631
Investment income, net	131,099	64,270	195,369
Auxiliary enterprises	16,281,964	—	16,281,964
Net realized and unrealized gains (losses) on investments	(1,314,496)	(972,067)	(2,286,563)
Amounts allowed per university's endowment spending policy	—	1,704,302	1,704,302
Other revenue	1,776,915	1,188,102	2,965,017
Net assets released from restriction for satisfaction of program restrictions (note 12)	<u>72,086,762</u>	<u>(72,086,762)</u>	<u>—</u>
Total operating revenue, gains, and other support	<u>163,426,247</u>	<u>7,006,490</u>	<u>170,432,737</u>
Expenses (note 7):			
Instruction	35,253,592	—	35,253,592
Research	9,409,491	—	9,409,491
Academic support	10,035,882	—	10,035,882
Student services	13,437,536	—	13,437,536
Institutional support	36,296,034	—	36,296,034
Public service	2,727,757	—	2,727,757
Auxiliary enterprise	19,717,449	—	19,717,449
Student aid	<u>10,375,559</u>	<u>—</u>	<u>10,375,559</u>
Total operating expenses	<u>137,253,300</u>	<u>—</u>	<u>137,253,300</u>
Change in net assets from operating activities	<u>26,172,947</u>	<u>7,006,490</u>	<u>33,179,437</u>
Nonoperating activities:			
Private gifts and grants	—	2,925,253	2,925,253
Investment income, net	—	2,252,984	2,252,984
Net realized and unrealized gains (losses) on investments	—	(13,400,171)	(13,400,171)
Change in beneficial interest in perpetual trusts	—	(12,874)	(12,874)
Amounts allowed per university's endowment spending policy	<u>—</u>	<u>(1,704,302)</u>	<u>(1,704,302)</u>
Change in net assets from nonoperating activities	<u>—</u>	<u>(9,939,110)</u>	<u>(9,939,110)</u>
Change in net assets	26,172,947	(2,932,620)	23,240,327
Net assets, beginning of year	<u>149,355,975</u>	<u>135,214,005</u>	<u>284,569,980</u>
Net assets, end of year	<u>\$ 175,528,922</u>	<u>132,281,385</u>	<u>307,810,307</u>

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 18,024,330	23,240,326
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,962,581	9,149,201
Accretion of asset retirement obligation	68,544	64,663
Provision for bad debt	563,069	8,289
Receipt of agency funds (Federal Direct Student Loans and Federal Pell Grants)	92,896,146	82,848,522
Disbursement of agency funds	(92,896,146)	(82,848,522)
Contributions, grants, and income restricted for long-term investment and acquisition of property, plant, and equipment	(4,209,246)	(2,925,253)
Net loss (gain) on disposition of property	13,608	(243,403)
Net realized and unrealized (gain) loss on investments and beneficial interest in perpetual trust	(6,938,094)	15,699,608
Changes in operating assets and liabilities:		
Accounts receivable, net	(12,674,662)	(1,426,433)
Pledges receivable	(3,106,311)	(71,000)
Prepays and other assets	75,608	(986,712)
Accounts payable and accrued expenses	419,850	(867,583)
Other liabilities	(344,480)	(344,480)
Advances from granting agencies	8,865	258,609
Deferred revenue	5,200,425	(110,237)
Right-of-use lease asset-net	(1,373)	—
Net cash provided by operating activities	<u>8,062,714</u>	<u>41,445,595</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	2,636,267	7,254,258
Purchases of investments	(4,932,345)	(9,603,835)
Proceeds from student loan repayments	341,447	594,008
Proceeds from sale of property	—	259,000
Purchases of property, plant, and equipment	(19,306,624)	(13,413,011)
Net cash used in investing activities	<u>(21,261,255)</u>	<u>(14,909,580)</u>
Cash flows from financing activities:		
Contributions and income restricted for long-term investment and acquisitions of property, plant, and equipment	4,209,246	2,925,253
Proceeds from BOA loans payable	1,811,475	—
Principal repayments on BOA, bonds, notes, and mortgages payable	(578,294)	(518,407)
Refundable advances	(1,508,332)	(1,470,426)
Advance payment received for capital lease	50,000	—
Net cash provided by financing activities	<u>3,984,095</u>	<u>936,420</u>
Net (decrease) increase in cash and cash equivalents	(9,214,446)	27,472,435
Cash and cash equivalents and restricted cash, beginning of year	<u>80,649,251</u>	<u>53,176,816</u>
Cash and cash equivalents and restricted cash, end of year	\$ <u>71,434,805</u>	\$ <u>80,649,251</u>
Reconciliation for cash and cash equivalents.:		
Cash and cash equivalents	\$ 60,712,641	69,713,781
Restricted cash	8,602,348	9,136,392
Cash and cash equivalents within non-endowed investment funds	<u>2,119,816</u>	<u>1,799,078</u>
Total cash and cash equivalents and restricted cash	\$ <u>71,434,805</u>	\$ <u>80,649,251</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 141,712	152,744
Purchase of property, plant, and equipment included in accounts payable and accrued expenses	1,553,138	2,851,526

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

(1) Summary of Significant Accounting Policies

Clark Atlanta University (CAU or the University), which was formed in 1988 as a result of the consolidation of two independent, historically black institutions—Atlanta University (established 1865) and Clark University (established 1869), is a United Methodist Church–related, private, coeducational, residential, and comprehensive urban research university located in Atlanta, Georgia. The University offers undergraduate, graduate, doctoral, and professional degrees, as well as non-degree certificate programs. The University is classified by Carnegie as an R2 Research Institute and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The University is primarily supported by tuition and fees from students.

(a) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP) as promulgated by the Financial Accounting Standards Board (FASB).

(b) Classification of Net Assets

The net assets, revenue, expenses, gains, and losses of the University are classified based on the existence or absence of donor-imposed purpose or time restrictions. Accordingly, the net assets of the University and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed purpose or time stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the University and/or the passage of time or in perpetuity; the University reports gifts of cash and other assets as donor-restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are restricted as to timing of use. When a donor restriction expires, that is, when a stipulated time restriction expires or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Net assets in this class include donor-restricted endowment funds and its earnings. The University is generally permitted to use or expend part or all of the income and gains derived from the donated assets based on donor-imposed designations.

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Contributions of assets other than cash and cash equivalents are recorded at their estimated fair value at the date of the gift as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are recorded as pledge receivables and are discounted at rates commensurate with the risk involved as of the date of the unconditional promise to give. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law requiring the

CLARK ATLANTA UNIVERSITY

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activity to be reported as net assets with donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications (releases) from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor-imposed restrictions on gifts to acquire long-lived assets are released from restriction at the time such long-lived assets are placed into service.

(c) Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist primarily of demand deposits at financial institutions. Short-term investments with original maturities of three months or less when purchased are classified as cash equivalents. The credit risk is the amount of deposits in excess of federally insured limits. The amount of deposits in excess of federally insured limits was \$68,809,177 and \$78,347,108, respectively, as of June 30, 2023 and 2022. Restricted cash consists of cash on hand that is restricted for a specific purpose. Restricted cash consists of mortgages payable escrow deposits and Perkins' loan student repayments.

(d) Accounts Receivable

The University's receivables primarily consist of amounts due from students for tuition and fees, receivables from federal and state agencies, and agency receivables. Receivables are stated at amounts due, net of an allowance for doubtful accounts. The University determines its allowance for doubtful accounts by considering the University's previous loss history and specific account circumstances. Past-due status is based on contractual terms of the receivable. Receivables are written off once the University determines that the receivable is no longer collectible.

(e) Works of Art

The collections that were acquired prior to 2005 through purchases and contributions since the University's inception are not recognized as assets on the accompanying statements of financial position. Purchases of collection items subsequent to 2005 are recorded as artwork in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Works of art are included as a component of property, plant, and equipment, net. Works of art are not depreciated.

(f) Investments

Investments are carried at fair value with the change in fair value being recorded as unrealized gains (losses). The fair value of publicly traded fixed-income and equity securities is based on quoted market prices and exchange rates, if applicable.

Investments in alternative investments (often in the form of limited partnerships) often do not have readily determinable fair values and are valued using the most current information provided by the general partner and/or the investment manager. The change in net assets related to partnership interests is presented as realized and unrealized gains and losses based on the estimated fair value of each partnership interest. Private equity investments are generally valued at amounts determined by management based on information provided by fund managers or general partners, unless there is an active secondary trading market in the securities. Hedge fund investments are valued at amounts

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determined by management based on information provided by fund managers or general partners, unless a significant investment event occurs that mandates a revaluation of the investment.

Valuations for alternative investments provided by the general partners and/or investment managers are evaluated by management, and management believes such values are reasonable estimates of fair value. These investments are valued at fair value estimated using the Net Asset Values (NAV) as a practical expedient.

The University's investments include various types of investment securities and investment vehicles. Investment securities and vehicles are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities and vehicles, it is at least reasonably possible that changes in the values of investment securities and vehicles will occur in the near term and that such changes could materially affect the amounts reported in the University's financial statements.

Certain investments of endowment and similar funds are pooled. Net investment gains (losses) and net investment income are allocated to the pooled endowment funds based on the fair value of the endowment pooled asset funds, proportionately, at the beginning of the fiscal year. Investment income is recorded net of investment expenses of \$331,116 and \$311,621 for the years ended June 30, 2023 and 2022, respectively.

(g) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or at estimated fair value at the date of donation if acquired as gifts, less accumulated depreciation and amortization. Depreciation of buildings and equipment and amortization of leasehold improvements are computed using the straight-line method over the estimated useful lives of the respective assets or the terms of the respective capital leases. Land is not depreciated. Expenditures for maintenance are expensed and expenditures for capital lease renewals and capital improvements are generally capitalized. A summary of depreciable lives is as follows:

	<u>Years</u>
Buildings	40 Years
Improvements	10–25 Years
Furniture and equipment	10 Years
Vehicles and software	7 Years
Computers	5 Years
Capital leases – telecommunications equipment	3 Years

(h) Lessee Accounting (policy applicable beginning July 1, 2022)

The University is a lessee in certain noncancellable operating leases. The University accounts for leases in accordance with Topic 842, *Leases* (see Recently Adopted and Issued Accounting Standards section below and Note 6). The University determines if an arrangement is or contains a lease at

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contract inception. The University recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. Key estimates and judgments include how the University determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

- Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. However, a lessee that is not a public business entity is permitted to use a risk-free discount rate instead of its incremental borrowing rate as per ASC 842-20-30-3. Generally, the University cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the University generally uses a risk-free rate determined using a period comparable with that of the lease term as the discount rate for the lease for all classes of its leased asset portfolio.
- The lease term for all the University's leases includes the noncancellable period of the lease plus any additional periods covered by either a University option to extend (or not to terminate) the lease that the University is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.
- Lease payments included in the measurement of the lease liability comprise of the following:
 - Fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the University would owe if the lease term assumes the University's exercise of a termination option);
 - Variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date;
 - Amounts expected to be payable under a University-provided residual value guarantee; and
 - The exercise price of a University option to purchase the underlying asset if the University is reasonably certain to exercise the option.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease payments associated with the University's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in the University's statements of activities in the same line item as expense arising from fixed lease payments.

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Notes to Financial Statements

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ROU assets for operating leases are periodically reduced by impairment losses. The University uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The University monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

The University has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less for all classes of leased assets. As such, the University recognizes any short-term lease payments as an expense on a straight-line basis over the lease term. Any variable lease payments associated with these leases are recognized and presented in the same manner as for all other University leases.

The University's leases can include non-lease maintenance and other related services. The University allocates the consideration in the contract to the lease and non-lease maintenance component based on each component's relative stand-alone price. The University determines stand-alone prices for the lease components based on the prices for which other lessors lease similar assets on a stand-alone basis. The University determines stand-alone prices for the non-lease components (i.e., maintenance services) based on the prices that other suppliers charge for maintenance services for similar assets on a stand-alone basis. If observable stand alone prices are not readily available, the University has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all the fixed consideration in the contract.

(i) Asset Held and Not Used

The University has a hotel/restaurant property with a net book value of \$460,000 as of June 30, 2023 and 2022. The hotel/restaurant property is located on the outskirts of the University's campus. In accordance with Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment*, the property was classified as an "asset held and not used" in the accompanying statements of financial position as of June 30, 2023 and 2022. The carrying value is being written down over the remaining estimated economic life and is evaluated for impairment as required. The University recorded \$0 in expense for both of the years ended June 30, 2023 and 2022 in institutional support on the accompanying statements of activities. The asset has reached the end of its economic life in 2021.

(j) Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment and assets held and not used, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the University first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various

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valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(k) Tuition and Fees

Under FASB ASC Topic 606, *Revenue From Contracts with Customers*, revenue is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Tuition and educational fees are recorded in the fiscal year in which the performance obligation has been met. The academic year revenue corresponds to one fiscal year. The order of the academic year is Fall, Spring, and Summer. The University records tuition and fees received prior to the fiscal year-end for the semester's beginning in the subsequent fiscal year as deferred revenue in the statements of financial position. Tuition is charged at different rates depending on the enrollment status of the student. As part of a student's course of instruction, certain fees, such as technology fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations. Student aid is awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized.

The following table provides the components of tuition and fees revenue by programs for the years ended June 30, 2023 and 2022:

	2023	2022
Undergraduate programs	\$ 80,139,621	76,658,690
Graduate programs	9,794,843	11,565,604
Total at published rates	89,934,464	88,224,294
Less institutional aid for undergraduate programs	(19,674,165)	(21,510,106)
Less institutional aid for graduate programs	(350,580)	(419,977)
Total tuition and fees revenue, net	\$ 69,909,719	66,294,211

(l) Auxiliary Enterprises Revenue and Other Revenue

Auxiliary enterprise revenue primarily includes resident halls, food services, parking services, health services, campus bookstore, and special events. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Auxiliary enterprise revenue is recorded when the performance obligation has been met in the fiscal year. For the years ended June 30, 2023 and 2022, respectively, the approximate \$19.2 million and \$16.3 million in net revenue from auxiliary enterprises reflects aggregate reductions from student aid of approximately \$0.5 million and \$0.3 million, respectively, against gross charges for which the amounts at published rates were approximately \$19.7 million and \$16.6 million, respectively.

(m) Private Gifts and Grants

Unconditional promises to give are recorded when a signed donor agreement is received.

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The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. For donor-restricted gifts received and expensed during the same fiscal year, the University records those gifts directly into net assets without donor restrictions.

The University reports gifts of property, plant, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(n) Government Grants

Funding from the federal and state governments is recorded as government grants revenue when it is for a specified activity with a defined budget, period of performance, and scope of work undertaken by the University. The agreement with the government agency may take the form of a contract, grant, or cooperative agreement and is generally in direct support of the University's mission. Revenue is recognized when services are rendered, milestones are met, or qualifying expenses are incurred as specified in the terms and conditions of the agreements, not necessarily when payments are received. Unearned revenue results when cash is received from government agencies in advance of revenue being earned. Unearned revenue is recorded as a liability (deferred revenue) until it is earned. Amounts recorded in accounts receivable are for services rendered or expenditures incurred in advance of the receipt of funds. Indirect cost recoveries are based on negotiated rates with grantor agencies and represent recoveries of facilities and administrative costs incurred under grants and contracts agreements.

(o) Coronavirus Pandemic (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus a pandemic. The outbreak of the disease affected travel, commerce and financial markets globally, including in the United States.

As COVID-19 disruptions impacted operations and liquidity of various industries, including higher education, the federal Coronavirus Aid, Relief and Economic Security (CARES) Act was passed on March 27, 2020, followed by other related federal funding grants (collectively, "COVID Relief Funds"). The COVID Relief Funds appropriated funds specifically for higher education institutions as general grants, minority-serving and strengthening institutions grants, and unmet needs grants. During fiscal 2023 and 2022, under the COVID Relief Funds, the College received \$4,855,276 and \$55,634,393, respectively in grants to support expenses and revenue loss attributable to COVID-19. The stimulus funding grants were recorded as conditional contributions in accordance with subtopic ASC 958-605, as amended by ASU 2018-08, in government grants in the accompanying statements of activities.

(p) Allocation of Functional Expenses

Expenses are reported in the statements of activities in categories recommended by the National Association of Colleges and University Business Officers. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the University. Costs related to the operation and maintenance of physical plant, including depreciation of

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plant assets and interest expense, are allocated to program services and supporting activities based on square footage or estimate of time and usage of the University's facilities.

(q) Atlanta University Center Consortium, Inc. and Robert W. Woodruff Library, Inc.

Atlanta University Center Consortium, Inc. and Robert W. Woodruff Library, Inc. are affiliated organizations that allocate a portion of their expenses to the Atlanta University Center institutions that receive benefits from the organizations. The expenses recorded by the University primarily relate to the cost of operating the Robert W. Woodruff Library, which is utilized by the University, and the other Atlanta University Center institutions. Expenses allocated to the University during the years ended June 30, 2023 and 2022 from these organizations totaled \$5,428,214 and \$5,251,676 respectively, and are recorded in academic support in the accompanying statements of activities.

(r) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts that are reported in the accompanying financial statements and disclosures during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, valuations for certain investments without readily determinable fair values, allowances for uncollectible accounts and pledges receivable, debt guaranteed obligation, and estimated useful lives of capital assets. Actual results could differ from those estimates.

(s) Loss Contingencies

The University accounts for loss contingencies in accordance with ASC Topic 450, *Contingencies*. Accordingly, when management determines that it is probable that an asset has been impaired or a liability has been incurred, the University accrues its best estimate of the loss if it can be reasonably estimated. The University's legal costs related to litigation are expensed as incurred.

(t) Income Tax Status

The University is recognized by the Internal Revenue Service as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except for taxes on income from activities unrelated to its exempt purpose.

The University evaluates its uncertain tax positions using the provisions of ASC Topic 740, *Income Taxes*. The University follows the criterion that an individual tax position has to meet some or all of the benefits of that position to be recognized in the University's financial statements. The University determines whether the relevant tax authority would more likely than not sustain that tax position following an audit by a tax authority.

The University has applied this criterion to all tax positions for which the statute of limitations remains open. Prior tax years open to examination by tax authorities under the statute of limitations include fiscal years 2020 through 2022 for the U.S. federal and state of Georgia jurisdictions. The University has determined that its tax positions satisfy the more likely than not criterion and that no provision for income taxes is required at June 30, 2023 and 2022. The University has a policy to record interest and penalties (if any) related to income tax matters in income tax expense.

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(u) Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). The amendments in ASU 2016-02 create FASB ASC Topic 842, *Leases*, and supersede the requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under ASC Topic 840. Under the guidance of ASU 2016-02, a lessee should recognize in the statement of financial position a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor under ASU 2016-02 is largely unchanged from that applied under ASC Topic 840. In June 2020, the FASB issued ASU No. 2020-05, which further delayed the effective date of ASU 2016-02. The University adopted ASU 2016-02 as of July 1, 2022, using a modified retrospective transition approach.

As a result, the University was not required to adjust its comparative period financial information for the effects of the standard or make the new required lease disclosures for periods before the date of adoption. The University elected to adopt the package of transition practical expedients and, therefore, has not reassessed (1) whether existing or expired contracts contain a lease, (2) lease classification for existing or expired leases or (3) the accounting for initial direct costs that were previously capitalized. The adoption of ASU 2016-02 did not have a material effect on the University's financial statements and related notes to the financial statements. The most significant change related to the statements of financial position for the recognition of new ROU assets totaling \$907,000 and corresponding lease liabilities for operating leases as of July 1, 2022.

(2) Accounts and Pledges Receivable

Accounts receivable consist of the following as of June 30, 2023 and 2022:

	2023	2022
Accounts receivable	\$ 12,514,091	8,954,188
Grants receivable	10,244,899	3,437,512
Agency receivable	2,154,707	333,649
Other receivable	2,206,016	880,667
Total	27,119,713	13,606,016
Less allowance for doubtful accounts	(7,543,517)	(6,911,148)
Accounts receivables, net	\$ 19,576,196	6,694,868

Adjustments to the allowance for doubtful accounts are classified within institutional support in the accompanying statements of activities.

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Pledges receivable, net as of June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Pledges receivable to be collected in:		
Less than one year	\$ 2,800,897	546,432
One year to five years	851,846	—
More than five years	—	—
	<u> </u>	<u> </u>
Pledges receivable, net	\$ <u>3,652,743</u>	<u>546,432</u>

Pledges receivable to be received after one year are discounted and recorded at their estimated fair value at the date they are pledged. The total discount applied to gross pledge receivable balance was \$175,154 and \$792,739 as of June 30, 2023 and 2022, respectively. The University uses an appropriate discount rate commensurate with the risks involved and the expected period of payment. The total discount on those amounts is computed using a market discount and a risk-adjusted interest rate applicable to the years in which the promises are received, with the total rate averaging 5% as of June 30, 2023 and 2022. Amortization of discounts is included in private gifts and grants in the accompanying statements of activities. An allowance for uncollectible pledges receivable is provided based on management's judgment, including such factors as the age of the receivable, creditworthiness of parties, historical collection experience, type of contribution, and nature of fundraising activity.

(3) Investments

The fair value of investments is summarized as follows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowment pooled funds:		
Cash, money market, and short-term funds	\$ 5,662,509	3,033,375
Common stocks	54,729,250	50,712,606
Mutual funds:		
Equity funds	1,481,318	1,467,271
Bonds funds	22,248,696	17,499,920
Commodities funds	3,000,120	3,663,092
Real estate funds	1,012,900	3,223,796
Alternative funds:		
Hedge funds	7,303,410	8,575,416
Private equity funds	1,082,485	—
Other investment funds:		
Cash, money market, and short-term funds	2,119,816	1,799,080
Mutual funds:		
Equity funds	7,645,127	7,223,426
Bonds funds	4,202,137	3,747,677
	<u> </u>	<u> </u>
Total investments	\$ <u>110,487,768</u>	<u>100,945,659</u>

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Notes to Financial Statements

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	2023	2022
With donor restrictions	\$ 103,004,958	94,170,156
Without donor restrictions	7,482,810	6,775,500
Total investments	\$ 110,487,768	100,945,656

The endowment pooled funds consist of donor-restricted endowment corpus and funds, and gains thereon.

Other investment funds consist of endowment non-pooled funds and non-endowment funds primarily consisting of money market funds, bond funds, and equity securities.

Net realized and unrealized gains (losses) on investments and beneficial interest in perpetual trust consist of the following as of June 30, 2023 and 2022:

	2023	2022
Net realized (losses) gains	\$ (277,047)	1,827,693
Net unrealized gains (losses)	7,215,141	(17,527,302)
Total	\$ 6,938,094	(15,699,609)

(4) Perkins Loan Program

The University provides uncollateralized Perkins program loans to students based on financial need under the U.S. Government National Direct Student Loan Program. The U.S. government provides grants to the University for a portion of the funds loaned to students. These loans are guaranteed against default by the U.S. government, and thus, no loan loss reserve has been recorded by the University at June 30, 2023 or 2022. The University is responsible for disbursements and subsequent collection of these loans. The availability of funds for ongoing loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Advances from the federal government under the Perkins program are refundable to the U.S. government upon liquidation of the Perkins program. The U.S. Department of Education announced in December 2016 that it was liquidating the Perkins Loan Program. The University began complying with this change in the fall of 2019 by discontinuing drawdowns from the program. Outstanding refundable advances in the amount of \$1,152,047 and \$2,662,131 at June 30, 2023 and 2022, respectively, payable to the federal government, are reflected within refundable advances in the accompanying statements of financial position. The remaining balance of the refundable advances payable at June 30, 2023 and 2022 consists of \$162,379 related to grant agency and \$120,522 and \$118,770, related to campus clubs and organizations, respectively. Outstanding loans canceled under the program result in a reduction of the funds available for loans and a decrease in the liability to the government. As of

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June 30, 2023 and 2022, the University had the following outstanding student loans receivable under the Perkins loan program.

	2023	2022
Perkins loan receivable, gross	\$ 9,686,203	10,028,150
Adjustments:		
Defaulted loans submitted to the government	(5,661,730)	(4,917,080)
Other – net	(1,511,683)	(1,487,098)
Total Perkins loans receivable, net	\$ 2,512,790	3,623,972

(5) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Buildings and improvements	\$ 244,646,939	226,108,004
Furniture, computers, software, equipment, finance leases, and vehicles	59,978,771	56,632,188
Land and improvements	19,010,504	19,002,719
Construction in progress	13,231,790	17,112,376
Artwork	311,890	316,371
Total assets	337,179,894	319,171,658
Less accumulated depreciation	(196,330,648)	(185,354,459)
Net book value	\$ 140,849,246	133,817,199

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$10,962,581 and \$9,149,201, respectively.

(6) Mortgages and Loans Payable

(a) Mortgage Payable

Mortgage payable consisted of the following as of June 30, 2023 and 2022

	2023	2022
Mortgage payable in semiannual installments of principal and interest, bearing interest at the annual fixed rate of 5.5%, maturing August 2024, collateralized by certain real property	\$ 291,787	473,528
Total	\$ 291,787	473,528

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Annual maturities of mortgages payable in periods subsequent to June 30, 2022 are as follows:

		2023
Year ending June 30:		
2024	\$	191,874
2025		99,913
Total	\$	291,787

As a requirement of the mortgage agreement, the University is required to maintain a debt service reserve account and repair and replacement reserve account amounting to \$1,078,684 with a bank that is a member of the FDIC until the applicable mortgage matures. This amount is included in restricted cash on the accompanying statements of financial position as of June 30, 2023 and 2022.

(b) Loan Payable

The University entered into a \$10 million capital equipment line of credit agreement dated August 12, 2020, with the Bank of America (BOA) to provide secured capital loans for CAU renovations and repairs deferred maintenance projects. As of June 30, 2023 and 2022, the University had approximately \$1.89 million and \$2.2 million, respectively outstanding with an interest rate of 3.04%, included in BOA loans payable in the accompanying statements of financial position. The University will make principal and interest payments through August 20, 2027.

The University entered into a \$2.5 million real estate line of credit agreement dated December 23, 2022, with the Bank of America (BOA) to provide a secured capital loan for CAU President's house project. As of June 30, 2023, the University had approximately \$1.81 million outstanding with an interest rate of 6.92%, included in BOA loans payable in the accompanying statements of financial position. The University will make principal and interest payments through October 31, 2037.

Annual maturities of BOA loans payable for the capital equipment in periods subsequent to June 30, 2023 are as follows:

		2023
Year ending June 30:		
2024	\$	455,147
2025		438,743
2026		452,270
2027		545,300
Total	\$	1,891,460

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Annual maturities of BOA loans payable for the real estate in periods subsequent to June 30, 2023 are as follows:

	2023
Year ending June 30:	
2024	\$ 81,808
2025	140,243
2026	140,243
2027	140,243
2028 and thereafter	1,308,938
Total	\$ 1,811,475

(7) Expenses

The University's primary program services are instruction, research, and public service. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of these primary program services. Institutional support includes fundraising expenses of \$3,277,603 and \$1,749,355, respectively, for the years ended June 30, 2023 and 2022. Interest expense for the years ended June 30, 2023 and 2022 was \$199,548 and \$181,976, respectively, and was allocated to auxiliary enterprises, student services, and institutional support based on the purpose of the debt instrument. Advertising expenses for the years ended June 30, 2023 and 2022 were \$449,318 and \$54,357, respectively.

Expenses by natural and functional classifications for the year ended June 30, 2023 are as follows:

	Functional categories							Total
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	
Salaries and wages	\$ 21,357,599	4,383,966	3,950,796	6,048,423	15,127,454	1,542,412	442,652	52,853,302
Fringe benefits	5,461,993	849,600	922,750	1,584,436	4,004,274	364,528	104,573	13,292,154
Contractual services	582,649	547,404	224,250	2,581,961	9,237,173	1,221,838	7,877,701	22,272,976
Travel	419,775	141,820	204,871	642,558	337,824	180,972	2,450	1,930,270
Supplies	223,347	612,441	318,152	475,346	552,938	47,349	82,953	2,312,526
Repairs and maintenance	391,019	150,045	174,131	128,403	1,581,840	120	573,341	2,998,899
Other expenses	710,100	240,977	395,218	947,785	4,677,459	524,181	(34,441)	7,461,279
Insurance	—	—	—	16,064	1,279,648	—	—	1,295,712
Communication costs	131,608	20,373	20,713	92,801	295,645	52,972	192,635	806,747
Printing and duplication	42,309	7,735	10,404	141,156	44,954	4,153	(62,513)	188,198
Utilities	1,154,025	413,623	79,574	305,370	358,689	—	1,728,008	4,039,289
Subcontracts	1,242,698	1,222,776	85,688	328,834	386,250	720	1,860,784	5,127,750
AUC costs	—	—	4,818,486	—	609,728	—	—	5,428,214
Interest expense	16,889	6,053	1,165	4,469	126,269	—	44,703	199,548
Depreciation	3,132,009	1,122,568	215,963	828,771	973,478	—	4,689,792	10,962,581
Total operating expenses	\$ 34,866,020	9,719,381	11,422,161	14,126,377	39,593,623	3,939,245	17,502,638	131,169,445

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Expenses by natural and functional classifications for the year ended June 30, 2022 are as follows:

	Functional categories								
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	Student aid	Total
Salaries and wages	\$ 20,209,039	4,063,074	3,154,336	5,157,468	14,377,855	1,191,107	559,074	—	48,711,953
Fringe benefits	5,825,083	926,568	871,056	1,526,146	4,449,460	326,549	141,687	—	14,066,549
Contractual services	603,780	396,553	177,679	2,703,783	8,236,096	581,606	7,360,443	—	20,059,940
Travel	171,422	59,806	215,536	866,124	225,475	42,886	158	—	1,581,407
Supplies	148,834	622,735	220,756	319,841	1,013,465	59,238	81,637	—	2,466,506
Repairs and maintenance	2,471,540	950,401	170,171	666,370	803,260	—	3,708,647	—	8,770,389
Other expenses	537,233	181,027	135,268	707,907	3,293,997	450,891	(72,206)	—	5,234,117
Insurance	—	—	—	—	1,365,447	—	—	—	1,365,447
Communication costs	113,140	18,819	20,846	80,098	359,149	66,118	210,803	—	868,973
Printing and duplication	34,168	13,185	4,355	45,235	37,810	8,252	2,436	—	145,441
Utilities	1,187,426	425,595	81,877	314,209	370,539	450	1,778,022	—	4,158,118
Subcontracts	1,294,251	799,169	89,243	342,476	402,273	660	1,937,978	—	4,866,050
AUG costs	—	—	4,711,503	—	540,173	—	—	—	5,251,676
Student aid	—	—	—	—	—	—	—	10,375,559	10,375,559
Interest expense	41,607	14,913	2,869	15,633	15,419	—	91,534	—	181,975
Depreciation	2,616,069	937,646	180,387	692,246	805,616	—	3,917,236	—	9,149,200
Total operating expenses	<u>\$ 35,253,592</u>	<u>9,409,491</u>	<u>10,035,882</u>	<u>13,437,536</u>	<u>36,296,034</u>	<u>2,727,757</u>	<u>19,717,449</u>	<u>10,375,559</u>	<u>137,253,300</u>

(8) Retirement Plan

The University participates in a multiemployer defined-contribution retirement plan with the Teacher's Insurance and Annuity Association and College Retirement Equities Fund, which covers substantially all full-time faculty, staff, and certain other salaried employees. Personnel are eligible and it is required that they enroll in the plan after they have completed two years of full-time service and have attained age 21. Full-time faculty and staff members with two years or more of service at another institution of higher education are eligible for the retirement plan at the time of hire. Faculty and staff contribute 3% of monthly gross income, and the University contributes 5% of monthly gross income. Total expenses under this plan for the years ended June 30, 2023 and 2022 were \$1,876,781 and \$1,879,235, respectively.

(9) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction among market participants. There is a three-tier fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the University's assumptions (unobservable inputs). Fair value measurements are classified under the following hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Pricing inputs other than Level 1 that are either directly or indirectly observable
- Level 3: Unobservable pricing inputs developed using the University's estimates and assumptions, which reflect those that market participants would use in pricing an asset or liability.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A

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financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The University evaluates its hierarchy disclosures each reporting period, and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the University expects that changes in classifications between different levels will be rare.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable approximate fair value because of the nature and relatively short maturity of these financial instruments and are included in Level 1 of the fair value hierarchy table.

A reasonable estimate of the fair value of the refundable advances and the Perkins loans receivable, which represent federally sponsored student loans with U.S. government-mandated interest rates and repayment terms and are subject to significant restrictions as to their transfer or disposition, could not be made because the refundable advances and the Perkins loans receivable are not marketable and can only be assigned to the U.S. government or its designees. The fair value of notes receivable from students under the University's loan programs and from others approximates carrying value. Furthermore, accounts receivable have been reduced by allowances, which approximates their net realizable values.

Pledges receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach. Current year gifts included in pledges receivable reflected at fair value at June 30, 2023 and 2022 totaled approximately \$2,626,000 and \$547,000, respectively.

Investments whose values are based on quoted market prices in active markets are classified within Level 1 and include active listed equities, mutual funds, certain U.S. government and sovereign obligations, and certain money market securities. The University does not adjust the quoted price for such instruments, even in situations where the University holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. Investments include positions that are not traded in active markets and/or are subject to transfer restrictions. Valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently or not at all. When observable prices are not available for these securities, the University uses one or more valuation techniques (e.g., the market approach, the income approach, or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

The following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value, as well as the general classification pursuant to the valuation hierarchy.

(a) Common stocks

Common stocks are valued at the quoted prices in an active market and are classified within Level 1 of the fair value hierarchy.

(b) Mutual Funds

This category includes funds that predominantly take long positions in publicly traded fixed-income securities, however may also include funds with investment strategies in equities and commodities. These investments are valued at quoted prices in an active market and are classified within Level 1 of the fair value hierarchy.

(c) Alternative Investments

Alternative investments consist of hedge funds which are valued at fair value estimated using NAV reported by the investment managers as a practical expedient. In accordance with ASC Subtopic 820-10, *Fair Value Measurements and Disclosures – Overall*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

The University has \$8,385,895 and \$8,575,416 of investments at June 30, 2023 and 2022, respectively, which are reported at estimated fair value using NAV per share as a practical expedient. Unless it is probable that all or a portion of the investment will be sold for an amount different from NAV, the University has applied a practical expedient and concluded that the NAV reported by the underlying fund approximates the fair value of these investments.

Assets and liabilities recorded at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The following is a summary of the University's investments within the fair value hierarchy as of June 30, 2023 and 2022, as well as related strategy:

June 30, 2023	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Cash, money market, and short-term funds and certificates of deposit	\$ 7,782,325	—	—	—	7,782,325
Common stocks	54,729,250	—	—	—	54,729,250
Mutual funds	39,590,298	—	—	—	39,590,298
Alternative investments:					
Hedge funds (a)	—	—	—	7,303,410	7,303,410
Private Equity Funds	—	—	—	1,082,485	1,082,485
Subtotal investments	102,101,873	—	—	8,385,895	110,487,768
Beneficial interest in perpetual trust	—	—	440,045	—	440,045
Total	\$ 102,101,873	—	440,045	8,385,895	110,927,813

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments measured at NAV</u>	<u>Total</u>
Cash, money market, and short-term funds and certificates of deposit	\$ 4,832,455	—	—	—	4,832,455
Common stocks	50,712,606	—	—	—	50,712,606
Mutual funds	36,825,182	—	—	—	36,825,182
Alternative investments:					
Hedge funds (a)	—	—	—	8,575,416	8,575,416
Subtotal investments	92,370,243	—	—	8,575,416	100,945,659
Beneficial interest in perpetual trust	—	—	427,244	—	427,244
Total	\$ 92,370,243	—	427,244	8,575,416	101,372,903

- (a) These investments are held in a hedge fund that seeks to generate long-term capital appreciation with relatively low volatility and a low correlation with traditional equity and fixed-income markets. The hedge fund is a diversified portfolio of investments in relative value, long/short equities, credit, merger arbitrage/event driven, short selling, opportunistic/macro, multi-strategy, and derivatives in foreign exchange contracts. The fair values of the investments in these funds have been estimated using the NAV per share of the funds as a practical expedient.

Additional information about alternative investments is as follows:

	<u>2023 fair value</u>	<u>Unfunded commitments</u>	<u>2022 fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>
Hedge funds	\$ 8,385,895	3,879,455	8,575,416	5,000,000	N/A	Annually (1)

- (1) Generally, Series B shares may be redeemed on an annual basis effective as of the last day of a shareholder's anniversary quarter. Class EE shares may be redeemed on a quarterly basis.

(10) Endowment Net Assets

The University's endowment consists of approximately 200 individual funds established for a variety of purposes. All funds within the endowment are donor restricted. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical value (corpus) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (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

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Notes to Financial Statements

June 30, 2023 and 2022

the accumulation is added to the fund. The University considers available endowment earnings as being appropriated for expenditure when the actual qualified expenditure occurs.

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

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

(b) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a total return (yield plus capital appreciation) necessary at least to preserve and enhance (in real dollars terms) the principal of the endowment fund and at the same time provide a dependable source of income for current operations. The basic objective of the University's endowment investment is to achieve an average annual total real rate of return (adjusted for inflation) of at least 5% as measured over a three-year market period and at the same time outperform the Standard and Poor's 500 Stock Index and other selected weighted market indices.

(c) Strategies Employed for Achieving Objectives

The endowment of the University is a permanent fund with disciplined investment strategies and management to include fixed-income and equity investments. The purpose of the fixed-income investments is to provide a predictable and dependable source of income and minimize portfolio volatility. The purpose of the University's equity investments is to provide current income, growth of income, and appreciation of principal. The fixed-income and equity portions of the investment portfolio are diversified in order to provide reasonable assurance that investment in either a single security or a class of securities cannot have an excessive impact on the total portfolio.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The administration of the University's endowment follows the general provisions of UPMIFA. Under the provisions of this state law, the board of trustees may appropriate expenditures of an underwater endowment fund as is deemed prudent for the uses and purposes for which an endowment fund is established. The University has applied accounting principles generally accepted in the United States of America when allocating investment gains to the net asset classes for financial statement purposes.

The trustees of the University have established an endowment fund spending policy that attempts to balance the long-term objective of maintaining the purchasing power of the endowment with the goal of

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providing funds to underwrite the educational needs of current and future generations of students and to enhance the financial well-being of the University.

The University has a policy of appropriating for distribution each year 5% of its endowment fund's weighted average fair value over the prior 12 quarters through the fiscal year ending one year prior to the fiscal year in which the distribution is planned.

Endowment funds consist of the following as of June 30, 2023 and 2022:

		June 30, 2023		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$	—	102,650,613	102,650,613
Total endowment net assets	\$	—	102,650,613	102,650,613

		June 30, 2022		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$	—	92,509,648	92,509,648
Total endowment net assets	\$	—	92,509,648	92,509,648

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

		June 30, 2023		
		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2022	\$	—	92,509,648	92,509,648
Investment return:				
Net investment income		—	1,956,837	1,956,837
Net investment gain		—	5,931,107	5,931,107
Total investment return		—	7,887,944	7,887,944
Contributions to endowment		—	4,209,246	4,209,246
Amount expended		—	(1,956,227)	(1,956,227)
Endowment net assets, June 30, 2023	\$	—	102,650,611	102,650,611

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Notes to Financial Statements

June 30, 2023 and 2022

	June 30, 2022		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ —	102,435,884	102,435,884
Investment return:			
Net investment income	—	2,252,984	2,252,984
Net investment losses	—	(13,400,171)	(13,400,171)
Total investment return	—	(11,147,187)	(11,147,187)
Contributions to endowment	—	2,925,253	2,925,253
Amount expended	—	(1,704,302)	(1,704,302)
Endowment net assets, June 30, 2022	\$ —	<u>92,509,648</u>	<u>92,509,648</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor-imposed restrictions. There were no funds with deficiencies for the year ended June 30, 2023 or 2022.

(11) Net Assets

Net assets with donor restrictions consisted of amounts restricted for the following purposes at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowments subject to spending policy and appropriation to support the following purposes:		
Scholarships	\$ 52,649,308	48,884,830
Instruction	15,685,217	14,922,481
General operations	34,316,086	28,702,337
	<u>102,650,611</u>	<u>92,509,648</u>
Contributions receivable available for scholarships and student aids	2,626,388	547,000
Restricted gifts and grants available to support students and faculty, capital projects, and departmental and programmatic needs	29,090,281	29,132,244
Subject to expenditure for specified purposes:		
Student aid	10,691,148	9,400,123
Other	705,172	692,370
	<u>\$ 145,763,600</u>	<u>132,281,385</u>

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Notes to Financial Statements

June 30, 2023 and 2022

(12) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Student aid	\$ 4,216,399	13,182,228
Instruction	2,737,048	2,388,965
Research	5,528,084	4,740,030
Public service	2,381,152	1,400,882
Academic support	5,008,951	2,251,710
Student services	1,172,200	1,048,301
Institutional support	<u>13,832,216</u>	<u>47,074,645</u>
Total net assets released from restrictions	<u>\$ 34,876,050</u>	<u>72,086,762</u>

(13) Liquidity and Availability of Financial Assets

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipts of gifts and pledge payments, and transfers from the endowment.

The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by its Board of Trustees, while also striving to maximize the investment of its available funds.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

At June 30, 2023 and 2022, existing financial assets and liquidity resources available within one year to meet general expenditures were as follows:

	2023	2022
Financial assets, at year-end	\$ 205,984,531	191,088,348
Less financial assets unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by commercial or contractual terms	(11,115,138)	(12,760,364)
Restricted by donor with time or purpose restrictions	(940,000)	(500,000)
Subject to appropriation and satisfaction of donor restrictions	(102,650,613)	(92,509,648)
Investment held in perpetual trust	(440,045)	(427,244)
Receipt or collections expected after one year	(6,530,401)	(5,839,996)
Financial assets available to meet cash needs for general expenditures within one year	\$ 84,308,334	79,051,096

(14) Commitments and Contingencies

(a) Federal and State Financial Assistance

Certain federal and state-funded financial aid programs are routinely audited by various government agencies. Such audits could result in claims against the resources of the University. The reports on those examinations, which are conducted for the University by auditors engaged pursuant to specific regulatory requirements, are required to be submitted to both the University and the respective government agency. These government agencies have the authority to determine liabilities as well as to limit, suspend, or terminate the University's participation in these programs. Management does not believe that the University will incur significant liabilities as a result of any such audits.

(b) Ground Lease and Energy Services Agreement

The University entered into a ground lease agreement dated as of June 1, 2007 with TUFF CAUB LLC, a Georgia limited liability company, as lessee (the Lessee), pursuant to which the University leased the central utility plant to the Lessee for a term of 30 years. Under the terms of the ground lease, the Lessee agreed to finance the design, construction, and equipping of the renovation and upgrade of the central utility plant and to operate the central utility plant through a management agreement with Energy Services Group, LLC (ESG). Under the terms of an energy services agreement dated as of June 1, 2007 among the Lessee, ESG, and the University, the Lessee and ESG have agreed to provide the University with steam, hot water, and chilled water, and the University has agreed to the payment of certain fees specified in the energy services agreement. The initial term of the energy services agreement is 15 years from the commencement date. Upon ESG and TUFF CAUB LLC's consent, the term may be extended at the election of the University for an additional 6-year period at the conclusion of the 15-year base period, for a total of 21 years. The Development Authority of Fulton County issued \$15.2 million in tax-exempt revenue bonds and loaned the proceeds of such bonds to the Lessee to provide the Lessee with the funds to renovate and upgrade the central utility plant. Upon

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Notes to Financial Statements

June 30, 2023 and 2022

the earlier of the expiration of the ground lease or the day on which all amounts due under the bonds have been paid in full by the Lessee, ownership of the improved central utility plant transfers to the University.

Under the energy services agreement, the University has an unconditional purchase obligation (i.e., obligations to transfer funds in the future for fixed or minimum quantities of goods or services at fixed or minimum prices, such as take-or-pay contracts) totaling \$1,406,574 and \$2,793,794, as of June 30, 2023 and 2022, respectively, related to the University's share of the payment of certain fixed debt service costs and operations and maintenance expenses of the Lessee and ESG. In accordance with U.S. GAAP, the unconditional purchase obligation was not recognized as a liability in the University's statements of financial position at June 30, 2023 or 2022.

In addition to the fixed debt service costs and operations and maintenance expenses, variable charges covering the delivery costs associated with the utilities are also paid by the University to the Lessee. Total variable and fixed costs incurred by the University under the energy services agreement during the years ended June 30, 2023 and 2022 were \$1,416,848 and \$1,392,162, respectively.

(c) Food Service Operations

The University entered into a 10-year contract with Sodexo Operations, LLC (Sodexo) on July 1, 2015 to manage and operate the daily food service operations and also to remodel the main dining hall facility. The total cost to Sodexo for the remodeling was approximately \$3,445,000. That cost is amortized over the 10-year term. Should CAU terminate the agreement early, CAU will be responsible to make payment to Sodexo for any unamortized balance of the remodeling costs. The outstanding balance was \$688,960 and \$1,033,440 for June 30, 2023 and June 30, 2022, respectively, and is included in other liabilities in the statements of financial position. Also included in the agreement, CAU has a minimum sales requirement for meal plans of \$425,000 annually; based on existing sales volume, CAU more than exceeds that requirement annually. CAU is also responsible to provide annually to Sodexo a working capital fund equal to four weeks of resident dining meal plan rates, and any unused portion is returned to CAU. Conversely, Sodexo provides funding to CAU for scholarships, facility enhancements, and meal credits for various named purposes.

(d) Legal Matters

The University is involved in legal proceedings and claims that have arisen in the ordinary course of its business and have not been fully adjudicated. The ongoing litigation of the University, when fully concluded and determined, will not, in the opinion of management, have a material adverse effect on the financial position of the University.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2023 and 2022

(15) Related – Party Transactions

Members of the board of trustees, officers and employees are subject to the University's written conflict-of interest policy that requires annual disclosures from members of the Board, senior management and other designated employees of any actual or potential conflicts of interest, including business employment relationships or significant financial interest in businesses with which the University conducts business. Additionally, certain gifts and pledges to the University are received annually by Board members. All such business activity is conducted in accordance with the University's normal business practices. No such relationships have been identified that are considered material to the financial statement and require disclosure in accordance with U.S. GAAP.

(16) Financial Responsibility Standards

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. Inputs to these ratios as of and for the year ended June 30, 2023 include (a) elements directly from the accompanying financial statements and related other notes to the financial statements, as well as (b) certain other financial data. Additional financial information has also been presented to facilitate understanding and reconciliation of such data elements to the accompanying financial statements and related other notes.

	<u>2023</u>	<u>2022</u>
Term endowments with donor restrictions	\$ 9,310,486	8,776,864
Net assets with donor restrictions: restricted in perpetuity	41,455,568	37,233,521
Net assets with donor restrictions: restricted by time and purpose	<u>94,997,546</u>	<u>86,271,000</u>
Net assets with donor restrictions	<u>\$ 145,763,600</u>	<u>132,281,385</u>

(17) Subsequent Events

In connection with the preparation of the financial statements, the University's management reviewed subsequent events after the statement of financial position date of June 30, 2023 through January 30, 2024, which is the date the financial statements were available to be issued. There were no matters requiring disclosure as of this date.

SUPPLEMENTAL SCHEDULES

CLARK ATLANTA UNIVERSITY

Schedule of Changes in Net Assets

Year ended June 30, 2023

(with summarized financial information for the year ended June 30, 2022)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2023</u>	<u>Total 2022</u>
Revenue, gains, and other support:				
Tuition and fees, net	\$ 69,909,719	—	69,909,719	66,294,211
Government grants	3,411,522	25,192,366	28,603,888	70,691,806
Private gifts and grants	3,012,146	14,542,975	17,555,121	17,511,884
Net investment income	2,233,588	2,049,031	4,282,619	2,448,353
Auxiliary enterprises	19,223,133	—	19,223,133	16,281,964
Net realized and unrealized gains on investments and beneficial interest in perpetual trusts	593,725	6,344,369	6,938,094	(15,699,608)
Other revenue	2,451,677	229,524	2,681,201	2,965,017
Net assets released from restrictions:				
Satisfaction of program restrictions	34,876,050	(34,876,050)	—	—
Total revenue, and other support	<u>135,711,560</u>	<u>13,482,215</u>	<u>149,193,775</u>	<u>160,493,627</u>
Expenses:				
Instruction	34,866,020	—	34,866,020	35,253,592
Research	9,719,381	—	9,719,381	9,409,491
Academic support	11,422,161	—	11,422,161	10,035,882
Student services	14,126,377	—	14,126,377	13,437,536
Institutional support	39,593,623	—	39,593,623	36,296,034
Public service	3,939,245	—	3,939,245	2,727,757
Auxiliary enterprises	17,502,638	—	17,502,638	19,717,449
Student aid	—	—	—	10,375,559
Total expenses	<u>131,169,445</u>	<u>—</u>	<u>131,169,445</u>	<u>137,253,300</u>
Change in net assets	4,542,115	13,482,215	18,024,330	23,240,327
Net assets, beginning of year	175,528,922	132,281,385	307,810,307	284,569,980
Net assets, end of year	<u>\$ 180,071,037</u>	<u>145,763,600</u>	<u>325,834,637</u>	<u>307,810,307</u>

See accompanying independent auditors' report.

CLARK ATLANTA UNIVERSITY
Schedule of Changes in Net Assets
Year ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total 2022</u>
Revenue, gains, and other support:			
Tuition and fees, net	\$ 66,294,211	—	66,294,211
Government grants	5,813,214	64,878,592	70,691,806
Private gifts and grants	2,356,578	15,155,306	17,511,884
Net investment income	131,099	2,317,254	2,448,353
Auxiliary enterprises	16,281,964	—	16,281,964
Net realized and unrealized gains on investments and beneficial interest in perpetual trusts	(1,314,496)	(14,385,112)	(15,699,608)
Other revenue	1,776,915	1,188,102	2,965,017
Net assets released from restrictions:			
Satisfaction of program restrictions	72,086,762	(72,086,762)	—
Total revenue, and other support	<u>163,426,247</u>	<u>(2,932,620)</u>	<u>160,493,627</u>
Expenses:			
Instruction	35,253,592	—	35,253,592
Research	9,409,491	—	9,409,491
Academic support	10,035,882	—	10,035,882
Student services	13,437,536	—	13,437,536
Institutional support	36,296,034	—	36,296,034
Public service	2,727,757	—	2,727,757
Auxiliary enterprises	19,717,449	—	19,717,449
Student aid	10,375,559	—	10,375,559
Total expenses	<u>137,253,300</u>	<u>—</u>	<u>137,253,300</u>
Change in net assets	26,172,947	(2,932,620)	23,240,327
Net assets, beginning of year	<u>149,355,975</u>	<u>135,214,005</u>	<u>284,569,980</u>
Net assets, end of year	<u>\$ 175,528,922</u>	<u>132,281,385</u>	<u>307,810,307</u>

See accompanying independent auditors' report.

CLARK ATLANTA UNIVERSITY

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2023

Financial element	Location in financial statements or related notes	GAAP financial statement line item or disclosure
Primary reserve ratio:		
Numerator: expendable net assets:		
Net assets without donor restrictions	Statement of financial position	\$ 180,071,037
Net assets with donor restrictions	Statement of financial position	145,763,600
Property and equipment, net (includes construction in progress, pre-implementation)	Note 5, property, plant and equipment	140,849,246
Less: Construction in progress	Note 5, property, plant and equipment	13,231,790
Lease right-of-use asset, net – post implementation	Statement of financial position	893,159
Notes payable (including unamortized bond premiums, net and unamortized issuance costs, net)	Statement of financial position	\$ 7,165
Mortgages payable	Statement of financial position	291,787
Long-term debt – for long term purposes, pre-implementation		<u>\$ 298,952</u>
Long-term debt – for long term purposes, post-implementation	Statement of financial position	\$ 3,702,935
Lease liabilities, net – post implementation	Statement of financial position	941,786
Less: Term endowments with donor restrictions	Note 16, Financial Responsibility standards	9,310,486
Less: Net assets with donor restrictions: restricted in perpetuity	Note 16, Financial Responsibility standards	41,455,568
Denominator: total expenses and losses:		
Total expenses without donor restrictions	Statement of activities	131,169,445
Equity ratio:		
Numerator: modified net assets:		
Net assets without donor restrictions	Statement of financial position	180,071,037
Net assets with donor restrictions	Statement of financial position	145,763,600
Denominator: modified assets:		
Total assets	Statement of financial position	350,359,128
Net income ratio:		
Numerator: change in net assets without donor restrictions:		
Change in net assets without donor restrictions	Statement of activities	4,542,115
Denominator: total revenues and gains:		
Total revenues and gains without donor restrictions	Statement of activities	135,711,560

See accompanying independent auditors' report.

UNIFORM GUIDANCE REPORTS

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal grantor/pass-through grantor/cluster or program title	Federal AL number	Federal/pass-through Entity ID number	Amounts provided to subrecipients	Federal expenditures
Major Programs:				
Education Stabilization Fund:				
Direct Programs:				
COVID-19 – Higher Education Emergency Relief Fund Historically Black Colleges and Universities (HCBUs)	84.425J	P425J200081	\$ —	4,855,276
Total Education Stabilization Fund			—	4,855,276
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	P007A067941	—	1,220,525
Federal Pell Grant Program	84.063	P063P061300	—	13,654,364
Federal Work-Study Program	84.033	P033A067941	—	202,678
Federal Perkins Loan Program	84.038		—	3,552,982
National TEACH Program	84.379	P379T091300	—	33,950
Federal Direct Student Loans	84.268		—	79,103,040
Total Student Financial Assistance Cluster			—	97,767,539
Research and Development Cluster:				
Department of the Army:				
Direct Programs:				
Basic, Applied, and Advanced Research in Science and Engineering – Nanoscale Assemblies	12.630	W911NF2010272	—	193,085
Basic, Applied, and Advanced Research in Science and Engineering – Acquisition of a High-Performance 400 MHz NMR Spectrometer	12.630	W911NF-22-1-0244	—	295,253
Total AL # 12.630			—	488,338
Basic and Applied Scientific Research – Start-up Funds for Materials Science	12.300	N00014-20-1-2523	—	32,103
Basic and Applied Scientific Research – Start-Up Prog in Material Physics	12.300	N00014-21-1-2823	—	70,067
Total AL # 12.300			—	102,170
Total Department of the Army			—	590,508
Department of Defense:				
Basic Scientific Research – Integrated Study of Emerging 2D Materials	12.431	W911NF-18-1-0481	—	17,775
Total AL # 12.431			—	17,775
Pass Through from Ohio State University:				
Experimental and Computational Studies	12.800	FA8650-20-2-5853	—	48,722
Total AL # 12.800			—	48,722
Department of Health and Human Services:				
National Institutes of Health:				
Direct Programs:				
Biomedical Research and Research Training – Enhancement of Student Training	93.859	2R25GM060414 – 09	—	197
Biomedical Research and Research Training – Dissecting Mechanisms subaward 043	93.859	1SC1GM140907 – 01	—	25,904
Biomedical Research and Research Training – Dissecting Mechanisms – subaward 044	93.859	1SC1GM140907 – 01	—	194,898
Biomedical Research and Research Training – Dissecting mechanisms of tumor	93.859	1SC1GM140907-03	—	54,567
Biomedical Research and Research Training – U-RISE at CAU	93.859	1T34GM145508-01	—	300,748
Biomedical Research and Research Training – U-RISE at Clark Atlanta University	93.859	5T34GM145508-02	—	15,298
Pass Through from Emory University:				
Biomedical Research and Research Training – IRACDA FIRST Program	93.859	2K12GM000680 – 22	—	18,072
Biomedical Research and Research Training – IRACDA FIRST Program – YR3	93.859	2K12GM000680 – 23	—	21,608
Total AL # 93.859			—	631,292

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal grantor/pass-through grantor/cluster or program title	Federal AL number	Federal/pass-through Entity ID number	Amounts provided to subrecipients	Federal expenditures
Aging Research – Molecular Mechanisms	93.866	1R15AG056867-01A1	\$ —	12,543
Pass Through from MetCure:				
Small-molecule Therapy for Metastat	93.395	R42-2021-CAU01	—	320,084
Minority Health and Health Disparities Research:				
Enhancement of Cancer Research	93.307	2U54MD007590 – 34	69,861	126,808
Enhancement of Cancer Research	93.307	2U54MD007590 – 35	—	1,477,341
Enhancement of Cancer Research	93.307	5U54MD007590 – 36	109,095	309,221
Total AL # 93.307			178,956	1,913,370
Targeting Chemo-resistant Prostate	97.395	R01CA256058	137,360	357,173
Total National Institutes of Health			316,316	3,234,462
Direct Programs:				
National Nuclear Security Administration:				
Office of Science Financial Assistance Program – Interaction with Atoms and Ions	81.049	DE-SC0022000	—	105,031
Total National Nuclear Security Administration			—	105,031
Pass Through from Kennesaw State University:				
Department of Energy – GA Industrial Assessment Ctr-GIAC	81.117	DE-EE0009711	—	114,016
Total AL # 81.117			—	114,016
Pass Through from University of Tennessee				
Department of Energy – Lignin-Derived Carbon-Storing Foams	81.135	DE-AR0001639	—	46,597
Total AL # 81.135			—	46,597
Total Department of Energy			—	160,613
Direct Programs:				
National Science Foundation:				
Education and Human Resources – S-POWER	47.076	DUE-1564653	—	226,309
Education and Human Resources – A Redesign of First Year Math Courses	47.076	HRD-1818727	—	15,033
Education and Human Resources – GA-AL LSAMP	47.076	HRD-1826797	321,102	665,479
Education and Human Resources – Research Initiation Award	47.076	HRD-1901028	—	69,560
Education and Human Resources – Implementation Project: Data Driven	47.076	HRD-1912256	—	182,364
Education and Human Resources – NSF RISE	47.076	HRD – 1924204	—	172,706
Education and Human Resources – Quantum-Mechanical Investigation	47.076	HRD-1955299	—	113,564
Education and Human Resources – Research Initiation Award – Beyond	47.076	HRD-2100360	—	44,705
Education and Human Resources – Targeted Infusion Proj: TEEPS in UG	47.076	HRD-2106938	—	34,673
Education and Human Resources – Discovery Workshop on Enhancing Data	47.076	HRD-2136382	—	62,706
Education and Human Resources – Increasing the African American STEM Teacher Workforce	47.076	DUE-2151043	—	196,787
Education and Human Resources – NSF INCLUDES Alliance: National Data Science Alliance	47.076	HRD-2217346	113,551	488,787
Education and Human Resources – Targeted Infusion Project: Implementation of Data Science	47.076	HRD-2205882	—	38,478
Education and Human Resources – HBCU Research Initiation Award	47.076	HRD-1901028	—	21,117
Pass Through from Ohio State University:				
Education and Human Resources – Cybertraining: CIU	47.076	60066352	—	21,428
Total AL # 47.076			434,653	2,353,696
Biological Science – Crosswalk between the STK4/Hippo and NF Kappa B	47.074	MCD-1832022	—	86,503
Total AL # 47.074			—	86,503
Computer and Information Science and Engineering – Excellence in Research: Cyber Threat	47.070	1901150	—	24,502

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal grantor/pass-through grantor/cluster or program title	Federal AL number	Federal/pass-through Entity ID number	Amounts provided to subrecipients	Federal expenditures
Pass Through from Georgia Tech: Promoting Research and Ed-Small Coll.	47.070	AWD-003498-G2	\$ —	3,602
Total AL # 47.070			—	28,104
Direct Programs:				
Mathematical and Physical Sciences – Computational Atomic Laboratory Astrophysics	47.049	AST-1714159	—	41,943
Mathematical and Physical Sciences – EIR: Collab: Computer, Model, and Exp	47.049	DMR-2100946	6,020	14,674
Mathematical and Physical Sciences – NSF PREM-Emergent Interface Material	47.049	DMR-2122147	138,923	571,072
Mathematical and Physical Sciences – REU Site: App Data Science to CHEM	47.049	CHE-2150206	—	82,134
Mathematical and Physical Sciences – Excellence in Research: Structure and Dynamics of Exciplexes	47.049	CHE-2200387	—	10,183
Mathematical and Physical Sciences – PREC Track 2: Partnership for Research and Education	47.049	CHE-2216807	—	122,517
Pass Through from Florida A&M: EIR Non-Fluorinated Etching Procedures	47.049	C-5103	—	33,268
Pass Through from Regents of the University of Minnesota: NSF Center for Sustainable Polymers	47.049	A008060015	—	13,294
Pass Through from University of Wisconsin System: Enhancing Diversity in Grad Educ.	47.049	DMS-2240729	—	14,040
Total AL # 47.049			144,943	903,125
Pass Through from The Bee Corp: Automating Infrared Image Capture	47.041	1926806	—	10,934
AI Institute-Decision Making at Mas	47.041	AWD-002807-G4	—	106,980
Total AL # 47.041			—	117,914
Total National Science Foundation			579,596	3,489,342
Direct Programs:				
U.S. Department of Agriculture: Forest Products Laboratory: Forestry Research – Research on 100% Bio-Based Composites	10.652	19-JV-11111129-55	—	23,522
Forestry Research – Research on Cellulosic Nanomaterial	10.652	20-JV-11111106-047	—	7,982
Total AL # 10.652 and U.S. Department of Agriculture			—	31,504
U.S. National Aeronautics and Space Administration: Pass Through from Georgia Tech: Office of Stem Engagement – National GA Space Grant Consortium	43.008	AWD-001629-G9	—	10,000
Total Research and Development Cluster			895,912	7,687,957
Trio Cluster:				
Department of Education: Direct Programs:				
TRIO Upward Bound	84.047	P047A171269	—	765,179
Upward Bound 2023-2028	84.047	P047A231341	—	140,640
Total AL # 84.047			—	905,819
TRIO – Talent Search Atlanta	84.044	P044A210663	—	414,490
TRIO – Talent Search LaGrange	84.044	P044A210658	—	227,592
Total AL # 84.044			—	642,082
Total Trio Cluster			—	1,547,901

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2023

Federal grantor/pass-through grantor/cluster or program title	Federal AL number	Federal/pass-through Entity ID number	Amounts provided to subrecipients	Federal expenditures
Nonmajor Programs:				
Higher Education Institutional Aid:				
Direct Programs:				
Strengthening Historically Black Colleges and Universities – Program Administration	84.031	P031B170007 – 21	\$ —	107,612
Strengthening Historically Black Colleges and Universities – Student Success	84.031	P031B170007 – 21	—	32,681
Strengthening Historically Black Colleges and Universities – CITLE	84.031	P031B170007 – 21	—	51,209
Strengthening Historically Black Graduate Institutions – Program Administration	84.031	P031K190001 – 21	—	75,314
Strengthening Historically Black Graduate Institutions – Grad Prof, Research, Ed Prep	84.031	P031K190001 – 21	—	99,112
21-22 PART-F Instructional Reno	84.031	P031E200009 – 21	—	899,790
20-21 CF Aldridge Aud/Campus Stora	84.031	P031E200009	—	815,180
22-23 PART-F Instructional Reno	84.031	P031E200009 – 22	—	1,049,203
21-22 Cancer Biology Research	84.031	P031B170007 – 21	—	96,317
21-22 Cole Science Center Renewal I	84.031	P031B170007 – 21	—	1,904,282
21-22 Infrastructure Refresh	84.031	P031K190001 – 21	—	1,259,966
21-22 OITC	84.031	P031K190001 – 21	—	212,347
21-22 COV19 and STEM Research	84.031	P031K190001 – 21	—	61,590
20-21 CF Biology Laboratory Expansi	84.031	P031B170007 – 20	—	2,107,691
20-21 CF HBCU Arts and Sciences Equip	84.031	P031B170007 – 20	—	864,309
22-23 HBCU Program Admin	84.031	P031B220046	—	241,706
22-23 HBCU Instructional Reno	84.031	P031B220046	—	250,128
22-23 Theatre Arts Acad. Prog Enh.	84.031	P031B220046	—	18,767
22-23 Modernizing Phys and Anal Chem	84.031	P031B220046	—	115,019
22-23 Modernizing Org Chem Ed and Exp	84.031	P031B220046	—	138,749
22-23 Prin of Infectious Disease Dx	84.031	P031B220046	—	530,667
Student Success-Athlete Tutoring C	84.031	P031B170007	—	34,458
22-23 HBGI Program Admin	84.031	P031K190001	—	242,493
22-23 Cybersecurity and STU Exp Enh	84.031	P031K190001	—	1,150,392
22-23 Grad PREP	84.031	P031K190001	—	240,683
22-23 HBGI Instructional Reno	84.031	P031K190001	—	625,794
OITC-Infrastructure Refresh CF	84.031	P031K190001	—	41,364
Total Higher Education Institutional Aid Cluster			—	13,266,823
U.S. Department of Education				
Direct Program:				
Cybersecurity (TRECCI) Funds for the Improvement of Postsecondary Education	84.116Z	P116Z229998	—	295,930
U.S. Department of State:				
Direct Program:				
Academic Exchange Programs – Undergraduate Programs – Young African Leaders Initiative	19.009	FY22-YALI-BE-CAU-08	—	125,363
Academic Exchange Programs – Undergraduate Programs – Young African Leaders Initiative	19.009	FY23-YALI-BE-CAU-09	—	62,242
Total AL # 19.009 and U.S. Department of State			—	187,605
U.S. Department of Health and Human Services:				
Direct Program:				
HBCU Career Awareness, Recruitment – Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	1H79T1081017 – 1	660	342,891
Behavioral Health Workforce Education – Mental and Behavioral Health Education and Training Grants	93.732	1 MC1HP42076-01-00	—	503,933
Total U.S. Department of Health and Human Services			660	846,824
Total expenditures of federal awards			\$ 896,572	126,455,855

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report.

CLARK ATLANTA UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Clark Atlanta University and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

All programs included in the Schedule of Expenditures of Federal Awards are presented by federal agency and major subdivision within the federal agency. Pass-through awards have been presented by pass-through entity and federal identification number or pass-through entity identification number, when available.

(2) Indirect Cost Rate

For the year ended June 30, 2023, the University has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

(3) Federal Loan Programs

Most federal financial assistance is in the form of cash awards. However, there are a number of federal programs that do not involve cash transactions with the University. These noncash transactions in which the University obtains other assistance include the Federal Direct Student Loan Program and revolving loan programs, such as the Federal Perkins Loan Program.

Clark Atlanta University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program. It is not practical to determine the balance of loans outstanding to students and former students of the University under this program as of June 30, 2023. These loans are not included in the University's financial statements. The loans advanced and related expenditures are as follows:

Federal Direct Student Loan Programs Student loans advanced:	
Subsidized Stafford Loan Program	\$ 10,745,016
Unsubsidized Stafford Loan Program	<u>15,925,817</u>
Total Direct Stafford Loan Program	26,670,833
Federal Direct PLUS Loan Program	49,451,688
Federal Direct Grad PLUS Loan Program	<u>2,980,519</u>
Total Direct Student Loan Programs	<u>\$ 79,103,040</u>

The Federal Perkins Loan Program is administered directly by Clark Atlanta University and balances and transactions relating to the program are included in Clark Atlanta University's financial statements. During the fiscal year ended June 30, 2023, Clark Atlanta University disbursed \$0 in new loans under the Federal Perkins Loan Program. The balance of loans outstanding under the Federal Perkins Loan Program was \$2,490,712 as of June 30, 2023. The amounts presented in the Schedule are the outstanding loan balances at June 30, 2022.

CLARK ATLANTA UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

Expenditures for student financial assistance programs include the Federal Pell grants to students, the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) program grants, the Federal Work Study (FWS) program earnings, certain other federal financial aid for students, and administrative cost allowances, where applicable.



KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' 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*

Board of Trustees
Clark Atlanta University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clark Atlanta University (the University), which comprise the University's statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.



The University's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

KPMG LLP

Atlanta, Georgia
January 30, 2024



KPMG LLP
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303 Peachtree Street, N.E.
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**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

The Board of Trustees
Clark Atlanta University:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clark Atlanta University's (the University) 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 University's major federal programs for the year ended June 30, 2023. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University 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 June 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; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University 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 the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS,



Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University'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 the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University as of and for the year ended June 30, 2023, and have issued our report thereon dated January 30, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

Atlanta, Georgia
August 1, 2024

CLARK ATLANTA UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

(1) Summary of Auditors' Results

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **Finding 2023-001**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- e. Type of report issued on compliance for major programs: **Unmodified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- g. Major programs:
 - Research and Development Cluster – Various Assistance Listing numbers
 - COVID-19 Education Stabilization Fund – Assistance Listing number 84.425J
 - TRIO Cluster – Various Assistance Listing numbers
 - Student Financial Aid Cluster– Various Assistance Listing numbers
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$860,650**
- i. Auditee qualified as a low-risk auditee: **No**

CLARK ATLANTA UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Finding No. 2023-001

Criteria: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: The internal control related to the authorization and restriction of maintenance access to the NBAJOB’s class (HR payroll system) was not operating effectively in fiscal year 2023. During a walkthrough of this control, we observed payroll department personnel who do not have authorization to make changes to the payroll module, successfully access and edit employee pay information. In addition, the University did not perform sufficient review of the maintenance access list to ensure that the HR payroll system was secure.

Cause: This matter occurred due to improper permissions being distributed to the payroll department in connection with a Banner system upgrade and the University not reviewing access for appropriateness.

Result: Without effective internal controls in place, there is an increased risk that unauthorized users can access the payroll module to make edits and process changes to employee pay.

Recommendation: Without effective internal controls in place, there is an increased risk that unauthorized users can access the payroll module to make unauthorized edits and process changes to employee pay.

Views of responsible officials:

Management has thoroughly reviewed the findings concerning the internal control of the authorization and restriction of maintenance access to the HR payroll system, which was found to be ineffective in fiscal year 2023. Management concedes the validity of these findings.

In response to this discovery, it was ascertained that unauthorized maintenance activities were not carried out by personnel in the payroll department. During the audit fieldwork, meetings were arranged with the data stewards to address the user identified in the audit. Subsequently, the user’s maintenance access was revoked and modified to query access. Immediate measures were implemented, effectively rectifying the identified deficiency.

The University is presently conducting a comprehensive security review with the data stewards to evaluate the users access. This review process will be reinforced and formalized to periodically scrutinize all access across the various modules under the supervision of the appropriate data owners. Consequent findings will be methodically documented, and adjustments to access will be made accordingly. This systematic approach is expected to prevent a recurrence of similar issues in the future.

(3) Findings and Questioned Costs Relating to Federal Awards

None



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OFFICE OF FINANCE AND ADMINISTRATION

Internal Control Deficiencies and Corrections

For the following findings, Clark Atlanta has documented the corrective action plan below in order to provide an understanding and plan in consideration of the findings in fiscal year 2022.

Finding No. 2022-001:

In order to address the above finding, management has put the below plan in place and included the status related to the steps of the plan:

Corrective Actions Steps	Responsible Office & Individual	Timeframe to Complete	Status
1.The General Accounting Director and Manager provide guidance to the accounting staff on how to perform daily cash transactions and end-of-month bank reconciliations.	General Accounting/Taneshia Stevens	06/30/2023	Completed
2. The Accounting Director reviews the reconciliation checklist.	General Accounting/Taneshia Stevens General	06/30/2023	Completed
3. The manager agrees the account balance to the Trial Balance and the bank balance to the account statement downloaded from PNC.	Accounting/Yvette Raymond	02/01/2023	Completed
4. Discrepancies and outstanding items are addressed with the Staff Accountant who is responsible for facilitating the resolution with the responsible department.	General Accounting/Taneshia Stevens	06/30/2023	Completed
5. The Office of the Controller meets monthly to review the reconciliations.	Office of the Controller/Veronica Streetman	06/30/2023	Completed

6. Hire additional accounting staff to accommodate the increasing demands and workload of the General Accounting team.	General Accounting/Taneshia Stevens	09/15/2023	Completed
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Finding No. 2022-002:

In order to address the above finding, management has put the below plan in place and included the status related to the steps of the plan:

Corrective Actions Steps	Responsible Office & Individual	Timeframe to Complete	Status
1.The Purchasing Department will ensure compliance with applicable procurement policies and procedures by reviewing and monitoring procurements within the Department/Office.	Donna Byrd, Purchasing Department	03/15/2023	Completed
2. The Director and Staff will ensure the appropriate signatures are obtained before processing.	Donna Byrd, Purchasing Department	03/15/2023	Completed
3. The Director will periodically review the invoices to ensure controls are operating effectively.	Donna Byrd, Purchasing Department	03/15/2023	Completed

Finding No. 2022-003:

In order to address the above finding, management has put the below plan in place and included the status related to the steps of the plan:

Corrective Actions Steps	Responsible Office & Individual	Timeframe to Complete	Status
1. The OPAR Office and the Office of Financial Aid will prepare the report related to Student Aid. This report will be submitted to the Grants and Contracts Manager.	Tarji Kinsey, OPAR Office James Stotts, Financial Aid	05/08/2023	Completed
2. The Grants and Contracts Manager will review the Student Aid section for accuracy and prepare the section related to the Institutional funds. The final report will be submitted to the AVP, Controller for review and approval.	Sheree Cox, GCA Manager	05/08/2023	Completed
3. The AVP, Controller will review the report for accuracy and approval. The final approved report will be sent to the OPAR Office for posting on the CAU website.	Veronica Streetman, Office of the Controller	05/08/2023	Completed

Finding No. 2022-004:

In order to address the above finding, management has put the below plan in place and included the status related to the steps of the plan:

Corrective Actions Steps	Responsible Office & Individual	Timeframe to Complete	Status
1. Implement Banner Time and Effort Reporting Module	Ellucian Team	01/12/2024	Completed
2. Appoint a Time & Effort Administrator (RSP) and conduct Training on Time and Effort Reporting	RSP	04/25/2024	Completed
3. The GCA generates time and effort reports to be reviewed and corrected by personnel who are paid in part or fully from federally	GCA, RSP, Key Personnel	06/07/2024	Completed

<p>funds for sponsored projects.</p> <p>4. Quarterly meetings to review T&E reports for reasonable assurance that the charges are accurate, allowable, and properly allocated.</p> <p>a. Request prior-approval from Federal agency for any recommended changes in key personnel, 3 or more month project disengagement, and/or 25%+ reduction in time devoted to project by PI</p> <p>b. Correcting time and effort inaccuracies: RSP will submit the appropriate forms to GCA/Human Resource with the proper signatures (Payroll Distribution form and Change in Personnel Distribution Form)</p>	<p>GCA, RSP, and Key Personnel</p> <p>GCA, RSP, and Key Personnel</p> <p>GCA, RSP, and Key Personnel</p>	<p>06/07/2024</p> <p>06/07/2024</p> <p>06/07/2024</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>
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OFFICE OF FINANCE AND ADMINISTRATION

Internal Control Deficiencies and Corrections

For the following findings, Clark Atlanta has documented the corrective action plan below in order to provide an understanding and plan in consideration of the findings in fiscal year 2023.

Finding No. 2023-001

Criteria: COSO principle 10, *Selection and Development of Control Activities*; GAO Federal Internal Control Principle Standards principle, *Design Control Activities*

Condition: The internal control related to the authorization and restriction of maintenance access to the NBAJOB's class (HR payroll system) was not operating effectively in fiscal year 2023. During a walkthrough of this control, we observed payroll department personnel who do not have authorization to make changes to the HR module, successfully access and edit employee pay information. In addition, the University did not perform sufficient review of the maintenance access list to ensure that the HR payroll system was secure.

Cause: This matter occurred due to improper permissions being distributed to the payroll department in connection with a Banner system upgrade and the University not reviewing access for appropriateness.

Result: Without effective internal controls in place, there is an increased risk that unauthorized users can access the HR module to make edits and process changes to employee pay.

Recommendation: Without effective internal controls in place, there is an increased risk that unauthorized users can access the HR module to make edits and process changes to employee pay.

Views of responsible officials:

Management has thoroughly reviewed the findings concerning the internal control of the authorization and restriction of maintenance access to the HR payroll system, which was found to be ineffective in fiscal year 2023. Management concedes the validity of these findings.

In response to this discovery, it was ascertained that unauthorized maintenance activities were not carried out by personnel in the payroll department. During the audit fieldwork, meetings were arranged with the Data Stewards to address the user identified in the audit. Subsequently, the user's maintenance access was revoked and modified to query access. Immediate measures were implemented, effectively rectifying the identified deficiency.

The university is presently conducting a comprehensive security review with the data stewards to evaluate the users access. This review process will be reinforced and formalized to periodically scrutinize all access across the various modules under the supervision of the appropriate data owners. Consequent findings will be methodically documented, and adjustments to access will be made accordingly. This systematic approach is expected to prevent a recurrence of similar issues in the future.

In order to address the above finding, management has put the below plan in place and included the status related to the steps of the plan:

Corrective Actions Steps	Responsible Office & Individual	Timeframe to Complete	Status
<p>1. Quarterly Banner Security Review: The Ellucian Team will provide the Banner group classes and class object list to the Data Stewards.</p>	<p>Ellucian Team: Barker-Dennis/ Executive Director Akella/Programmer Analyst</p>	<p>Effective March 2024</p>	<p>Quarterly Activity</p>
<p>2. Data Stewards review group classes to identify the classes linked to each group and examine the class objects associated with each class. If they find any inappropriate or unnecessary access, or if no changes are identified during these reviews, they will submit the information to the Ellucian Team for processing.</p>	<p>Data Stewards: Streetman/AVP,Controller Stevens/ Associate Controller Williamson/ Student Accounts Director Byrd/ Purchasing Director Holmes/ Payroll Manager Harris/ Budget Director Merritt/ VP of Finance & Administration Gibson/Registrar Stotts/ AVP,Financial Aid Roman/AVP, Human Resources</p>	<p>Effective March 2024</p>	<p>Quarterly Activity</p>
<p>3. The Ellucian team will make the necessary changes to the Banner Security application promptly.</p>	<p>Ellucian Team: Barker-Dennis/ Executive Director Akella/Programmer Analyst</p>	<p>Effective March 2024</p>	<p>Quarterly Activity</p>