



**CLARK ATLANTA
UNIVERSITY**

CLARK ATLANTA UNIVERSITY

Financial Statements and Reports Required as Required by the Uniform
Guidance

June 30, 2022 and 2021

(With Independent Auditors' Reports Thereon)

CLARK ATLANTA UNIVERSITY

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

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, 2022 and 2021, 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, 2022 and 2021, 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 audits 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 audits. 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in 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 11, 2023 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 11, 2023

CLARK ATLANTA UNIVERSITY

Statements of Financial Position

June 30, 2022 and 2021

Assets	2022	2021
Cash and cash equivalents	\$ 69,713,781	42,332,123
Restricted cash	9,136,392	8,980,654
Accounts receivable, net (note 2)	6,694,868	4,647,822
Pledges receivable, net (note 2)	546,432	475,432
Prepays and other assets	2,247,800	1,261,088
Property, plant, and equipment, net (note 5)	133,817,199	127,392,953
Investments (notes 3 and 11)	100,945,659	114,347,777
Beneficial interest in perpetual trust (note 11)	427,244	440,118
Perkins loans receivable, net (note 4)	3,623,972	4,846,881
Asset held and not used, net (note 1)	460,000	460,000
Total assets	<u>\$ 327,613,347</u>	<u>305,184,848</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 10,242,982	8,934,532
Advances from granting agencies	708,825	450,216
Deferred revenue	963,414	1,073,651
Refundable advances (note 4)	2,943,280	4,413,706
Note payable	22,813	38,382
BOA loans payable	2,272,365	2,603,060
Mortgages payable (note 7)	473,528	645,671
Other liabilities (note 16)	1,033,440	1,377,920
Asset retirement obligation	1,142,393	1,077,730
Total liabilities	<u>19,803,040</u>	<u>20,614,868</u>
Commitments and contingencies (notes 6, 7, 8, and 16)		
Net assets:		
Without donor restrictions	175,528,922	149,355,975
With donor restrictions (note 13)	132,281,385	135,214,005
Total net assets	<u>307,810,307</u>	<u>284,569,980</u>
Total liabilities and net assets	<u>\$ 327,613,347</u>	<u>305,184,848</u>

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2022

(with summarized financial information for the year ended June 30, 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Revenue, gains, and other support:				
Tuition and fees, net student aid	\$ 66,294,211	—	66,294,211	60,406,029
Government grants	5,813,214	64,878,592	70,691,806	51,813,139
Private gifts and grants	2,356,578	12,230,053	14,586,631	13,751,041
Investment income, net	131,099	64,270	195,369	980,113
Auxiliary enterprises	16,281,964	—	16,281,964	3,518,938
Net realized and unrealized gains (losses) on investments	(1,314,496)	(972,067)	(2,286,563)	2,098,221
Amounts allowed per university's endowment spending policy	—	1,704,302	1,704,302	1,756,732
Other revenue	1,776,915	1,188,102	2,965,017	951,107
Net assets released from restriction for satisfaction of program restrictions (note 14)	72,086,762	(72,086,762)	—	—
Total operating revenue, gains, and other support	163,426,247	7,006,490	170,432,737	135,275,320
Expenses (note 9):				
Instruction	35,253,592	—	35,253,592	31,248,801
Research	9,409,491	—	9,409,491	8,362,822
Academic support	10,035,882	—	10,035,882	10,061,295
Student services	13,437,536	—	13,437,536	9,960,377
Institutional support	36,296,034	—	36,296,034	30,909,464
Public service	2,727,757	—	2,727,757	2,078,329
Auxiliary enterprise	19,717,449	—	19,717,449	11,343,694
Student aid	10,375,559	—	10,375,559	3,032,175
Total operating expenses	137,253,300	—	137,253,300	106,996,957
Change in net assets from operating activities	26,172,947	7,006,490	33,179,437	28,278,363
Nonoperating activities:				
Private gifts and grants	—	2,925,253	2,925,253	11,279,928
Investment income, net	—	2,252,984	2,252,984	1,548,227
Net realized and unrealized gains (losses) on investments	—	(13,400,171)	(13,400,171)	17,878,501
Change in beneficial interest in perpetual trusts	—	(12,874)	(12,874)	20,711
Amounts allowed per university's endowment spending policy	—	(1,704,302)	(1,704,302)	(1,756,732)
Change in net assets from nonoperating activities	—	(9,939,110)	(9,939,110)	28,970,635
Change in net assets	26,172,947	(2,932,620)	23,240,327	57,248,998
Net assets, beginning of year	149,355,975	135,214,005	284,569,980	227,320,982
Net assets, end of year	\$ 175,528,922	132,281,385	307,810,307	284,569,980

CLARK ATLANTA UNIVERSITY

Statement of Activities

Year ended June 30, 2021

	2021		
	Without donor restrictions	With donor restrictions	Total
Revenue, gains, and other support:			
Tuition and fees, net student aid	\$ 60,406,029	—	60,406,029
Government grants	14,403,582	37,409,557	51,813,139
Private gifts and grants	1,156,896	12,594,145	13,751,041
Investment income, net	961,255	18,858	980,113
Auxiliary enterprises	3,518,938	—	3,518,938
Net realized and unrealized gains on investments	1,715,382	382,839	2,098,221
Amounts allowed per university's endowment spending policy		1,756,732	1,756,732
Other revenue	944,794	6,313	951,107
Net assets released from restriction for satisfaction of program restrictions (note 14)	42,001,804	(42,001,804)	—
Total operating revenue, gains, and other support	125,108,680	10,166,640	135,275,320
Expenses (note 9):			
Instruction	31,248,801	—	31,248,801
Research	8,362,822	—	8,362,822
Academic support	10,061,295	—	10,061,295
Student services	9,960,377	—	9,960,377
Institutional support	30,909,464	—	30,909,464
Public service	2,078,329	—	2,078,329
Auxiliary enterprise	11,343,694	—	11,343,694
Student aid	3,032,175	—	3,032,175
Total operating expenses	106,996,957	—	106,996,957
Change in net assets from operating activities	18,111,723	10,166,640	28,278,363
Nonoperating activities:			
Private gifts and grants	—	11,279,928	11,279,928
Investment income, net	—	1,548,227	1,548,227
Net realized and unrealized gain on investments	—	17,878,501	17,878,501
Change in beneficial interest in perpetual trusts	—	20,711	20,711
Amounts allowed per university's endowment spending policy	—	(1,756,732)	(1,756,732)
Change in net assets from nonoperating activities	—	28,970,635	28,970,635
Change in net assets	18,111,723	39,137,275	57,248,998
Net assets, beginning of year	131,244,252	96,076,730	227,320,982
Net assets, end of year	\$ 149,355,975	135,214,005	284,569,980

See accompanying notes to financial statements.

CLARK ATLANTA UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,240,327	57,248,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,149,200	9,123,793
Accretion of asset retirement obligation	64,663	61,003
Provision for bad debt	8,289	221,162
Receipt of agency funds (Federal Direct Student Loans and Federal Pell Grants)	82,848,522	72,067,139
Disbursement of agency funds	(82,848,522)	(72,067,139)
Contributions, grants, and income restricted for long-term investment and acquisition of property, plant, and equipment	(2,925,253)	(11,279,928)
Net loss on disposition of property	(243,403)	10,037
Gain on Forgiveness of Debt - HBCU Loan	—	(12,982,144)
Net realized and unrealized loss(gain) on investments and beneficial interest in perpetual trust	15,699,608	(19,997,433)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,426,434)	(1,744,538)
Pledges receivable	(71,000)	(34,401)
Prepays and other assets	(986,712)	(117,909)
Accounts payable and accrued expenses	(867,583)	1,935,294
Other liabilities	(344,480)	(344,480)
Advances from granting agencies	258,609	(297,304)
Deferred revenue	(110,237)	567,202
Net cash provided by operating activities	<u>41,445,594</u>	<u>22,369,352</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	7,254,258	13,166,177
Purchases of investments	(9,603,835)	(23,350,766)
Proceeds from student loan repayments	594,008	564,874
Proceeds from the sale of property, plant and equipment	259,000	—
Purchases of property, plant, and equipment	(13,413,010)	(11,270,054)
Net cash used in investing activities	<u>(14,909,579)</u>	<u>(20,889,769)</u>
Cash flows from financing activities:		
Contributions and income restricted for long-term investment and acquisitions of property, plant, and equipment	2,925,253	11,279,928
Principal repayments on BOA, loans, notes, and mortgages payable	(518,405)	(888,039)
Refundable advances	(1,470,426)	(1,199,831)
Proceeds from BOA loans payable	—	2,603,060
Net cash provided by financing activities	<u>936,422</u>	<u>11,795,118</u>
Net increase in cash and cash equivalents	27,472,437	13,274,701
Cash and cash equivalents and restricted cash, beginning of year	<u>53,176,816</u>	<u>39,902,115</u>
Cash and cash equivalents and restricted cash, end of year	\$ <u>80,649,253</u>	\$ <u>53,176,816</u>
Reconciliation for cash and cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 69,713,781	42,332,123
Restricted cash	9,136,392	8,980,654
Cash and cash equivalents within non-endowed investment funds	<u>1,799,080</u>	<u>1,864,039</u>
Total cash and cash equivalents and restricted cash	\$ <u>80,649,253</u>	\$ <u>53,176,816</u>
Supplemental schedule of noncash operating, financing and investing activity:		
Forgiveness of bonds payable by U.S. Secretary of Education	\$ —	12,982,144
Purchase of property, plant, and equipment included in accounts payable and accrued expenses	2,851,526	675,493
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 152,744	600,069

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2022 and 2021

(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 nondegree 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 also 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 pledges receivable 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.

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Notes to Financial Statements

June 30, 2022 and 2021

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 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. Cash and cash equivalents exposed to credit risk is the amount of deposits in excess of federally insured limits. The amount of deposits in excess of federally insured limits was \$78,347,108 and \$50,810,298, respectively, as of June 30, 2022 and 2021. 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 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 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

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

managers or general partners, unless there is an active secondary trading market in the securities. Hedge fund investments are valued at amounts 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 \$311,621 and \$247,841 for the years ended June 30, 2022 and 2021, 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

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Notes to Financial Statements

June 30, 2022 and 2021

(h) Asset Held and Not Used

The University has a hotel/restaurant property with a net book value of \$460,000 as of both June 30, 2022 and 2021. 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, 2022 and 2021. The building reached the end of its economic life in 2020 and no further amortization was recorded in either 2021 or 2022. The remaining value relates to land which is not depreciated.

(i) 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 valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary. No impairments were recorded in either 2022 or 2021.

(j) 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 reduces the amount of revenue recognized. For the year ended June 30, 2022, the approximate \$88 million in revenue from tuition and fees reflects aggregate reductions from student aid of approximately \$22 million against gross charges for which the amounts at published rates were approximately \$66 million. Financial aid, awards, and scholarships awarded to students were \$21,930,083 in 2022 and \$10,991,337 in 2021.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

The following table provides the components of tuition and fees revenue by programs for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Undergraduate programs	\$ 76,658,690	60,997,492
Graduate programs	<u>11,565,604</u>	<u>10,399,874</u>
Total at published rates	88,224,294	71,397,366
Less institutional aid for undergraduate programs	(21,510,106)	(10,647,592)
Less institutional aid for graduate programs	<u>(419,977)</u>	<u>(343,745)</u>
Total tuition and fees revenue	<u>\$ 66,294,211</u>	<u>60,406,029</u>

(k) Auxiliary Enterprises Revenue and Other Revenue

Auxiliary enterprises 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 enterprises revenue is recorded when the performance obligation has been met in the fiscal year. For the years ended June 30, 2022 and 2021, respectively, the approximate \$16.3 million and \$3.5 million in revenue from auxiliary enterprises reflects aggregate reductions from student aid of approximately \$0.3 million and \$4,000, respectively, against gross charges for which the amounts at published rates were approximately \$16.6 million and \$3.5 million, respectively.

(l) Private Gifts and Grants

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

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.

(m) 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

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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.

(n) *Coronavirus Pandemic (COVID-19)*

In March 2020, the World Health Organization declared the novel coronavirus a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may significantly affect operations and financial condition, including, among other things, (i) the ability of the University to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

In March 2020, the University postponed commencement until May 16, 2021, for 2020 graduates. The University remained in an all virtual online teaching environment for all of the Fall 2020 as the campus was closed. The University returned to limited on-campus classes in Spring 2021, while most students remained in a virtual learning environment. CAU returned to a full on ground campus opening in Fall 2021 and continued full on-ground campus learning in 2022.

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. The CARES Act appropriated funds specifically for higher education institutions as general grants, minority-serving and strengthening institutions grants, and unmet needs grants. During fiscal 2022 and 2021, under the CARES Act, the College received \$55,634,393 and \$23,640,177, 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.

(o) *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 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.

(p) *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

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June 30, 2022 and 2021 from these organizations totaled \$5,251,676 and \$5,202,352 respectively, and are recorded in academic support in the accompanying statements of activities.

(q) 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.

(r) 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.

(s) 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 2019 through 2021 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, 2022 and 2021. The University has a policy to record interest and penalties (if any) related to income tax matters in income tax expense.

(t) 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 balance sheet a liability to make lease payments (lease liability) and a right-of-use asset (current 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

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the effective date of ASU 2016-02. The ASU is effective, as deferred, for the University for fiscal years beginning after December 15, 2021, and the University plans to implement the provisions of ASU 2016-02 during fiscal year 2023. The University has not yet determined the impact of the new standard on its current policies for lessee accounting.

In June 2019, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The ASU is effective for the University in fiscal year 2022. The University has adopted this guidance noting no material impact on the financial statements.

The FASB issued ASU 2020-07 Not-For-Profit Entities (Topic 958) on Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, which requires organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from cash and other financial assets, and disaggregate into different categories of the nonfinancial assets. For each category, the qualitative information is required, and whether the contributed nonfinancial asset was monetized or utilized during the reporting period. For utilized assets the description of programs and other activities and donor imposed restrictions on the use of assets need to be disclosed. The policy about monetizing rather than utilizing nonfinancial assets, valuation techniques and principal markets used to arrive at a fair value measure at initial recognition also need to be disclosed. The term nonfinancial asset includes fixed assets (land, building, equipment) or utilities, materials, supplies, intangible assets, services and unconditional promises of these assets. This ASU is effective for the University for the fiscal year 2022. The University has adopted this guidance with no material impact to the financial statements.

(2) Accounts and Pledges Receivable

Accounts receivable consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 8,954,188	8,612,525
Grants receivable	3,437,512	1,998,911
Agency receivable	333,649	143,420
Other receivable	880,667	735,152
Total	13,606,016	11,490,008
Less allowance for doubtful accounts	<u>(6,911,148)</u>	<u>(6,842,186)</u>
Accounts receivables, net	<u>\$ 6,694,868</u>	<u>4,647,822</u>

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

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Pledges receivable as of June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Pledges receivable to be collected in:		
Less than one year	\$ 1,023,291	852,291
One year to five years	500,000	500,000
More than five years	<u>—</u>	<u>100,000</u>
Pledges receivable, gross	1,523,291	1,452,291
Less unamortized discount	(184,120)	(184,120)
Less allowance for doubtful accounts	<u>(792,739)</u>	<u>(792,739)</u>
Total	<u><u>\$ 546,432</u></u>	<u><u>475,432</u></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 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, 2022 and 2021, respectively. 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.

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(3) Investments

The fair value of investments is summarized as follows as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment pooled funds:		
Cash, money market, and short-term funds	\$ 3,033,375	4,975,828
Common stocks	50,712,606	62,488,537
Mutual funds:		
Equity funds	1,467,271	2,084,136
Bonds funds	17,499,920	17,498,306
Commodities funds	3,663,092	2,416,786
Real estate funds	3,223,796	1,305,343
Alternative funds:		
Hedge funds	8,575,416	8,168,326
Other investment funds:		
Cash, money market, and short-term funds	1,799,080	1,864,039
Mutual funds:		
Equity funds	7,223,426	9,545,109
Bonds funds	<u>3,747,677</u>	<u>4,001,367</u>
Total investments	\$ <u>100,945,659</u>	<u>114,347,777</u>
	<u>2022</u>	<u>2021</u>
With donor restrictions	\$ 94,170,159	106,343,728
Without donor restrictions	<u>6,775,500</u>	<u>8,004,049</u>
Total investments	\$ <u>100,945,659</u>	<u>114,347,777</u>

The endowment pooled funds consist of donor-restricted endowment corpus 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 on investments and beneficial interest in perpetual trust consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net realized gains	\$ 1,827,694	1,573,161
Net unrealized (losses) gains	<u>(17,527,302)</u>	<u>18,424,272</u>
Total	\$ <u>(15,699,608)</u>	<u>19,997,433</u>

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(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, 2022 or 2021. 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 \$2,662,130 and \$4,130,212 at June 30, 2022 and 2021, 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, 2022 and 2021 consists of \$162,379 and \$162,379 related to grant agencies and \$118,771 and \$121,114, 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 June 30, 2022 and 2021, the University had the following outstanding student loans receivable under the Perkins loan program.

	<u>2022</u>	<u>2021</u>
Perkins loan receivable, gross	\$ 10,028,150	10,622,157
Adjustments:		
Defaulted loans submitted to the government	(4,917,080)	(4,290,254)
Other – net	<u>(1,487,098)</u>	<u>(1,485,022)</u>
Total Perkins loans receivable, net	<u>\$ 3,623,972</u>	<u>4,846,881</u>

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(5) Property, Plant, and Equipment

Property, plant, and equipment consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 226,108,004	225,601,661
Furniture, computers, software, equipment, capital leases, and vehicles	56,632,188	49,702,433
Land and improvements	19,002,719	18,983,109
Construction in progress	17,112,376	9,013,741
Artwork	<u>316,371</u>	<u>297,671</u>
Total assets	319,171,658	303,598,615
Less accumulated depreciation	<u>(185,354,459)</u>	<u>(176,205,662)</u>
Net book value	<u>\$ 133,817,199</u>	<u>127,392,953</u>

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$9,149,200 and \$9,123,793, respectively.

(6) Operating Leases

The University has several operating leases, primarily for equipment rental. A summary of future minimum operating lease payments for cancelable and non-cancelable leases with initial or remaining lease terms in excess of one year is as follows:

	<u>Operating leases</u>
Year ending June 30:	
2023	\$ 32,760
2024	17,825
2025 and thereafter	<u>35,205</u>
Total	<u>\$ 85,790</u>

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(7) Mortgages and BOA Loans Payable

Mortgages payable consisted of the following as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
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	\$ 473,528	645,671
Total	\$ <u>473,528</u>	<u>645,671</u>

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

	<u>2022</u>
Year ending June 30:	
2023	\$ 181,741
2024	191,874
2025	<u>99,913</u>
Total	\$ <u>473,528</u>

As a requirement of the mortgage agreements, the University is required to maintain a debt service reserve account and repair and replacement reserve account amounting to \$1,047,206 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, 2022 and 2021.

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, 2022 and 2021, the University had approximately \$2.2 million and \$2.6 million, respectively outstanding with an interest rate of 2.99%, included in BOA loans payable in the accompanying statements of financial position. The University will make principal and interest payments through August 20, 2027.

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

	<u>2022</u>
Year ending June 30:	
2023	\$ 413,160
2024	425,684
2025	438,588
2026	451,883
2027 and thereafter	<u>543,050</u>
Total	<u><u>\$ 2,272,365</u></u>

(8) Bonds Payable

As of March 19, 2021, the University acknowledged satisfaction and release of the promissory Note relating to the Series A 2007-1 Bond from RICE Capital Access Program, LLC. In addition, the principal, accrued interest, and redemption premium have been paid in full. Therefore, all Loan Payments due and payable by the Borrower according to the Note and evidencing the Loan have been satisfied.

(9) 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 \$1,749,355 and \$1,383,340, respectively, for the years ended June 30, 2022 and 2021. Interest expense for the years ended June 30, 2022 and 2021 was \$181,975 and \$391,246, 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, 2022 and 2021 were \$54,357 and \$39,622, respectively.

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

	Functional categories								Total
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	Student aid	
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
AUC 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	\$ 35,253,592	9,409,491	10,035,882	13,437,536	36,296,034	2,727,757	19,717,449	10,375,559	137,253,300

Expenses by natural and functional classifications for the year ended June 30, 2021 are as follows:

	Functional categories								Total
	Instruction	Research	Academic support	Student services	Institutional support	Public service	Auxiliary enterprise	Student aid	
Salaries and wages	\$ 18,519,940	4,118,927	3,212,361	5,277,231	11,509,941	1,047,608	331,839	—	44,017,847
Fringe benefits	6,298,242	1,134,270	1,107,857	1,867,477	4,285,177	360,801	149,522	—	15,203,346
Contractual services	487,702	367,767	254,858	556,580	5,061,931	244,193	2,150,021	—	9,123,052
Travel	56,500	4,595	7,439	38,372	119,662	5,152	1,284	—	233,004
Supplies	114,879	390,083	161,827	160,814	3,452,693	29,600	69,057	—	4,378,953
Repairs and maintenance	221,225	90,254	18,693	62,812	104,111	2,381	345,847	—	845,323
Other expenses	330,040	136,006	137,905	493,258	2,740,568	265,964	131,936	—	4,235,677
Insurance	—	—	—	(3,379)	1,202,911	—	—	—	1,199,532
Communication costs	112,304	17,769	23,029	66,012	323,639	120,756	184,275	—	847,784
Printing and duplication	8,884	9,704	2,236	97,882	25,739	687	(3,605)	—	141,527
Utilities	869,463	311,631	59,952	230,071	275,936	467	1,301,912	—	3,049,432
Subcontracts	1,645,668	855,681	111,711	428,698	503,550	720	2,425,887	—	5,971,915
AUC costs	—	—	4,785,254	—	417,098	—	—	—	5,202,352
Student aid	—	—	—	—	—	—	—	3,032,175	3,032,175
Interest expense	—	—	—	801	3,873	—	386,572	—	391,246
Depreciation	2,583,954	926,135	178,173	683,748	882,635	—	3,869,147	—	9,123,792
Total operating expenses	\$ 31,248,801	8,362,822	10,061,295	9,960,377	30,909,464	2,078,329	11,343,694	3,032,175	106,996,957

(10) 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

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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, 2022 and 2021 were \$1,879,235 and \$1,723,676, respectively.

(11) 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 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

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reflected at fair value at June 30, 2022 and 2021 totaled approximately \$547,000 and \$471,500, 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.

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.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

The University has \$8,575,416 and \$8,168,326 of investments at June 30, 2022 and 2021, 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, 2022 and 2021, as well as related strategy:

June 30, 2022	Level 1	Level 2	Level 3	Investments measured at NAV	Total
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

June 30, 2021	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Cash, money market, and short-term funds and certificates of deposit	\$ 6,839,867	—	—	—	6,839,867
Common stocks	62,488,538	—	—	—	62,488,538
Mutual funds	36,851,046	—	—	—	36,851,046
Alternative investments:					
Hedge funds (a)	—	—	—	8,168,326	8,168,326
Subtotal investments	106,179,451	—	—	8,168,326	114,347,777
Beneficial interest in perpetual trust	—	—	440,118	—	440,118
Total	\$ 106,179,451	—	440,118	8,168,326	114,787,895

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

- (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>2022 fair value</u>	<u>Unfunded commitments</u>	<u>2021 fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>
Hedge funds	\$ 8,575,416	5,000,000	8,168,326	—	N/A	Annually/quarterly ⁽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.

(12) 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 primary gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The 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

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(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 U.S. generally accepted accounting principles 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 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.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

Endowment funds consist of the following as of June 30, 2022 and 2021:

		June 30, 2022		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$	—	92,509,648	92,509,648
Board-designated endowment funds		—	—	—
Total endowment net assets	\$	<u>—</u>	<u>92,509,648</u>	<u>92,509,648</u>

		June 30, 2021		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$	—	102,435,884	102,435,884
Board-designated endowment funds		—	—	—
Total endowment net assets	\$	<u>—</u>	<u>102,435,884</u>	<u>102,435,884</u>

Changes in endowment net assets for the fiscal year ended June 30, 2022 and 2021 is as follows:

		June 30, 2022		
		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2021	\$	—	102,435,884	102,435,884
Funds with deficiencies		—	—	—
Investment return:				
Net investment income		—	2,252,984	2,252,984
Net investment loss		—	(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>—</u>	<u>92,509,648</u>	<u>92,509,648</u>

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

		June 30, 2021		
		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2020	\$	—	74,408,547	74,408,547
Funds with deficiencies		—	—	—
Investment return:				
Net investment income		—	1,517,259	1,517,259
Net investment gain		—	16,986,882	16,986,882
Total investment return		—	18,504,141	18,504,141
Contributions to endowment		—	11,279,928	11,279,928
Amount expended		—	(1,756,732)	(1,756,732)
Endowment net assets, June 30, 2021	\$	—	102,435,884	102,435,884

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, 2022 or 2021.

(e) Endowment Borrowing

In 1997, the University's Board of Trustees authorized a borrowing of up to \$10,000,000 from the University's endowment to fund the University's operations as necessary. In that same year, the University borrowed \$7,000,000 from the endowment at an interest rate of 1.5%. As of June 30, 2022 and 2021, the amount outstanding related to this borrowing, including accrued interest, net of repayments was \$0 and \$1,043,764, respectively.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(13) Net Assets

Net assets with donor restrictions consisted of amounts restricted for the following purposes at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donor-restricted endowments subject to spending policy and appropriation to support the following purposes:		
Scholarships	\$ 48,884,830	55,500,864
Instruction	14,922,481	17,260,385
General operations	<u>28,702,337</u>	<u>29,674,635</u>
	92,509,648	102,435,884
Contributions receivable available for scholarships and student aids	547,000	471,000
Restricted gifts and grants available to support students and faculty, capital projects, and departmental and programmatic needs	29,132,244	21,603,001
Subject to expenditure for specified purposes:		
Student aid	9,400,123	9,998,877
Other	<u>692,370</u>	<u>705,243</u>
	<u>\$ 132,281,385</u>	<u>135,214,005</u>

Net assets with donor restrictions are summarized as follows for the purpose of complying with the U.S. Department of Education's (DOE) standards of financial responsibility, as set forth in 34 CFR 668.171-2, as of and for the year ended June 30, 2022:

	<u>2022</u>	<u>2021</u>
Term endowments with donor restrictions	\$ 8,776,864	10,011,415
Net assets with donor restrictions: restricted in perpetuity	37,233,521	34,321,142
Net assets with donor restrictions: restricted by time and purpose	<u>86,271,000</u>	<u>90,881,448</u>
Net assets with donor restrictions	<u>\$ 132,281,385</u>	<u>135,214,005</u>

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

(14) 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Student aid	\$ 13,182,228	5,546,258
Instruction	2,388,965	2,059,173
Research	4,740,030	4,056,439
Public service	1,400,882	655,830
Academic support	2,251,710	1,608,826
Student services	1,048,302	849,771
Institutional support	<u>47,074,645</u>	<u>27,225,507</u>
Total net assets released from restrictions	<u>\$ 72,086,762</u>	<u>42,001,804</u>

(15) 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.

At June 30, 2022 and 2021, existing financial assets and liquidity resources available within one year to meet general expenditures were as follows:

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 191,088,348	176,070,807
Less financial assets unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by commercial or contractual terms	(12,760,364)	(13,827,533)
Restricted by donor with time or purpose restrictions	(500,000)	(600,000)
Subject to appropriation and satisfaction of donor restrictions	(92,509,648)	(102,435,884)
Investment held in perpetual trust	(427,244)	(440,118)
Receipt or collections expected after one year	<u>(5,839,996)</u>	<u>(5,937,051)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 79,051,096</u>	<u>52,830,221</u>

(16) 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 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.

CLARK ATLANTA UNIVERSITY

Notes to Financial Statements

June 30, 2022 and 2021

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 \$2,793,794 and \$4,162,362 as of June 30, 2022 and 2021, 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, 2022 and 2021. Future payments due by the University under the unconditional purchase obligation are as follows:

	<u>Amount</u>
Year ending June 30:	
2023	\$ <u>1,406,574</u>
Total	\$ <u><u>1,406,574</u></u>

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, 2022 and 2021 were \$1,392,162 and \$1,261,742, 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 \$2,066,880. That cost is amortized over the 10-year term. Should CAU terminate the agreement early, CAU will be responsible to make payment to Sodexo at any unamortized balance of the remodeling costs. The outstanding balance was \$1,033,440 and \$1,377,920 for June 30, 2022 and 2021, 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, 2022 and 2021

(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, 2022 through January 11, 2023, 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, 2022

(with summarized financial information for the year ended June 30, 2021)

	Without donor restrictions	With donor restrictions	Total 2022	Total 2021
Revenue, gains, and other support:				
Tuition and fees, net	\$ 66,294,211	—	66,294,211	60,406,029
Government grants	5,813,214	64,878,592	70,691,806	51,813,139
Private gifts and grants	2,356,578	15,155,306	17,511,884	25,030,969
Net investment income	131,099	2,317,254	2,448,353	2,528,340
Auxiliary enterprises	16,281,964	—	16,281,964	3,518,938
Net realized and unrealized gains on investments	(1,314,496)	(14,385,112)	(15,699,608)	19,997,433
Other revenue	1,776,915	1,188,102	2,965,017	951,107
Net assets released from restrictions:				
Satisfaction of program restrictions	72,086,762	(72,086,762)	—	—
Total revenue, and other support	163,426,247	(2,932,620)	160,493,627	164,245,955
Expenses:				
Instruction	35,253,592	—	35,253,592	31,248,801
Research	9,409,491	—	9,409,491	8,362,822
Academic support	10,035,882	—	10,035,882	10,061,295
Student services	13,437,536	—	13,437,536	9,960,377
Institutional support	36,296,034	—	36,296,034	30,909,464
Public service	2,727,757	—	2,727,757	2,078,329
Auxiliary enterprises	19,717,449	—	19,717,449	11,343,694
Student aid	10,375,559	—	10,375,559	3,032,175
Total expenses	137,253,300	—	137,253,300	106,996,957
Change in net assets	26,172,947	(2,932,620)	23,240,327	57,248,998
Net assets, beginning of year	149,355,975	135,214,005	284,569,980	227,320,982
Net assets, end of year	\$ 175,528,922	132,281,385	307,810,307	284,569,980

See accompanying independent auditors' report.

CLARK ATLANTA UNIVERSITY

Schedule of Changes in Net Assets

Year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total 2021
Revenue, gains, and other support:			
Tuition and fees, net	\$ 60,406,029	—	60,406,029
Government grants	14,403,582	37,409,557	51,813,139
Private gifts and grants	1,156,896	23,874,073	25,030,969
Net investment income	961,255	1,567,085	2,528,340
Auxiliary enterprises	3,518,938	—	3,518,938
Net realized and unrealized gains on investments	1,715,382	18,282,051	19,997,433
Other revenue	944,794	6,313	951,107
Net assets released from restrictions:			
Satisfaction of program restrictions	42,001,804	(42,001,804)	—
Total revenue, and other support	125,108,680	39,137,275	164,245,955
Expenses:			
Instruction	31,248,801	—	31,248,801
Research	8,362,822	—	8,362,822
Academic support	10,061,295	—	10,061,295
Student services	9,960,377	—	9,960,377
Institutional support	30,909,464	—	30,909,464
Public service	2,078,329	—	2,078,329
Auxiliary enterprises	11,343,694	—	11,343,694
Student aid	3,032,175	—	3,032,175
Total expenses	106,996,957	—	106,996,957
Change in net assets	18,111,723	39,137,275	57,248,998
Net assets, beginning of year	131,244,252	96,076,730	227,320,982
Net assets, end of year	\$ 149,355,975	135,214,005	284,569,980

See accompanying independent auditors' report.

CLARK ATLANTA UNIVERSITY

Supplementary Schedule of Financial Responsibility Data

Year ended June 30, 2022

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	\$ 175,528,922
Net assets with donor restrictions	Statement of financial position	132,281,385
Property and equipment, net (includes construction in progress, pre-implementation)	Note 5, property, plant and equipment	133,817,199
Less: Construction in progress	Note 5, property, plant and equipment	17,112,376
Notes payable (including unamortized bond premiums, net and unamortized issuance costs, net)	Statement of financial position	22,813
Mortgages payable	Statement of financial position	473,528
Long-term debt – for long term purposes, pre-implementation		496,341
Less: Term endowments with donor restrictions	Note 13, net assets	8,776,864
Less: Net assets with donor restrictions: restricted in perpetuity	Note 13, net assets	37,233,521
Denominator: total expenses and losses:		
Total expenses without donor restrictions	Statement of activities	137,253,300
Equity ratio:		
Numerator: modified net assets:		
Net assets without donor restrictions	Statement of financial position	175,528,922
Net assets with donor restrictions	Statement of financial position	132,281,385
Denominator: modified assets:		
Total assets	Statement of financial position	327,613,347
Net income ratio:		
Numerator: change in net assets without donor restrictions:		
Change in net assets without donor restrictions	Statement of activities	26,172,947
Denominator: total revenues and gains:		
Total revenues and gains without donor restrictions	Statement of activities	163,426,247

See accompanying independent auditors' report.

UNIFORM GUIDANCE REPORTS

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

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:				
Research and Development Cluster:				
Department of the Army:				
Direct Programs:				
Basic, Applied, and Advanced Research in Science and Engineering – GPU Cluster for Simulations & Machines	12.630	W911NF1910502	\$ —	426
Basic, Applied, and Advanced Research in Science and Engineering – Nanoscale Assemblies	12.630	W911NF2010272	—	209,569
Basic, Applied, and Advanced Research in Science and Engineering – MRI- Acquisition of an X-ray Photon	12.630	W911NF2110146	—	500,000
Total AL # 12.630			—	709,995
Basic and Applied Scientific Research – Start-up Funds for Materials Science	12.300	N00014-20-1-2523	—	111,243
Basic and Applied Scientific Research – Start-Up Prog in Material Physics	12.300	N00014-21-1-2823	—	48,848
Total AL # 12.300			—	160,091
Military Medical Research and Development – Direct Targeting of the FKBP52 Coach	12.420	W81XWH-17-1-0437	—	6,805
Total AL # 12.420			—	6,805
Total Department of the Army			—	876,891
Department of Defense:				
Basic Scientific Research – Integrated Study of Emerging 2D Materials	12.431	W911NF-18-1-0481	—	59,789
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	—	461,458
Biomedical Research and Research Training – Dissecting Mechanisms	93.859	1SC1GM140907 – 01	—	297,913
Pass Through from Emory University:				
Biomedical Research and Research Training – Institutional Research and Academic Career Development Awards (IRACDA)	93.859	2K12GM000680 – 21-22	—	35,683
Total AL # 93.859			—	795,054
Aging Research – Molecular Mechanisms	93.866	1R15AG056867-01A0	—	105,102
Pass Through from MetCure:				
Small-molecule Therapy for Metastat	93.395	R42-2021-CAU01	—	85,310
Minority Health and Health Disparities Research:				
Enhancement of Cancer Research	93.307	2U54MD007590 – 33	—	133,591
Enhancement of Cancer Research	93.307	2U54MD007590 – 34	18,538	1,106,162
Enhancement of Cancer Research	93.307	2U54MD007590 – 35	—	451,042
Total AL # 93.307			18,538	1,690,795
Targeting Chemo-resistant Prostate	97.395	1R15AG056867-01A1	—	4,973
Total National Institutes of Health			18,538	2,681,234
Direct Programs:				
National Nuclear Security Administration:				
Office of Science Financial Assistance Program – Interaction with Atoms & Ions	81.049	DE-SC0022000	—	71,135
Pass Through from Kennesaw State University:				
GA Industrial Assessment Ctr-GIAC	81.117	DE-EE0009711	—	10,223
Total National Nuclear Security Administration			—	81,358

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

Federal grantor/pass-through grantor/cluster or program title	Federal AL number	Federal/pass-through Entity ID number	Amounts provided to subrecipients	Federal expenditures
Direct Programs:				
National Science Foundation:				
Education and Human Resources – Bionanoscience – Binding of Amino Acid	47.076	HRD-1601071	\$ —	19,116
Education and Human Resources – Targeted Infusion Project	47.076	HRD-1623287	—	41,669
Education and Human Resources – S-POWER	47.076	DUE-1564653	—	129,161
Education and Human Resources – A Redesign of First Year Math Courses	47.076	HRD-1818727	—	121,018
Education and Human Resources – GA-AL LSAMP	47.076	HRD-1826797	181,051	455,910
Education and Human Resources – Research Initiation Award	47.076	HRD-1901028	—	46,652
Education and Human Resources – Implementation Project: Data Driven	47.076	HRD-1912256	—	115,565
Education and Human Resources – NSF RISE	47.076	HRD – 1924204	—	363,556
Education and Human Resources – Quantum-Mechanical Investigation	47.076	HRD-1955299	—	97,544
Education and Human Resources – Catalyst Project: The Construction	47.076	HRD-1700408	—	54,967
Education and Human Resources – Research Initiation Award	47.076	HRD-2100360	—	57,760
Education and Human Resources – Targeted Infusion Proj: TEEPS in UG	47.076	HRD-2106938	—	3,825
Education and Human Resources – Discovery Workshop on Enhancing Data	47.076	HRD-2136382	—	6,276
Pass Through from Ohio State University:				
Education and Human Resources – Building Capacity for MA Teaching	47.076	60066352	—	4,576
Total AL # 46.076			181,051	1,517,595
Biological Science – Crosswalk between the STK4/Hippo and NF Kappa B	47.074	MCD-1832022	—	137,947
Computer and Information Science and Engineering – Excellence in Research: Cyber Threat	47.070	1901150	—	167,741
Geosciences – Community-Based Programs	47.050	ICER-2039267	—	31,070
Mathematical and Physical Sciences – Computational Atomic Laboratory Astrophysics	47.049	AST-1714159	—	75,348
Mathematical and Physical Sciences – EIR: Collab: Computer. Model. and Exp	47.049	DMR-2100946	4,737	7,295
Mathematical and Physical Sciences – NSF PREM-Emergent Interface Material	47.049	DMR-2122147	—	59,591
Mathematical and Physical Sciences – REU Site: App Data Science to CHEM	47.049	CHE-2150206	—	16,314
Pass Through from Florida A&M:				
EIR Non-Fluorinated Etching Procedures	47.049	C-5103	—	2,625
Pass Through from Regents of the University of Minnesota:				
NSF Center for Sustainable Polymers	47.049	A008060015	—	37,539
Total AL # 47.049			4,737	198,712
Pass Through from The Bee Corp:				
Automating Infrared Image Capture	47.041	1926806	—	16,170
Pass Through from The Bee Corp:				
AI Institute-Decision Making at Mas	47.041	AWD-002807-G4	—	80,956
Total AL # 47.041			—	97,126
Total National Science Foundation			185,788	2,150,191
Direct Programs:				
Forest Products Laboratory:				
Forestry Research – Research on 100% Bio-Based Composites	10.652	19-JV-11111129-55	—	17,871
Forestry Research – Research on Cellulosic Nanomaterial	10.652	20-JV-11111106-047	—	17,885
Total AL # 10.652 and Forest Products Laboratory			—	35,756
U.S. National Aeronautics and Space Administration:				
Pass Through from Georgia Institute of Technology:				
Office of Stem Engagement – National GA Space Grant Consortium	43.008	AWD-001629-G9	—	10,000
Total AL #43.008 and U.S. National Aeronautics and Space Administration			—	10,000
Total Research and Development Cluster			204,326	5,895,219

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

Federal grantor/pass-through grantor/cluster or program title	Federal AL number	Federal/pass-through Entity ID number	Amounts provided to subrecipients	Federal expenditures
Education Stabilization Fund:				
Direct Programs:				
COVID-19 – Higher Education Emergency Relief Fund Student Aid Portion	84.425E	P425E200375	\$ —	8,251,119
COVID-19 – Higher Education Emergency Relief Fund Institutional Portion	84.425F	P425F200185	—	8,252,536
COVID-19 – Higher Education Emergency Relief Fund Historically Black Colleges and Universities (HCBUs)	84.425J	P425J200081	—	39,130,738
Total Education Stabilization Fund			—	55,634,393
Nonmajor Programs:				
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007	P007A067941	—	1,199,722
Federal Pell Grant Program	84.063	P063P061300	—	12,178,364
Federal Work-Study Program	84.033	P033A067941	—	252,598
Federal Perkins Loan Program	84.038		—	4,126,714
National TEACH Program	84.379	P379T091300	—	20,746
Federal Direct Student Loans	84.268		—	70,889,613
Total Student Financial Assistance Cluster			—	88,667,757
Higher Education Institutional Aid:				
Direct Programs:				
Part – F Instructional Renovations	84.031	P031E200009	—	5,996
Strengthening Historically Black Colleges and Universities – 21-22 PART-F Instructional Renovations	84.031	P031B170007 – 21	—	119,800
Strengthening Historically Black Colleges and Universities – 20-21 CF Aldridge	84.031	P031E200009	—	135,645
Strengthening Historically Black Colleges and Universities – Program Administration	84.031	P031B170007 – 20	—	86,838
Strengthening Historically Black Colleges and Universities – Program Administration	84.031	P031B170007 – 21	—	237,901
Strengthening Historically Black Colleges and Universities – Instructional Renovations	84.031	P031B170007 – 20	—	5,997
Strengthening Historically Black Colleges and Universities – Student Success	84.031	P031B170007 – 20	—	51,858
Strengthening Historically Black Colleges and Universities – Student Success	84.031	P031B170007 – 21	—	196,801
Strengthening Historically Black Colleges and Universities – Health Professions	84.031	P031B17007 – 20	—	16,905
Strengthening Historically Black Colleges and Universities – Cancer Biology Research	84.031	P031B17007 – 21	—	506,486
Strengthening Historically Black Colleges and Universities – Materials Prep-CHAR Lab	84.031	P031B170007 – 20	—	17,826
Strengthening Historically Black Colleges and Universities – 21-22 Cole Science Center Renewal	84.031	P031B170007 – 21	—	75,332
Strengthening Historically Black Colleges and Universities – Cancer Ctr Therapeutic Exp	84.031	P031B170007 – 20	—	44,186
Strengthening Historically Black Colleges and Universities – CITLE	84.031	P031B170007 – 20	—	67,777
Strengthening Historically Black Colleges and Universities – CITLE	84.031	P031B170007 – 21	—	282,699
Strengthening Historically Black Graduate Institutions – Program Administration	84.031	P031K190001 – 20	—	72,608
Strengthening Historically Black Graduate Institutions – Program Administration	84.031	P031K190001 – 21	—	230,767
Strengthening Historically Black Colleges and Universities – Infrastructure Refresh	84.031	P031B170007 – 21	—	1,130,349
Strengthening Historically Black Graduate Institutions – Cybersecurity – Student Experience	84.031	P031K190001 – 20	—	105,819
Strengthening Historically Black Graduate Institutions – OITC	84.031	P031K190001 – 21	—	954,725
Strengthening Historically Black Graduate Institutions – Workforce Development	84.031	P031K19000 – 20	—	10,085
Strengthening Historically Black Graduate Institutions – 21-22 COV19 & STEM Research	84.031	P031K190001 – 21	—	121,929
Strengthening Historically Black Graduate Institutions – Grad Prof, Research, Ed Prep	84.031	P031K190001 – 20	—	112,666
Strengthening Historically Black Graduate Institutions – Grad Prof, Research, Ed Prep	84.031	P031K190001 – 21	—	251,678
Strengthening Historically Black Graduate Institutions – Instructional Renovations	84.031	P031K190001 – 20	—	5,996
Strengthening Historically Black Graduate Institutions – Cybersecurity & Student Exp	84.031	P031K190001 – 20	—	29,961
Strengthening Historically Black Graduate Institutions – 20-21 CF HBCU Program Administration	84.031	P031B170007 – 20	—	7,563
Strengthening Historically Black Graduate Institutions – 20-21 CF Biology Laboratory Expansion	84.031	P031B170007 – 20	—	99,605
Strengthening Historically Black Graduate Institutions – 20-21 CF HBCU Arts & Sciences Equip	84.031	P031B170007 – 20	—	456,790
Total Higher Education Institutional Aid cluster			—	5,442,588

CLARK ATLANTA UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2022

Federal grantor/pass-through grantor/cluster or program title	Federal AL number	Federal/pass-through Entity ID number	Amounts provided to subrecipients	Federal expenditures
Trio Cluster:				
Department of Education:				
Direct Programs:				
TRIO Upward Bound	84.047	P047A171269	\$ —	552,034
TRIO Talent Search – Atlanta	84.044	P044A160487	—	55,036
TRIO Talent Search – LaGrange	84.044	P044A160489	—	70,131
TRIO – Talent Search Atlanta	84.044	P044A210663	—	303,816
TRIO – Talent Search LaGrange	84.044	P044A210658	—	252,070
Total AL # 84.044			—	681,053
Total Trio Cluster			—	1,233,087
U.S. Department of State:				
Direct Program:				
Academic Exchange Programs – Undergraduate Programs – Young African Leaders Initiative	19.009	FY20-YALI-BE-CAU-07	—	102,965
Academic Exchange Programs – Undergraduate Programs – Young African Leaders Initiative	19.009	FY22-YALI-BE-CAU-08	—	80,871
Total AL # 19.009 and U.S. Department of State			—	183,836
U.S. Department of Health and Human Services:				
Direct Program:				
HBCU Career Awareness, Recruitment – Substance Abuse and Mental Health Services Projects	93.243	1H79T1081017 – 1	660	332,254
Behavioral Health Workforce Education – Mental and Behavioral Health Education and Training Grants	93.732	1 MC1HP42076-01-00	—	275,009
Total U.S. Department of Health and Human Services			660	607,263
U.S. Institute of Museum and Library Services				
IMLS Black Optics – Museum Grants for African American History and Culture	45.309	MH-245864-OMS-20	—	44,131
Total AL # 43.309 and U.S. Institute of Museum and Library Services			—	44,131
Total expenditures of federal awards			\$ 204,986	157,708,274

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, 2021

(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, 2022, 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, 2022. 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	\$ 10,500,751
Unsubsidized Stafford Loan Program	<u>16,906,095</u>
Total Direct Stafford Loan Program	27,406,846
Federal Direct PLUS Loan Program	<u>43,482,767</u>
Total Direct Student Loan Programs	<u>\$ 70,889,613</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, 2022, 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 \$3,552,982 as of June 30, 2022. The amounts presented in the Schedule are the outstanding loan balances at June 30, 2021.

CLARK ATLANTA UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

June 30, 2022

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, 2022, 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 11, 2023.

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 below that we consider to be a significant deficiency.

Finding 2022-001

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

Condition: Certain internal controls related to management's month-end and year-end financial closeout process were not operating effectively during fiscal year 2022. Specifically, we noted that certain account reconciliations were not completed timely. In addition, management did not utilize their month-end close checklist to verify that they completed all steps/entries necessary to ensure the accounting records and financial statements were complete and accurate.



Finding 2022-001

Cause: This matter occurred because there was a shortage of personnel in the General Accounting department and management was not able to prioritize the completion of the reconciliations and the checklists.

Result: Without effective internal controls in place, there is an increased risk that misstatements in the financial statements will not be detected and corrected in a timely manner.

Recommendation: We recommend that General Accounting work with the appropriate University officials to ensure sufficient staff are available to timely complete the necessary reconciliations and the month-end/year-end checklists. General Accounting should also implement monitoring controls to ensure the reconciliations and checklists are completed timely in accordance with management's policies.

The University's Response

The University agrees with the importance of having qualified and sufficient staff to complete the reconciliations and the month-end/year-end close checklists on time. Management will perform internal control reviews of the accounting processes and procedures to mitigate this recurrence in the future. In addition, the current staff and new hires will receive training and professional development to carry out their duties.

The review ensures that proper personnel reconciles assigned accounts and that the reconciliation and journal entry processes are performed, supervised, and documented.

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 the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the finding identified in our audit and described above. 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 11, 2023



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

**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

Qualified and Unmodified Opinions

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, 2022. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Research and Development Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Research and Development Cluster for the year ended June 30, 2022.

Unmodified Opinion on the Other Major Federal Program

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 its other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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 qualified and unmodified opinions 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.



Matters Giving Rise to Qualified Opinion on Research and Development Cluster

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding key personnel for the Research and Development Cluster as described in finding number 2022-003. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

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.



Other Matters

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weakness and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-004 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

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, 2022, and have issued our report thereon dated January 11, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted 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
May 2, 2023

CLARK ATLANTA UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2022

(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: **2022-001**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **2022-003**
 - Significant deficiencies: **2022-002, 2022-004**
- e. Type of report issued on compliance for major programs:
 - Research and Development Cluster – Modified
 - Education Stabilization Fund – Unmodified
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- g. Major programs:
 - Research and Development Cluster – Various AL #'s
 - Education Stabilization Fund – AL # 84.425 E, F, and J
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- i. Auditee qualified as a low-risk auditee: **Yes**

CLARK ATLANTA UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2022

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

Finding No. 2022-001

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

Condition: Certain internal controls related to management's month-end and year-end financial closeout process were not operating effectively during fiscal year 2022. Specifically, we noted that certain account reconciliations were not completed timely. In addition, management did not utilize their month-end close checklist to verify that they completed all steps/entries necessary to ensure the accounting records and financial statements were complete and accurate.

Cause: This matter occurred because there was a shortage of personnel in the General Accounting department and management was not able to prioritize the completion of the reconciliations and the checklists.

Result: Without effective internal controls in place, there is an increased risk that misstatements in the financial statements will not be detected and corrected in a timely manner.

Recommendation: We recommend that General Accounting work with the appropriate University officials to ensure sufficient staff are available to timely complete the necessary reconciliations and the month-end/year-end checklists. General Accounting should also implement monitoring controls to ensure the reconciliations and checklists are completed timely in accordance with management's policies.

Views of responsible officials: The University agrees with the importance of having qualified and sufficient staff to complete the reconciliations and the month-end/year-end close checklists on time. Management will perform internal control reviews of the accounting processes and procedures to mitigate this recurrence in the future. In addition, the current staff and new hires will receive training and professional development to carry out their duties.

The review ensures that proper personnel reconciles assigned accounts and that the reconciliation and journal entry processes are performed, supervised, and documented.

CLARK ATLANTA UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2022

(3) Findings and Questioned Costs Relating to Federal Awards

Finding No. 2022-002 Program: Research and Development Cluster Assistance Listing #: Various
<i>Criteria:</i> Uniform Guidance section 200.303(a), <i>Internal controls</i> <i>Condition:</i> Management's control to review and approve invoices related to the research and development program was not operating effectively during fiscal year 2022. Specifically, we identified an invoice that exceeded \$300,001 but for which management did not obtain approval from the President and Board of Trustees as required prior to payment. This exception was identified during our sample testing of 40 expense transactions. <i>Cause:</i> Management did not have sufficient monitoring controls in place to ensure that internal controls over compliance were operating effectively. <i>Result:</i> Without effective internal controls in place, there is an increased risk that material noncompliance may not be prevented or detected and corrected in a timely manner. <i>Questioned costs:</i> None. <i>Sampling approach:</i> The sample was not intended to be, and was not, a statistically valid sample. <i>Repeat finding:</i> This finding is not a repeat of a finding in the immediately prior audit. <i>Recommendation:</i> We recommend that management develop and implement periodic monitoring controls to ensure controls are operating effectively throughout the year. Management should also reinforce the review and approval requirements for the various dollar thresholds with the applicable staff. <i>Views of responsible officials:</i> The University acknowledges the recommendations and will work diligently to improve our procedures to ensure controls are operating effectively throughout the year. In addition, management has instructed the staff and supervisors to strengthen the review and approval requirements for the various dollar thresholds.

CLARK ATLANTA UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2022

Finding No. 2022-003 Program: Research and Development Cluster Assistance Listing #: Various
<i>Criteria:</i> Uniform Guidance section 200.308, <i>Key personnel</i>, and 200.303(a), <i>Internal controls</i> <i>Condition:</i> Management was not able to provide sufficient documentation to evidence that certain personnel participated in the activities for R&D grants for which they were identified as key. Specifically, we noted certain key personnel who did not charge any time to projects for which they were identified as key. We selected a sample of seven key personnel for testing and management was not able to provide sufficient documentation for six of them. <i>Cause:</i> Management did not have sufficient controls in place to ensure that key personnel were working on the applicable projects. <i>Result:</i> Without effective internal controls in place, there is an increased risk that material noncompliance may not be prevented or detected and corrected in a timely manner. In addition, management was not in compliance with the key personnel requirements. <i>Questioned costs:</i> None. <i>Sampling approach:</i> The sample was not intended to be, and was not, a statistically valid sample. <i>Repeat finding:</i> This finding is not a repeat of a finding in the immediately prior audit. <i>Recommendation:</i> We recommend that management develop and implement policies and procedures to ensure personnel are actively participating in projects for which they are identified as key and that the participation of the key personnel is properly documented. <i>Views of responsible officials:</i> Management concurs with KPMG's observations that sufficient documentation was not provided for FY22 to evidence that certain personnel participated in the activities for R&D grants for which they were identified as key. As noted in the KPMG comments, in some instances, the project's programmatic activity ended before the start of FY22; however, evidence was provided upon request that time and effort were charged to the project in the prior year. In other cases, the key personnel reported in their annual programmatic report to the respective agency that they expended the expected effort on the project; however, the institution did not provide evidence that the effort was University supported. The University will work with the Ellucian Team to develop and implement the Banner Time and Effort Reporting module. In addition, project key personnel, Research and Sponsored Programs (RSP), and Grants and Contracts Accounting (GCA) will hold mandatory quarterly meetings to review T&E reports and ensure personnel is actively participating in projects for which they are identified as key and that the participation of the key personnel is appropriately documented.

CLARK ATLANTA UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2022

Finding No. 2022-004

Program: Education Stabilization Fund

Assistance Listing #: 84.425 E, F, and J

Criteria: Uniform Guidance section 200.303(a), *Internal controls*

Condition: Management's review control over the annual HEERF report was not operating effectively during fiscal year 2022. Specifically, we noted that management was not able to provide support to evidence the annual report was properly reviewed.

Cause: Management did not have sufficient monitoring controls in place to ensure that internal controls over compliance were operating effectively.

Result: Without effective internal controls in place, there is an increased risk that material noncompliance may not be prevented or detected and corrected in a timely manner.

Questioned costs: None.

Sampling approach: The sample was not intended to be, and was not, a statistically valid sample.

Repeat finding: This finding is not a repeat of a finding in the immediately prior audit.

Recommendation: We recommend that management develop and implement an effective process for the review of the HEERF annual report in order to ensure that the amounts included are appropriate and that evidence of such review be documented.

Views of responsible officials: The University acknowledges the recommendations and will implement its procedures over the review of information reported for HEERF to ensure the accuracy of the information reported.



223 JAMES P. BRAWLEY DRIVE, S.W. | ATLANTA, GA 30314

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	Monthly Activity	On-going process
2. The Accounting Director reviews the reconciliation checklist.	General Accounting/Taneshia Stevens	Monthly Activity	On-going process
3. The manager agrees the account balance to the Trial Balance and the bank balance to the account statement downloaded from PNC.	General Accounting/Taneshia Stevens Accounting/Yvette Raymond	Monthly Activity	On-going process
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	Monthly Activity	On-going process
5. The Office of the Controller meets monthly to review the reconciliations.	Office of the Controller/Veronica Streetman	Monthly Activity	On-going process
6. Hire additional accounting staff to accommodate the		Annual Activity	On-going process

increasing demands and work-load of the General Accounting team.	General Accounting/Taneshia Stevens		
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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,	Daily Activity	On-going process
	Purchasing Department			
2. The Director and Staff will ensure the appropriate signatures are obtained before processing.	Donna	Byrd,	Daily Activity	On-going process
	Purchasing Department			
3. The Director will periodically review the invoices to ensure controls are operating effectively.	Donna	Byrd,	Monthly Activity	On-going process
	Purchasing Department			

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	Quarterly Activity	On-going process
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	Quarterly Activity	On-going process
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	Quarterly Activity	On-going process

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	11. Status
1.Implement Banner Time and Effort Reporting Module	Ellucian Team	TBD	On-going process
2. Appoint a Time & Effort Administrator (RSP) and conduct Training on Time and Effort Reporting	RSP	TBD	On-going process
3.The GCA generates time and effort reports to be reviewed and corrected by personnel who are paid in part or fully from federally funds for sponsored projects.	GCA, RSP, Key Personnel	30 days after quarter reporting period	On-going process

4.Quarterly meetings to review T&E reports for reasonable assurance that the charges are accurate, allowable, and properly allocated.	GCA, RSP, and Key Personnel	45 days after quarter reporting period	On-going process
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	GCA, RSP, and Key Personnel	Quarterly	On-going process
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)	GCA, RSP, and Key Personnel	Quarterly	On-going process