

UAB

2023 Financial Report
University of Alabama at Birmingham



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The University of Alabama at Birmingham
Birmingham, Alabama 35294

University of Alabama at Birmingham

2022-2023 Annual Financial Report

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the University of Alabama at Birmingham ("UAB") for the years ended September 30, 2023 and 2022 were prepared by UAB's management in conformity with accounting principles generally accepted in the United States of America.

The management of UAB is responsible for the integrity and objectivity of these financial statements, which are presented on the accrual basis of accounting and, accordingly, include some amounts based upon judgement. Other financial information in the annual report is consistent with that in the financial statements. Our system of internal accounting controls is designed to help ensure that the financial reports and the books properly reflect the transactions of the institution, in accordance with established policies and procedures as implemented by qualified personnel.

The Board of Trustees of The University of Alabama, through its Audit, Risk and Compliance Committee, monitors the financial and accounting operations of the institution, including the review and discussion of periodic financial statements and the evaluation and adoption of budgets. The Board of Trustees of The University of Alabama, through its Audit, Risk and Compliance Committee, monitors the basis of engagement and reporting of independent auditors.



Brian D. Burnett, PhD
Senior Vice President for Finance and Administration



Stephanie Mullins
UAB Chief Financial Officer and Associate Vice President for Financial Affairs



Report of Independent Auditors

To the Board of Trustees of The University of Alabama

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The University of Alabama at Birmingham (“UAB”), a campus of The University of Alabama System, a component unit of the State of Alabama, which comprise the statements of net position as of September 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and of cash flows (where applicable) for the years then ended, including the related notes (collectively referred to as the “financial statements”).

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The University of Alabama at Birmingham as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Southern Research Institute, UAB’s discretely presented component unit, which statements reflect total assets of \$210.6 million and \$124.1 million as of December 30, 2022 and December 31, 2021, and changes in net position of \$88.3 million and \$9.7 million for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 UAB and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1 to the financial statements, UAB changed the manner in which it accounts for subscription-based information technology arrangements in 2023. Our opinions are not modified with respect to this matter.

As discussed in Note 1, the financial statements of UAB are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the financial reporting entity of The University of Alabama System that are attributable to the transactions of UAB. They do not purport to, and do not, present fairly the financial position of The University of Alabama System as of September 30, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.



Responsibilities of Management for the Financial Statements

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

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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS 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 US GAAS, 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 UAB'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.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 6 through 22 and the required supplementary information for the pension plan and postemployment benefits on pages 81 and 84 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary



information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Birmingham, Alabama
January 23, 2024

The University of Alabama at Birmingham

Management's Discussion and Analysis (Unaudited)

The objective of management's discussion and analysis ("MD&A") is to help readers of The University of Alabama at Birmingham ("UAB")'s financial statements better understand the financial position and operating activities for the fiscal years ended September 30, 2023 and 2022. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, required supplementary information, and this discussion are the responsibility of management.

History, Mission and Governance

The University of Alabama at Birmingham ("UAB") became an autonomous campus within The University of Alabama System in 1969 and, in the five decades since, has grown into a world-renowned research university and medical center, occupying more than 110 city blocks in Alabama's largest metropolitan area. UAB is the state's largest single-site employer with more than 28,000 employees. UAB was recently ranked among the nation's "Great Colleges to Work For" by ModernThink and was named number one Best Large Employer in America in 2021.

UAB's mission is to serve students, patients, the community and the global need for discovery, knowledge dissemination, education, creativity and the application of groundbreaking solutions. UAB is a leader among comprehensive public urban research universities with academic medical centers.

UAB has an economic impact on Alabama that exceeds \$12.1 billion annually and is key in growing a robust tech and knowledge-based economy for the Birmingham region and Alabama. The UAB Harbert Institute for Innovation and Entrepreneurship generated \$6 million in revenues, 123 intellectual property disclosures, 40 licenses and 18 U.S. patents in FY2023 alone - the Institute's ninth straight year to achieve a positive bottom line (among only 20% of university tech transfer offices nationally to do so). UAB's research partner Southern Research Institute ("SRI"), a discretely presented component unit, currently holds 180 active patents and is building a state-of-the-art biotech innovation center that will double its lab space, expand capacity to research chronic diseases, grow 150 new scientific and professional jobs, and double a current annual economic impact to \$300M.

At UAB, we have never settled on merely finding what's next - we have helped build the future through new ideas and initiatives in the classroom, the laboratory, the studio and the clinic. UAB's vision, mission and shared values provide a foundation for the strategic plan, Forging the Future.

UAB is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award baccalaureate, masters, doctorate, and professional degrees. UAB's accreditation was reaffirmed during the 2015 cycle. UAB's next reaffirmation will occur in the 2025 cycle. UAB offers Baccalaureate, Master's, Specialist, Doctoral, D.M.D., M.D., and O.D. degrees. At the same time, UAB continues to offer students unrivaled research opportunities and novel academic programs at all levels, such as the nation's first Bachelor of Science in cancer biology and Cybersecurity Master's Program that is ranked number one in the nation by *Fortune* magazine. UAB graduate programs continue to rank highly in *US News & World Report*, with 22 programs in the top 25, including a Master's in Health Administration that is number one nationally and nine nursing programs in the top 10.

UAB is governed by The Board of Trustees of The University of Alabama (the "Board"), a body corporate under Alabama Law. The Board also governs The University of Alabama and The University of Alabama in Huntsville, which, along with UAB, make up The University of Alabama System (the "System"). The Board determines policy and approves operating budgets, educational programs, facilities and capital financings for each university, and sets the separate tuition and fee schedules applicable at each university. Oversight responsibilities of the Alabama Commission on Higher Education ("ACHE") and annual requests for appropriations from the Alabama legislature are coordinated for each campus by the Chancellor of the System with the approval of the Board.

UAB Awards, Accomplishments and Accolades

University:

UAB's research enterprise is more competitive than ever. In FY2023, research awards reached a record \$774.5 million marking a 73% increase over nine years and continuing the most successful era of research funding in UAB's history. Among public universities, UAB ranks 17th (top 4 percent) in federal research funding and 11th (top 4 percent) in NIH funding. *U.S. News & World Report* recently ranked UAB among the top eight percent of higher education institutions globally for academic research and reputation.

UAB is home to the eighth largest hospital in the U.S., the state's only accredited Level 1 Adult Trauma Center, and the only National Cancer Institute-designated comprehensive cancer center in Alabama and a four-state region. Three faculty from the UAB Heersink School of Medicine were named to the prestigious national Academy of Medicine ("NAM") in 2022, making for a total of 17 NAM members in UAB history, and another became UAB's third National Academy of Science member.

As a globally respected academic medical center, UAB remains a national leader in groundbreaking research and patient-centered healthcare, and is positioning itself at the global vanguard of precision medicine with construction of the Altec/Styslinger Genomic Medicine and Data Science Building that is projected to open late summer 2024. The UAB Comprehensive Transplant Institute, which has done the second-most kidney transplants in the history of medicine, is moving closer to phase I clinical trials for a first-of-its-kind pre-clinical model for kidney xenotransplantation that could potentially lead to a sustainable supply of life-saving organs worldwide.

University Hospital:

The University of Alabama Hospital (the "Hospital" or "University Hospital"), a 1,207-bed quaternary and tertiary care medical facility, the flagship facility of the UAB Medicine and is the primary teaching hospital for UAB. Heersink School of Medicine. Its facilities consist of the UAB Women and Infants Center, the Hazelrig-Salter Radiation Oncology Center, the North Pavilion Diagnostic and Treatment Center, Spain Rehabilitation Center, the Center for Psychiatric Medicine, UAB Highlands, and the Gardendale Freestanding Emergency Department. University Hospital operates The Kirklin Clinic and The Whitaker Clinic. The University Hospital also has strong ties with other governmental and private non-profit institutions located within and adjacent to the UAB campus, including Veterans Affairs Medical Center and Children's Hospital. Other healthcare facilities in UAB Medicine include the UAB Callahan Eye Hospital Authority, Medical West Hospital Authority, and The Health Care Authority for Baptist Health.

U.S. News & World Report's 2023 "Best Hospitals" edition ranked eight UAB Medicine specialties among the top 50 of their kind in the nation and named UAB Hospital the top hospital in Alabama. The publication also recognized UAB Hospital as "high-performing" in 17 of the 21 assessed adult procedures and conditions. Becker's Healthcare named UAB Medicine as one of the nation's "150 top places to work in healthcare" for 2023. This annual list highlights hospitals, health systems, and medical centers that set themselves apart by investing in employees' well-being, satisfaction, and fulfillment. UAB Medicine also ranked among the highest for patient experience. *Becker's Hospital Review* included UAB Hospital on its 2023 list of "100 great hospitals in America," which recognizes hospitals that are considered industry innovators and known nationally for excellence in clinical care. UAB Hospital received a 2023 Outstanding Patient Experience Award™ from Healthgrades, which recognizes hospitals that provide an overall positive patient experience during hospital stays. UAB was one of only three hospitals in Alabama recognized. UAB Hospital has been named a Magnet-designated organization five consecutive times by the American Nurses Credentialing Center Magnet Recognition Program®, and it is applying for its sixth designation. Magnet hospitals are recognized for excellence in nursing care and patient outcomes, and UAB is only the 21st hospital worldwide to receive this designation five consecutive times. UAB Medicine was named to the NRC Health Top 100 Consumer Loyalty list, based on results from its Market Insights survey, the largest database of health care consumer responses in the country. For the fourth year in a row, the UAB eMedicine telehealth program was recognized in 2023 with Hicuity Health's WE SEE YOU CARE award. UAB Medicine received nine Women's Choice Awards in 2023. The designations were awarded based on the hospital's outstanding achievement in clinical excellence and patient experience and satisfaction. The Women's Choice Award is an independent referral source that empowers women to make better health care choices. For the seventh time since 2016, UAB Medicine received the LGBTQ+ Healthcare Equality Leader designation from the Human Rights Campaign Foundation, scoring a perfect 100 on the organization's five criteria.

Overview of Financial Statements

UAB's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, which establish standards for external financial reporting for public colleges and universities. The financial statements present comparative financial information of the University, the University of Alabama Hospital ("University Hospital"), and UAB's blended component units. The University Hospital's condensed financial information is presented at Note 15. The blended component units included within the financial information of UAB are UAB Research Foundation ("UABRF"), UAB Athletics Foundation ("UABAF"), Hospital Management, L.L.C. ("LLC"), and Triton Health Systems, L.L.C. ("Triton"). In addition to the blended component units, UAB has one discretely presented component unit in SRI. The financial information of SRI does not form part of UAB's MD&A, UAB's financial statements, or UAB's footnotes. However, SRI's Statement of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are disclosed separately on pages 29-30.

During fiscal year 2023, UAB adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITA")*, which is a contract that conveys control of the right to use another party's information technology software. The statement requires a government to recognize a right-to-use subscription asset and a corresponding subscription liability. The adoption of GASB Statement No. 96 has been reflected at the beginning of the earliest period presented in the financial statements, or October 1, 2021. For purposes of the MD&A, fiscal year 2021 information does not reflect the adoption of GASB Statement No. 96.

UAB's overall financial position remained strong, as assets totaled \$6.97, \$6.45, and \$6.89 billion at September 30, 2023, 2022, and 2021, respectively. The increase of \$513.1 million or 7.9% from September 30, 2022 to September 30, 2023 was primarily due to increases in fair market value of the investments held and capital assets, net of accumulated depreciation. Decreases of \$436.1 million or 6.3% from September 30, 2021 to September 30, 2022 were primarily due to decreases in the fair market value of the investments held offset by increases in capital assets, net of accumulated depreciation and cash from debt proceeds.

Total liabilities increased \$229.4 million or 6.4% from September 30, 2022 to September 30, 2023. The increase results primarily from the increase in pension liability offset by a reduction in OPEB liability due to changes in discount rates and UAB's proportionate share of the net pension liability in the Teachers' Retirement System Plan (the "Plan"). Total liabilities decreased \$487.5 million or 12.0% from September 30, 2021 to September 30, 2022. The decrease results primarily from a reduction in pension and OPEB liability due to changes UAB's proportionate share of the net pension liability in 2022 as the Plan's fiduciary net position increased resulting in a lower overall net pension liability.

The change in net position reflects the operating, nonoperating and other activity of UAB, which results from revenues, expenses, and gains and losses, and is summarized for the years ended September 30, 2023, 2022, and 2021, as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
TOTAL OPERATING REVENUES	\$ 5,098,057,587	\$ 4,511,367,527	\$ 4,265,232,215
TOTAL OPERATING EXPENSES	5,437,025,461	4,823,032,534	4,480,327,460
NET OPERATING LOSS	(338,967,874)	(311,665,007)	(215,095,245)
TOTAL NONOPERATING INCOME (LOSS), CAPITAL, ENDOWMENT AND OTHER ACTIVITIES	857,132,260	(87,714,676)	1,045,051,799
INCREASE (DECREASE) IN NET POSITION	<u><u>\$ 518,164,386</u></u>	<u><u>\$ (399,379,683)</u></u>	<u><u>\$ 829,956,554</u></u>

Statements of Net Position

The statement of net position presents the financial position of UAB at the end of the fiscal year, and includes all assets, deferred outflows, liabilities, and deferred inflows recorded on the accrual basis of accounting. The changes in net position are indicators of whether the overall financial condition of UAB has improved or worsened during the year. A summarized comparison of UAB's assets, deferred outflows, liabilities, deferred inflows, and net position at September 30, 2023, 2022, and 2021, is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 2,793,627,321	\$ 2,588,220,372	\$ 2,856,565,711
Capital assets, net	2,093,265,020	1,978,030,226	1,896,543,024
Other assets	2,080,776,769	1,888,302,417	2,137,550,819
TOTAL ASSETS	6,967,669,110	6,454,553,015	6,890,659,554
Deferred outflows from debt refundings	13,808,356	15,092,272	12,081,090
Deferred outflows pension and OPEB related	883,589,394	716,467,779	850,533,926
TOTAL DEFERRED OUTFLOWS OF RESOURCES	897,397,750	731,560,051	862,615,016
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 7,865,066,860</u></u>	<u><u>\$ 7,186,113,066</u></u>	<u><u>\$ 7,753,274,570</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities	\$ 706,074,588	\$ 658,481,417	\$ 802,155,961
Noncurrent liabilities	3,115,001,826	2,933,216,215	3,277,031,877
TOTAL LIABILITIES	3,821,076,414	3,591,697,632	4,079,187,838
Deferred inflows from leases	27,114,575	29,984,253	31,345,123
Deferred inflows pension and OPEB related	780,795,114	846,514,810	525,445,555
TOTAL DEFERRED INFLOWS OF RESOURCES	807,909,689	876,499,063	556,790,678
Net position	3,236,080,757	2,717,916,371	3,117,296,054
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 7,865,066,860	\$ 7,186,113,066	\$ 7,753,274,570

The major categories of current assets consist of cash and cash equivalents, short-term investments, and accounts receivable and are used to support UAB's normal operations. At September 30, 2023, the major categories totaled \$2.61 billion of the \$2.79 billion. Total current assets increased \$205.4 million or 7.9% from 2022. This increase resulted from an increase in University Hospital cash on hand attributed to funds from operating and nonoperating revenues and growth in short-term investments attributable to improved market conditions during 2023. At September 30, 2022, the major categories totaled \$2.43 billion of the \$2.59 billion and decreased \$268.3 million or 9.4% from 2021. This decrease resulted from a decline in unrealized gains due to poor investment performance during the middle and later part of 2022. The decrease was offset by an increase in net receivables from sponsoring agencies.

Deferred outflows represent the consumption of net assets attributable to a future period and consists of bond deferred refunding amounts (Note 7), pension obligations (Note 9), and other post-employment benefits ("OPEB") obligations (Note 10). At September 30, 2023, deferred outflows from debt refundings decreased \$1.3 million to \$13.8 million due to annual amortization of the refunding. Deferred outflows related to the pension obligations increased \$295.9 million to \$566.2 million. The increase in deferred outflows related to the pension obligations is a result of an increase in net difference between projected and actual earnings on pension plan investments. Deferred outflows related to the OPEB obligations decreased \$128.8 million to \$317.4 million. The decrease in the deferred outflows related to the OPEB obligations is a result of a decrease in actuarial assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions. At September 30, 2022, deferred outflows from refundings increased \$3.0 million to \$12.1 million due to new debt issuances during the year. Deferred outflows related to the pension obligations decreased \$30.1 million to \$270.3 million as a result of a decrease in net difference between projected and actual earnings on pension plan investments offset by an increase in changes in assumptions. Deferred outflows related to the OPEB obligations decreased \$104.0 million to \$446.2 million as a result of a decrease in actuarial assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions.

Current liabilities consist primarily of accounts payable, accrued payroll and related benefits, unearned revenue, and current portion of long-term debt. At September 30, 2023, current liabilities increased \$47.6 million to \$706.1 million. The increase is due to timing of payments related to active capital projects, grant and contract related expenditures and the vacation accrual. At September 30, 2022, current liabilities decreased \$143.7 million to \$658.5 million. The decrease is due to University Hospital's Due to third-party payors and advances payable related to repayment of advance payments received in fiscal year 2020 from the Centers for Medicare and Medicaid Services ("CMS") Accelerated and Advance Payments Program.

Deferred inflows represent the acquisition of net assets attributable to a future period and are associated with future lease payments, pension obligations (Note 9) and other post-employment benefits ("OPEB") obligations (Note 10). At September 30, 2023, deferred inflows related to leases decreased \$2.9 million to \$27.1 million. The decrease is due to future lease payments received during the fiscal year. Deferred inflows related to the pension obligations decreased \$266.0 million to \$90.3 million. The decrease in deferred inflows related to the pension obligations is the result of a decrease in the net difference between projected and actual earnings on pension plan investments. Deferred inflows related to the OPEB obligations increased \$200.3 million to \$690.5 million. The increase in deferred inflows related to the OPEB obligations is a result of an increase in differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between employer contributions and proportionate share contributions. At September 30, 2022, deferred inflows related to leases decreased \$1.4 million to \$30.0 million. The decrease is due to future lease payments received during the fiscal year. Deferred inflows related to the pension obligations increased 296.9 million to \$356.3 million. The increase in deferred inflows related to the pension obligations is the result of an increase change in net difference between projected and actual earnings on pension plan investments offset by a decrease in changes in assumptions. Deferred inflows related to the OPEB obligations

increased \$24.1 million to \$490.3 million. The increase in deferred inflows related to an increase in changes of assumptions offset by a decrease in differences between expected and actual experiences.

Endowment, Life Income and Other Investments

The composition of UAB’s endowment, life income and other investments at September 30, 2023, 2022, and 2021, is summarized as follows:

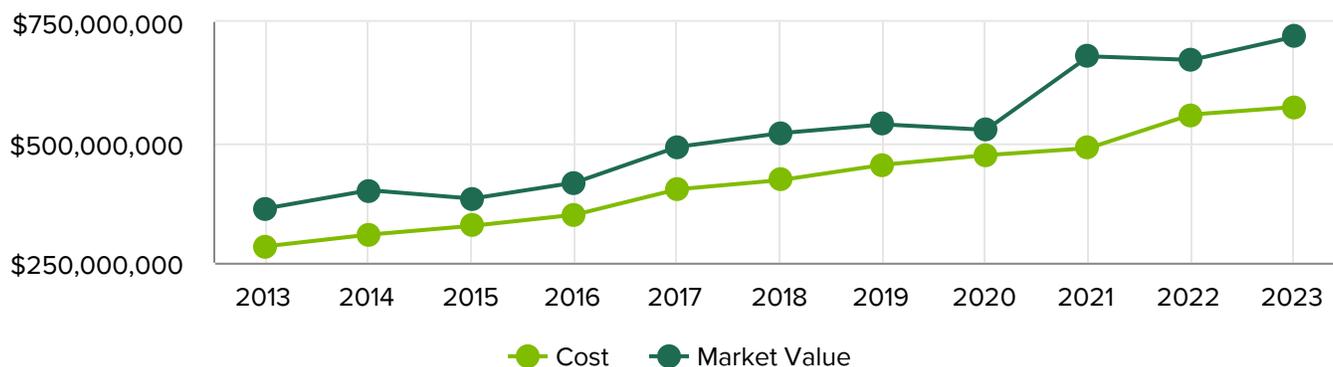
	2023	2022	2021
Endowment and Life income investments	\$ 739,375,564	\$ 673,323,752	\$ 711,622,472
Investment in Professional Liability Trust Fund	57,684,366	40,809,631	69,880,913
Other long-term investments	126,096,236	142,971,739	117,568,898
TOTAL ENDOWMENT, LIFE INCOME AND OTHER INVESTMENTS	\$ 923,156,166	\$ 857,105,122	\$ 899,072,283

UAB’s endowment funds are invested in an investment pool established by the Board. UAB’s endowment funds held within the investment pool consists of both permanent and quasi-endowments. Permanent endowment funds are those funds received from donors with the requirement that the principal remain unspent and invested in perpetuity to produce income to be expended for the purposes specified by the donor. Quasi-endowments consist of restricted or unrestricted funds that have been set aside by actions of the Board to produce income for an established purpose or until time as the Board may reverse or modify its action. Endowment income supports scholarships, fellowships, professorships, research efforts, and other programs and activities of UAB.

UAB uses its endowment funds to support operations in a way that strikes a balance between generating a predictable stream of annual support for current needs and preserving the purchasing power of the endowment funds for future periods. UAB held 2,133, 2,028, and 1,884 individual endowment funds within the pool at September 30, 2023, 2022, and 2021, respectively, the majority of which are restricted for specific purposes. UAB made contributions to the endowment funds totaling \$26.8, \$62.8, and \$22.7 million for the years ended September 30, 2023, 2022, and 2021, respectively.

The Board-approved spending rule provides for distributions from the investment pool to UAB. The annual distribution rate is 4.5% and is based on a moving five-year average of the market (unit) value. This spending rule is one element of an ongoing financial management strategy that has allowed UAB to effectively weather the uncertainties of challenging economic environments. Endowment spending rate distributions totaled \$30.4, \$27.4, and \$26.0 million for the years ended September 30, 2023, 2022, and 2021, respectively.

Endowment Cost and Market Value Fiscal Years Ending September 30



UAB’s endowment and life income investments increased \$66.1 million to \$739.4 million from September 30, 2022 to September 30, 2023. The increase resulted from growth in unrealized gains due to improved investment performance during 2023. UAB’s endowment and life income investments decreased \$38.3 million to \$673.3 million from September 30, 2021 to September 30, 2022. This decrease resulted from a weak investment performance offset by establishment of new endowment funds through gifts and the creation of Board-designated quasi-endowments throughout the year.

University Hospital participates in The University of Alabama Professional Liability Trust Fund (the "PLTF"). The PLTF uses contributions from University Hospital and other contributing entities, together with the earnings thereon, to pay liabilities arising from performance of certain professional services by employees of these entities. University Hospital reports its share of the net position of the PLTF as a joint venture investment using the equity method in the accompanying statements of net position. At September 30, 2023, 2022, and 2021, University Hospital's investment in the PLTF totaled approximately \$57.7, \$40.8, and \$69.9 million, respectively.

At September 30, 2023, 2022, and 2021, UAB's other investments totaled \$126.1, \$143.0, and \$117.6 million, respectively. Other investments primarily consisted of investments held by UAB's blended component unit Triton Health Systems, L.L.C. ("Triton"), which totaled \$124.9, \$142.4, and \$117.0 million, respectively.

Capital and Debt Activities

An aspect of UAB's continued growth is an emphasis on the expansion and maintenance of capital assets. UAB continues to implement its long-range capital plan to modernize its existing infrastructure and strategically invest in new construction. Capital assets include land, buildings, fixed equipment systems, inventoried equipment, and right-of-use assets.

Construction in progress additions totaled \$145.7 million and \$84.0 million at September 30, 2023 and 2022, respectively. Capital projects in process at September 30, 2023 include the new parking deck, Science and Engineering Complex Phase two, The Student Organization Facility, Altec/Styslinger Genomic Medicine & Data Sciences, Science and Engineering Building, Child Care Center, and McCallum Phase three. Capital projects in process at September 30, 2022 include Altec/Styslinger Genomic Medicine & Data Sciences and Science and Engineering Building.

Capital asset additions totaled \$283.5 million in 2023 as compared to \$179.0 million in 2022. Capital asset additions primarily represent renovation and new construction of academic, research, clinical and athletic facilities, as well as significant investments in equipment, including information technology. Capital asset additions were funded with debt proceeds designated for capital purchases of \$59.2 million and \$41.3 million, and capital funds, grants, gifts totaling \$49.5 million and \$26.4 million, in 2023 and 2022, respectively.

During fiscal year 2023, S&P Global, formerly known as Standard & Poor's Ratings Services, affirmed its AA+ rating on UAB's general revenue bonds with a stable outlook. Long-term debt activity for the years ended September 30, 2023 and September 30, 2022 is summarized as follows:

2023

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Direct borrowings	\$ 170,780,618	\$ —	\$ 81,711,564	\$ 89,069,054
General receipt bonds	1,014,984,000	78,755,000	34,126,000	1,059,613,000
Lease and SBITA obligations	169,533,457	35,624,225	51,200,182	153,957,500
	<u>\$ 1,355,298,075</u>	<u>\$ 114,379,225</u>	<u>\$ 167,037,746</u>	<u>\$ 1,302,639,554</u>

2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Direct borrowings	\$ 91,995,143	\$ 80,250,000	\$ 1,464,525	\$ 170,780,618
General receipt bonds	962,481,000	231,245,000	178,742,000	1,014,984,000
Lease and SBITA obligations	169,384,505	45,007,129	44,858,177	169,533,457
	<u>\$ 1,223,860,648</u>	<u>\$ 356,502,129</u>	<u>\$ 225,064,702</u>	<u>\$ 1,355,298,075</u>

UAB's long-term debt consists of a note payable, general revenue bonds, leases and SBITA obligations. Long-term debt decreased \$52.7 million to \$1.30 billion from September 30, 2022 to September 30, 2023. The decrease in debt is due to repayment on debt exceeding new additions to long-term debt. Long-term debt increased \$188.4 million to \$1.36 billion from September 30, 2021 to September 30, 2022. The increase in debt is the result of the issuances of Series 2022 bonds during the year (Note 7).

During 2022, the University issued \$311.5 million of general revenue bonds with a net original issue premium of \$12.0 million. Total bond proceeds of \$323.5 million were utilized to finance the cost of certain capital improvements to the facilities of UAB and refund existing Series 2010A, Series 2010C, Series 2013A2, and Series 2013D2 bonds, totaling \$6.2 million, \$3.8 million, \$58.4 million and \$75.9 million, respectively. The University deposited the funds received in an escrow trust for the purpose of making subsequent payment of principal and interest on the defeased indebtedness. Under the trust agreements, funds deposited in the trust accounts were invested in obligations of the U.S. Government. The University estimates that the amounts on deposit will be sufficient to satisfy the debt service requirements on the defeased indebtedness and that the defeasance will result in lower overall debt service payments. The University remains legally obligated for the repayment of the defeased indebtedness. Neither the assets of the trust accounts nor the defeased indebtedness are included in the accompanying statements of net position. The principal outstanding on defeased indebtedness at September 30, 2023 is approximately \$77.2 million.

Effective interest rates on the University general revenue bonds averaged 2.97% and 2.84% in 2023 and 2022, respectively. Interest expense on general revenue bonds totaled \$45.0 million and \$45.4 million in 2023 and 2022, respectively.

Obligations For Pension and Post-employment Benefits

GASB Statements No. 68 and 75 require governmental employers participating in multi-employer cost-sharing pension and healthcare benefit plans to recognize liabilities for their proportionate share of the unfunded liability for plans whose actuarial liabilities exceed the plan's net assets. As required by Alabama statute, all eligible employees of a qualifying public educational employer must be a member of the Teacher's Retirement System of Alabama ("TRS"). As a qualifying employer, UAB is required to make certain employer contributions on behalf of its employees participating in TRS's defined benefit pension plan (the "Plan"). Additionally, Alabama statutes permitted UAB to opt-in to provide its eligible retirees with healthcare benefits through the Public Education Employees' Health Insurance Plan ("PEEHIP").

The employer contribution rates for both plans are established annually by TRS and PEEHIP, and adopted by the Alabama Legislature. Both the TRS employer contribution rate and the employer's PEEHIP cost for retiree coverage are based upon the actuarial valuations performed by TRS and PEEHIP, respectively. Although the liabilities recognized under GASB Statements No. 68 and 75 meet GASB's definition of a liability within GASB's framework for accounting standards, UAB does not believe that the associated recorded liabilities associated with the TRS and PEEHIP constitute legal liability for UAB, nor do they open UAB to other claims on its resources.

Using current actuarial assumptions, and presuming a continuation of the current level of benefits, UAB's obligations for pension benefits as prescribed by GASB Statement No. 68 totaled \$1.69 billion at September 30, 2023, as compared to \$1.05 billion and \$1.41 billion at September 30, 2022 and 2021, respectively. The increase in the reported liability at September 30, 2023 was due to the Plan's fiduciary net position decrease due to a downturn in the market at the Plan's measurement date (September 30, 2022) which increased the overall net pension liability. The decrease in the reported liability at September 30, 2022 was driven by UAB's decrease in proportionate share of the net pension liability in 2022 as the Plan's fiduciary net position increased resulting in a lower overall net pension liability.

Using current actuarial assumptions, and presuming a continuation of the current level of benefits, UAB's obligations for postemployment benefits through PEEHIP as prescribed by GASB Statement No. 75 totaled \$142.1 million at September 30, 2023, as compared to \$546.6 million and \$680.4 million at September 30, 2022 and 2021, respectively. The decrease in the reported liability at September 30, 2023 was driven by a decrease in UAB's proportionate share of the net OPEB liability in the Alabama Retired Education Employee's Health Care Trust (the "Trust"). The ultimate PEEHIP liability decreased from the prior year due to an increased discount rate (7% for the 2022 valuation as compared to 3.97% for the 2021 valuation) as well as lower than anticipated claims. In 2022, UAB's proportionate share of the liability decreased \$133.9 million due to an increase in the Trust's fiduciary net position and discount rate.

UAB also administers a single-employer plan which offers its members hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit. The health care benefits cover medical and hospitalization costs for retirees and their dependents. UAB retired employees make contributions to the plan by making premium payments associated with their selected health plan option. Eligible disabled retirees are responsible for only the employee portion of those premiums and UAB is responsible for the employer portion. All other UAB retirees are responsible for the full premium cost of the plan and in no case does the employer contribute to the plan.

Using current actuarial assumptions, and presuming a continuation of the current level of benefits, UAB's obligations for postemployment benefits through UAB plan totaled \$6.1 million at September 30, 2023, as compared to \$7.2 million and \$5.3 million at September 30, 2022 and 2021, respectively. The decrease in the reported liability at September 30, 2023 was driven by an increase in the discount rate and medical trend was updated to reflect known increases through

calendar year 2023. The increase in the reported liability at September 30, 2022 was driven by assumptions that participants will drop coverage annually was reduced to 7.5% annually for Medical participants and 5% annually for Life insurance participants who were disabled before February 1, 2018 and changes as a result of the experience study for the five-year period ending September 30, 2020.

Net Position

Net position represents the residual interest in UAB's assets and deferred outflows after liabilities and deferred inflows are deducted. UAB's net position increased \$518.2 million during fiscal year 2023, reaching \$3.24 billion. This increase reflects UAB's current year's operations including increases in grants and contracts revenue, net patient revenue, net auxiliary revenue, State educational appropriations and state capital appropriations, as well as net investment gains due to improved market conditions. During fiscal year 2022, net position decreased \$399.4 million, totaling \$2.72 billion, which reflects UAB's operations including an increased net patient revenue, grants and contracts revenue, and net auxiliary revenue offset by increased in operating expenses and weaker investment performance. UAB's net position at September 30, 2023, 2022, and 2021, is summarized as follows:

	2023	2022	2021
NET INVESTMENT IN CAPITAL ASSETS	\$ 859,476,471	\$ 786,548,309	\$ 786,585,310
RESTRICTED			
Nonexpendable	458,967,147	435,778,701	390,793,182
Expendable	517,206,017	466,127,882	600,618,098
UNRESTRICTED	1,400,431,122	1,029,461,479	1,339,299,464
TOTAL NET POSITION	\$ 3,236,080,757	\$ 2,717,916,371	\$ 3,117,296,054

Net position invested in capital assets represent UAB's capital assets, net of accumulated depreciation and outstanding principal of debt in excess of related bond proceeds attributable to the acquisition, construction, or improvement of those assets. The \$72.9 million increase in 2023 reflects growth in capital assets net of annual depreciation expense, along with reduced long-term debt attributable to repayment activity.

Restricted nonexpendable net position includes UAB's permanent endowment funds, annuity and life income assets that will ultimately become pure endowment funds. The \$23.2 million and \$45.0 million increase in 2023 and 2022 respectively, is related to endowment gifts made during the fiscal year.

Restricted expendable net position is subject to externally imposed restrictions governing its use. Restricted expendable net position includes UAB's assets whose use is restricted by an external restriction. The \$51.1 million increase in 2023 is the result of net investment gains due to improved market conditions. The \$134.5 million decrease in 2022 is the result of the decline in investment market value offset by an increase in new gifts during the year.

Unrestricted net position includes UAB's assets whose use is not restricted by an external entity. Although unrestricted net position is not subject to externally imposed restrictions, UAB has designated available unrestricted net position to be used for academic and research programs as well as capital projects. Unrestricted net position increased by \$371.0 million in 2023, primarily due to increase in net patient revenue, net investment gains due to improved market conditions, and State appropriations received. Unrestricted net position decreased by \$309.8 million in 2022, primarily due to an increase in operating expenses coupled with a decrease in investment income.

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position ("SRECNP") presents UAB's results of operations, as well as the nonoperating revenues and expenses. Primary components of UAB's operating revenue sources are tuition and fees, grants and contracts, and sales and services. Sales and services revenues is comprised of revenues generated from both self-supporting departments, including intercollegiate Athletics, residence halls, food service operations (Educational activities), revenue from University Hospital operations (Hospital sales and services), and Triton Health Systems, L.L.C. revenues (a blended component unit) (Auxiliary sales and services). Other significant revenue sources, which are considered nonoperating as defined by the Governmental Accounting Standards Board ("GASB"), include State educational appropriations, private gifts, and investment income. Operating expenses are those incurred in conjunction with the fulfillment of UAB's mission and include salaries, wages and benefits; supplies and services; depreciation; and scholarships and fellowships. The SRECNP also includes other changes affecting its net position including State capital funds, State capital appropriations, capital gifts and grants, additions to permanent endowments, and intergovernmental transfers. Intergovernmental transfers to related governmental entities totaled \$0 and \$48.6

million in 2023 and 2022, respectively. For purpose of comparability in the management discussion of the SCRENP, management has elected to reflect the impact of an error in the classification of certain pharmacy revenues with the 2021 balances. Refer to note 1 for additional information.

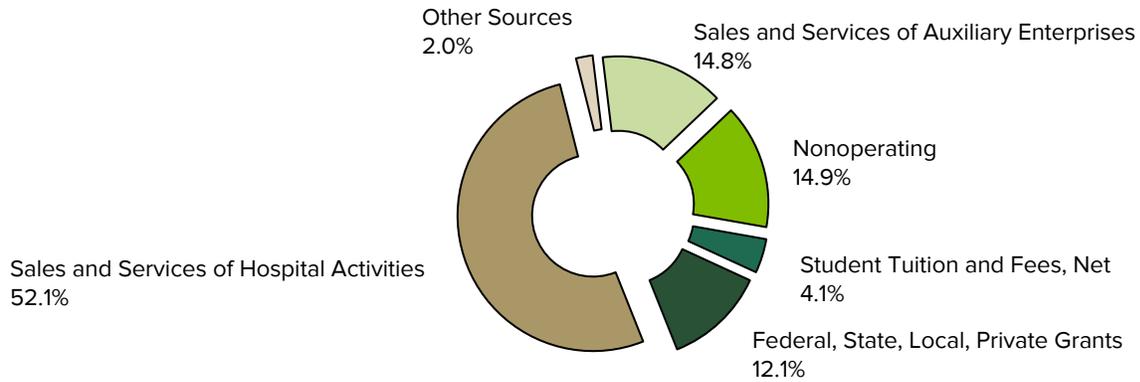
Annual state educational appropriations are classified as nonoperating revenues according to governmental accounting standards, even though the state-appropriated funds are used to support the operations of UAB. Without the nonoperating revenues, in particular the state appropriations and private gifts, UAB would not be able to cover its costs of operations.

A summarized comparison of UAB's revenues, expenses and changes in net position for the years ended September 30, 2023, 2022, and 2021 is presented below:

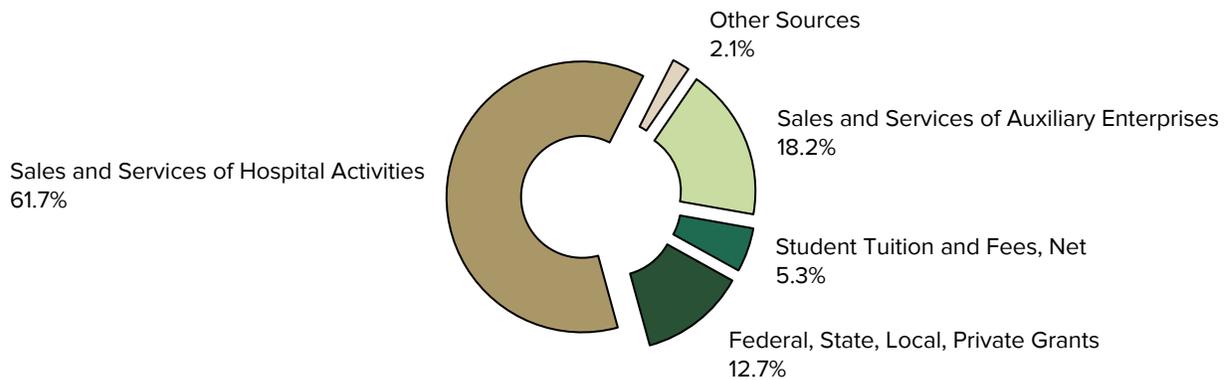
	<u>2023</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES			
Student tuition and fees, net	\$ 245,459,954	\$ 238,778,078	\$ 243,476,387
Grants and contracts	724,904,351	572,438,335	526,727,011
Sales and services	4,081,678,194	3,672,843,672	3,454,414,249
Other revenues	46,015,088	27,307,442	40,614,568
TOTAL OPERATING REVENUES	5,098,057,587	4,511,367,527	4,265,232,215
OPERATING EXPENSES			
Operating expenses	5,437,025,461	4,823,032,534	4,480,327,460
OPERATING LOSS	\$ (338,967,874)	\$ (311,665,007)	\$ (215,095,245)
NONOPERATING REVENUES (EXPENSES)			
Economic relief funds	10,863,331	21,209,457	412,719
State educational appropriations	369,169,834	332,448,930	314,953,056
Grants and contracts	40,837,244	61,949,289	105,093,454
Private gifts	26,226,067	37,066,668	61,112,310
Investment income (loss)	319,436,415	(521,865,832)	555,919,121
Interest expense	(42,047,569)	(42,445,202)	(38,235,066)
Net other nonoperating revenue	6,158,241	(11,570,614)	7,377,048
NET NONOPERATING REVENUES (EXPENSES)	730,643,563	(123,207,304)	1,006,632,642
OTHER CHANGES IN NET POSITION	126,488,697	35,492,628	38,419,157
INCREASE (DECREASE) IN NET POSITION	518,164,386	(399,379,683)	829,956,554
Net Position, beginning of year	2,717,916,371	3,117,296,054	2,287,339,500
NET POSITION, END OF YEAR	\$ 3,236,080,757	\$ 2,717,916,371	\$ 3,117,296,054

The following are graphic illustrations of revenues by source, both operating and nonoperating, which are used to fund UAB's operating activities for the years ended September 30, 2023 and September 30, 2022, respectively. Certain recurring sources of the University's revenues are considered nonoperating, as defined by Governmental Accounting Standards Board ("GASB"), such as state appropriations, distributions from investments, private gifts and federal Pell grants.

Revenue Streams 2023



Revenue Streams 2022



Student Tuition and Fees, Net

Tuition and fees funding make up a large portion of the University's academic programs. Factors that impact gross tuition revenue include enrollment growth and changes in rates. Enrollment for the fall semester of the 2022-2023 school year is outlined in the following table.

FALL 2022

	UNDERGRADUATE	GRADUATE	FIRST PROFESSIONAL/ ADVANCED PROFESSIONAL *	TOTAL
SCHOOL OF ARTS AND SCIENCES	6,431	857	293	7,581
SCHOOL OF BUSINESS	2,373	896	—	3,269
SCHOOL OF EDUCATION	979	490	89	1,558
SCHOOL OF ENGINEERING	833	442	121	1,396
UNCLASSIFIED	—	163	2	165
SUBTOTAL	10,616	2,848	505	13,969
ACADEMIC HEALTH CENTER:				
SCHOOL OF MEDICINE	—	—	1,895	1,895
SCHOOL OF DENTISTRY	21	1	428	450
SCHOOL OF OPTOMETRY	—	1	246	247
SCHOOL OF NURSING	1,009	961	688	2,658
SCHOOL OF HEALTH PROFESSIONS	1,128	865	483	2,476
SCHOOL OF PUBLIC HEALTH	258	543	91	892
JOINT HEALTH SCIENCES	—	74	434	508
SUBTOTAL, ACADEMIC HEALTH CENTER	2,416	2,445	4,265	9,126
TOTAL ENROLLMENT	13,032	5,293	4,770	23,095

* Includes 1,207 first professionals and 1,456 advanced professionals.

In fall 2022 UAB continued its record enrollment trend with 21,639 students, of which 2,217 students were first-time freshman. Underrepresented students make up 49% of the enrollment and 56% of first-time freshman. Full-time students make up 70% of the enrolled students. For the years ended September 30, 2023, 2022, and 2021, net student tuition and fees revenue consisted of the following components:

	2023	2022	2021
Student tuition and fees, gross	\$ 346,837,471	\$ 334,484,698	\$ 335,202,452
Less: scholarship allowances	(101,377,517)	(95,706,620)	(91,726,065)
STUDENT TUITION AND FEES, NET	\$ 245,459,954	\$ 238,778,078	\$ 243,476,387

Tuition rates are reviewed annually by the University and presented to the Board for approval. Based upon the University's annual review of tuition the Board approved the management recommendation to increase undergraduate rates 3% for resident students and 4% undergraduate non-residents students and for graduate resident/non-resident students for the 2022-2023 academic year. First Professional programs rate increases were proposed and received Board approval in April 2022 as follows: School of Medicine, 3.0% residents only (no increase for non-residents); School of Dentistry, 3.0% for both residents and non-residents; and School of Optometry, 3.0% for residents only (no increase for non-residents). Fall 2022 in-state enrollment decreased by 4.1% to 15,896 students and out-of-state enrollment increased by 0.5% to 5,743 students. Tuition rate increases offset the decline in enrollment contributed to the increase in gross tuition revenue of \$12.4 million. The increase in gross tuition and fees was offset by an increase of \$5.7 million or 5.9% in scholarship allowances. Net tuition and fees revenue increased \$6.7 million or 2.8%, to \$245.5 million in 2023.

For the 2021-2022 academic year rate increases for First Professional programs were proposed and received Board approval in April 2021 as follows: School of Medicine, 1.0% residents only (no increase for non-residents); School of Dentistry, 1.0% for residents and non-residents; and School of Optometry, 1.0% for residents only (no increase for non-residents). Fall 2021 in-state enrollment decreased by 2.7% to 16,574 students and out-of-state enrollment increased by 3.4% to 5,715 students. The decline in in-state enrollment growth was offset by rate increases contributed to the

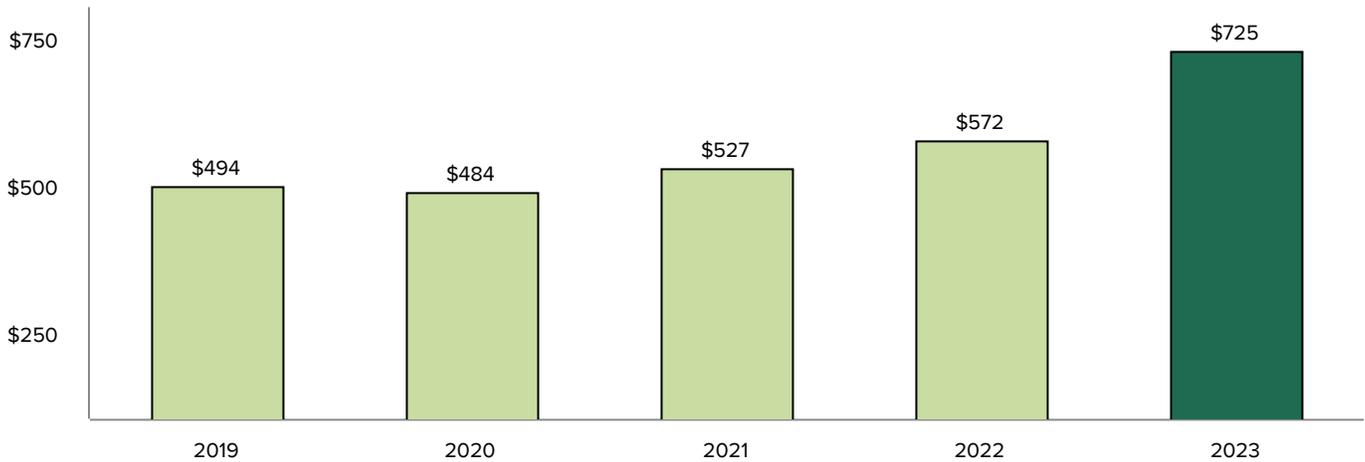
decrease in gross tuition revenue of \$0.7 million or 0.2%. The gross tuition and fees was further offset by an increase of \$4.0 million or 4.3% in scholarship allowances. Net tuition and fees revenue decrease \$4.7 million or 1.9%, to \$238.8 million in 2022.

Grants and contracts revenue

The University receives revenues for sponsored programs from various government agencies and private sources, which normally provide for both direct and indirect costs to perform these sponsored projects, with a significant portion related to federal research.

During fiscal year 2023, UAB recognized \$765.7 million in sponsored grants and contracts revenues. Various federal agencies provided support for these projects, with the National Institutes of Health ("NIH") being the primary sponsor. Non-federal funding sources include state agencies, local governmental agencies, and a wide variety of private sponsors. Operating revenues from grants and contracts increased \$152.5 million or 26.6% in 2023, as compared to an increase of \$45.7 million or 8.7% in 2022. The increases in 2023 and 2022 were driven primarily by an increase in federally sponsored activity.

**Operating Grants and Contract Revenue
(in millions)**



Figures B and B1 below are illustrations of the breakout of the funding sources for grant and contract revenue for the years ended September 30, 2023 and 2022, respectively. These funds are used to further the mission of UAB: research, education, and public service.

Figure B: Grants and Contract Revenues 2023

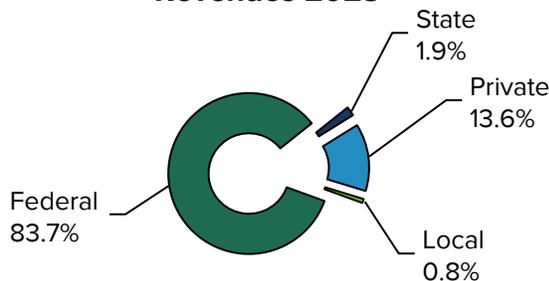
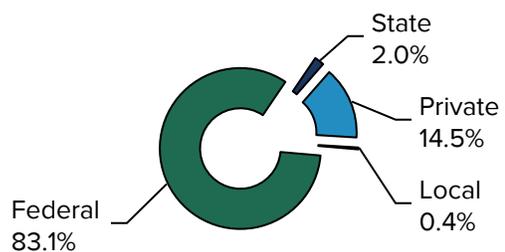


Figure B1: Grants and Contract Revenues 2022



Sales and services revenue of hospital activities

University Hospital is a fund of UAB and a part of UAB Health System. For the fiscal year 2023, inpatient discharges increased 0.2% and adjusted patient discharges increased 4.1%. Operating room cases increased 3.9% over fiscal year 2022 and emergency room visits increased 4.1% during fiscal year 2023. University Hospital had a increase in net position of \$287.5 million in fiscal year 2023. For the fiscal year 2022, inpatient discharges decreased 2.7% and adjusted patient discharges increased 1.6%. Operating room cases increased 3.5% over fiscal year 2021. Also emergency room visits increased 1.8% during fiscal year 2022. The Hospital had a decrease in net position of \$271.7 million in fiscal year 2022. Selected University Hospital operating statistics are outlined below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beds in service	1,183	1,172	1,172
Patient discharges	53,629	53,532	55,005
Adjusted patient discharges	95,744	92,004	90,594
Patient days	427,239	416,716	409,203
Adjusted patient days	762,755	716,197	673,966
Operating room cases	40,839	39,289	37,973
Emergency department visits	130,155	125,069	122,896
Patient origin:			
Jefferson County	44.8%	46.3%	48.2%
Other Alabama counties	48.9%	47.8%	46.5%
Out of state	6.3%	5.9%	5.3%

For the years ended September 30, 2023, 2022, and 2021, University Hospital revenues by source are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net patient service revenue	\$ 2,452,995,873	\$ 2,206,972,968	\$ 2,118,262,314
Other operating revenue	669,241,055	577,132,476	486,129,476
TOTAL UNIVERSITY HOSPITAL OPERATING REVENUE	<u>\$ 3,122,236,928</u>	<u>\$ 2,784,105,444</u>	<u>\$ 2,604,391,790</u>

Patient service revenue, net of allowances for contractual discounts, charity care and bad debt expense, was \$2.5 billion, an increase of \$246.0 million, or 11.1%, over fiscal year 2022. The increase was related to increased volume and contract improvements. The increase from 2021 to 2022 was \$88.7 million, or 4.2%. The increase was related to increased volume and contract improvements.

Other operating revenues primarily consists of pharmacy related sales. The increase in other operating revenues from September 30, 2023 to 2022 was \$91.7 million or 16% compared to \$90.4 million in 2021 or an 18.6% increase. Both 2023 and 2022 had increases related to increases in volumes associated with retail pharmacy.

Sales and services revenue of auxiliary enterprises

Auxiliary enterprise revenue primarily includes revenue from UAB's blended component unit, Triton Health Systems, L.L.C. Refer to Note 2 for additional information on blended component units. Net auxiliary sales and service revenue totaled \$887.1, \$822.2, and \$782.4 million, an increase of 7.9% and 5.1% from 2022 to 2023 and 2021 to 2022, respectively. These increases resulted from Triton's premium revenue growth.

Other sources

Other sources consist of sales and service educational activities and other operating revenues. Net educational sales and service revenue totaled \$72.3, \$66.6, and \$67.7 million, an increase of 8.6% from 2022 to 2023 and a decrease of 1.6% from 2021 to 2022, respectively. The current year increase is due to an increase in year over year activity. Other operating revenue totaled \$46.0, \$27.3, and \$40.6 million, an increase of 68.5% from 2022 to 2023 and a decrease of 32.8% from 2021 to 2022, respectively. The current year increase is due miscellaneous external service revenue activity. The decrease in 2022 is due to a decline in UAB Heersink School of Medicine Academic Enrichment Fund activity revenues.

Nonoperating revenues

Due to the required classification of key revenue sources such as State educational appropriations, financial aid grants, and private gifts as nonoperating revenues, UAB's operating expenses will typically exceed operating revenues, resulting in an operating loss. These nonoperating revenues are essential in offsetting the operating loss. For the years ended September 30, 2023, 2022, and 2021, UAB's nonoperating revenue is summarized as follows:

	2023	2022	2021
Economic relief funds	\$ 10,863,331	\$ 21,209,457	\$ 412,719
State educational appropriation	369,169,834	332,448,930	314,953,056
Grants and contracts	40,837,244	61,949,289	105,093,454
Gifts	26,226,067	37,066,668	61,112,310
Investment income	319,436,415	(521,865,832)	555,919,121
Capital gifts and grants	10,888,728	12,806,674	1,645,260
Endowment gifts	22,830,072	44,941,789	33,163,130
TOTAL UAB NONOPERATING REVENUES (LOSSES)	\$ 800,251,691	\$ (11,443,025)	\$ 1,072,299,050

In response to the impact of COVID-19, the federal government implemented the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act was signed into law in March 2020 in order to provide economic assistance for organizations and individuals that have been negatively impacted by the COVID-19 pandemic. Economic Relief Funds received and recognized by University Hospital totaled \$10.9 million and \$21.0 million in federal CARES Act provider relief funding through September 30, 2023 and 2022, respectively. The Provider Relief Fund is administered through the U.S. Department of Health and Human Services and offers funding to hospitals and health care providers to offset expenses incurred or revenues lost associated with the COVID-19 pandemic. The State of Alabama received funds from the Coronavirus State and Local Fiscal Recovery Fund and appropriated the funds for Alabama hospitals for the purpose of responding to or mitigating the COVID-19 pandemic and public health emergency.

State Appropriations for UAB are made by the Alabama State Legislature based upon a process which involves requests from the Board of Trustees of The University of Alabama, and budget recommendations by the Alabama Commission on Higher Education and the Governor. State funds are appropriated annually from the Educational Trust Fund ("ETF") to UAB. In 2023, State educational appropriations from the ETF increased \$20.3 million from the prior year, reaching a total of \$348.6 million. In 2022, State educational appropriations from the ETF increased \$22.5 million over 2021 for a total received of \$328.3 million. State educational appropriations also include supplemental appropriations received from the Mental Health Trust Fund and Advancement and Technology Fund. UAB received appropriations from Mental Health Trust Fund which totaled \$4.2 million in 2023 and 2022. UAB also received Public School and College Authority funds and other state capital funds in 2023 and 2022 totaling \$42.8 million and \$26.4 million, respectively. In 2023, the University Hospital received \$50.0 million appropriation from the State of Alabama related to emergency medicine expansion.

Nonoperating grants historically consist primarily of Federal Pell grant awards. This program provides financial assistance grants to qualifying undergraduate students to promote access to post-secondary education. During fiscal years 2022, 2021 and 2020, the University received COVID-19 emergency grant funding, primarily through Higher Education Emergency Relief Funds ("HEERF") I, II, and III, and the Coronavirus Relief Fund ("CRF"). CRF funds of \$49.6 million were received during fiscal 2020 to offset necessary expenses incurred due to the public health emergency with respect to COVID-19. These amounts were recorded in nonoperating grants revenue. As a result, nonoperating grant revenue increased to \$105.1 million from \$57.9 million in 2021, and then declined to \$61.9 million in 2022. UAB did not receive any additional HEERF in 2023 and did not receive any CRF funding during fiscal year 2023 and 2022. Further information on COVID-19 emergency grant funding can be found in note 1.

In addition, University Hospital received \$180.2 million during 2020 in advance payments from the Centers for Medicare and Medicaid Services ("CMS") Accelerated and Advance Payments Program reported as due to third party payors and advances payable, net on the Statements of Net Position. Final guidance related to the program provided for all Medicare advance payments to be paid by September 30, 2022. As of September 30, 2022, all advance payments from CMS there are no funds outstanding to CMS Accelerated and Advance Payments Program has been paid.

Gift revenue consists of gifts, pledges, endowment gifts and capital gifts. UAB's gift revenue totaled \$59.9 million for the year ended September 30, 2023, which was a decrease of \$34.9 million from the prior year. The change in gift revenue is due to fewer large gifts received in 2023. In 2022 UAB gift revenues decreased \$1.1 million to \$94.8 million, the change in gift revenue is due to a decline in new pledges offset by an increase in endowment gifts during 2022.

Both investment and endowment income are combined as investment income on the SRECNP. Net investment income increased \$841.3 million from 2022 to 2023 and decreased \$1.1 billion from 2021 to 2022. The increase in 2023 was due to improved market performance throughout the year which strengthened the fair value of investments at September 30, 2023. The decrease in 2022 was largely the result of poor performance of the investments held in the UA Investment Pools, which eroded the fair value of investments at September 30, 2022.

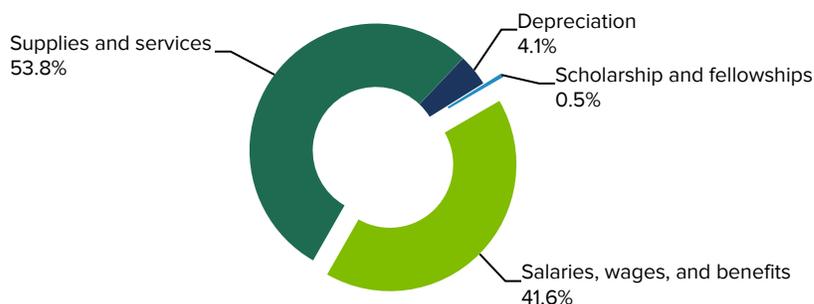
Operating Expenses

A comparative summary of UAB's operating expenses by natural classification for the years ended September 30, 2023, 2022, and 2021, is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Salaries, wages, and benefits	\$ 2,262,252,884	\$ 2,028,850,498	\$ 1,963,628,897
Supplies and services	2,924,694,834	2,557,954,234	2,285,887,618
Depreciation	221,803,800	203,113,354	175,757,850
Scholarships and fellowships	28,273,943	33,114,448	55,053,095
TOTAL OPERATING EXPENSES	<u>\$ 5,437,025,461</u>	<u>\$ 4,823,032,534</u>	<u>\$ 4,480,327,460</u>

Graphic illustrations of UAB's operating expenses by natural classification for the year ended September 30, 2023 is presented as below:

2023 Operating Expenses by Natural Classification



UAB is one of the largest employers in the state with a total workforce of 25,161, 24,259, and 23,609 in 2023, 2022, and 2021, respectively. The workforce consisted of 17,868 full-time and 7,293 part-time employees, of which underrepresented employees making up approximately 43% in 2023. UAB employed 2,716 faculty of which 908 or 35% were tenured in 2023. UAB's salaries, wages, and benefits totaled \$2.26, \$2.03, \$1.96 billion and makes up 41.6%, 42.1%, and 43.8% of total operating expenses in 2023, 2022, and 2021, respectively. Salaries, wages, and benefits increased \$233.4 million or 11.5% to \$2.26 billion during 2023. Salaries, wages, and benefits increased \$65.2 million or 3.3% to \$2.03 billion and \$197.6 million or 11.2% to \$1.96 billion during 2022 and 2021, respectively. The increases in both years are primarily due to the growth of UAB's salary base and rising benefit costs related to growth in salary base.

Supplies and services totaled \$2.92, \$2.56, and \$2.29 billion and makes up the largest portion of total operating expenses at 53.8%, 53.0%, and 51.0% in 2023, 2022, and 2021, respectively. During 2023, Supplies and services increased \$366.7 million to \$2.92 billion due to patient volume and inflationary increases in supplies and service costs and a 5% increase in Triton's expenses per member and Medicare Advantage membership growth. Supplies and services increased \$272.1 million or 11.9% to \$2.56 billion during 2022. This increase is due to increases in patient volume and inflationary increases in supplies and service costs and an 3% increase in Triton's medical and hospital expenses per member. Supplies and services increased \$284.3 million or 14.2% to \$2.29 billion during 2021. This increase is due to increases in patient volume and inflationary increases in supplies and service costs and an 6% increase in Triton's medical and hospital expenses per member.

Depreciation expense increased 9.2%, or \$18.7 million to \$221.8 million in 2023, as compared to an increase of 15.6%, or \$27.4 million, to \$203.1 million in 2022. This increase is due to the 5.8% or \$115.2 million growth in capital assets in 2023. Capital assets placed in service during 2023 included Science and Engineering Building and the impact of the adoption of GASB Statement No 96.

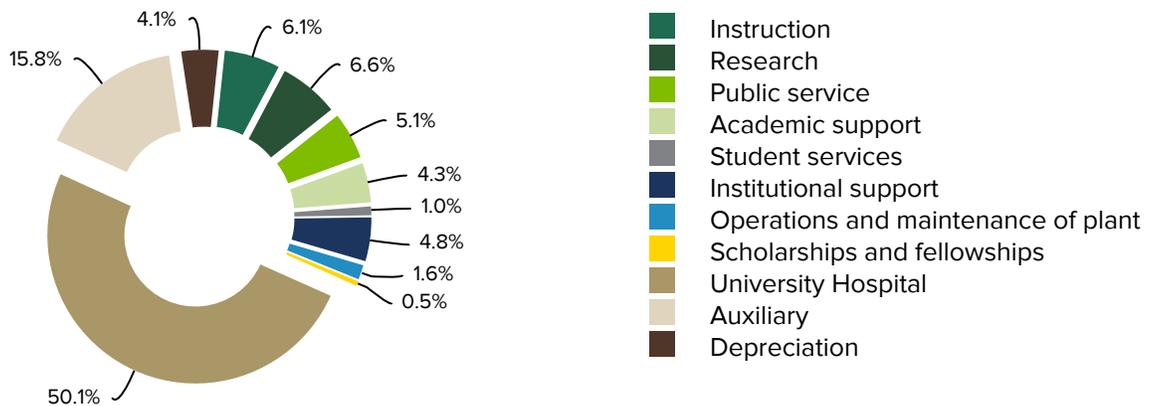
Scholarships and fellowships expense is reported net of scholarship allowances. The net expenses of \$28.3, \$33.1, and \$55.1 million for fiscal years 2023, 2022, and 2021, respectively, represent payments made directly to students after awards have been applied against tuition and fees and auxiliary housing charged to student accounts. Gross scholarship expenses, including allowances, totaled \$129.7, \$128.8, and \$146.8 million for the years ended September 30, 2023, 2022, and 2021, respectively.

In addition to natural classifications, operating expenses are reported by functional classifications as defined by the National Association of College and University Business Officers (“NACUBO”). It is informative to review operating expenses by functional classification. The functional classification of an operating expense (Instruction, Research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects amounts expended in areas such as instruction, research, and operations and maintenance and is used most commonly for comparative reporting purposes among colleges and universities. The University’s expenses by functional classification for the years ended September 30, 2023, 2022, and 2021, are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Instruction	\$ 336,429,778	\$ 288,100,234	\$ 293,021,318
Research	356,511,668	335,222,646	338,353,105
Public service	278,654,839	191,887,121	182,472,393
Academic support	235,622,123	200,374,298	169,903,914
Student services	52,562,860	36,608,750	39,587,573
Institutional support	260,260,163	212,881,896	220,839,390
Operations and maintenance of plant	87,389,236	85,082,008	73,252,765
Scholarships and fellowships	28,273,943	33,114,448	55,053,095
University Hospital	2,723,288,233	2,457,381,574	2,192,241,264
Auxiliary	856,228,818	779,266,205	739,844,793
Depreciation	221,803,800	203,113,354	175,757,850
TOTAL OPERATING EXPENSES	<u>\$ 5,437,025,461</u>	<u>\$ 4,823,032,534</u>	<u>\$ 4,480,327,460</u>

Graphic illustrations of UAB’s operating expenses by functional classification for the year ending September 30, 2023 is presented as follows:

2023 Operating Expenses by Functional Classification



The instruction category includes expenses for all activities that are part of UAB's instruction programs. Instruction expenses increased \$48.3 million in 2023, and decreased \$4.9 million in 2022. The research category includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to UAB or separately budgeted by an organizational unit within UAB. Research expenses increased \$21.3 million in 2023, and decreased \$3.1 million in 2022. The institutional support category includes expenses for central, executive-level activities concerned with management of UAB. Institutional expenses increased \$47.4 million in 2023, and decreased \$8.0 million in 2022. University Hospital expenses increased 10.8%, or \$265.9 million, in 2023, and increased 12.1%, or \$265.1 million, in 2022, and reflect the impact of additional patient activity and capacity expansion. Increased compensation expense related to patient care includes annual salary adjustment and growth in staff levels. Increased medical supplies expense results from annual inflationary increases in supplied and services costs. The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises, and increased 9.9% or \$77.0 million in 2023, and increased 5.3% or \$39.4 million in 2022.

Economic Factors That May Affect The Future

As a labor-intensive organization, UAB faces competitive pressures related to attracting and retaining faculty and staff.

The State of Alabama appropriates money each year to UAB for operating costs and nonoperating cash requirements, including capital expenditures. Because the State is mandated by its Constitution to operate with a balanced budget, the State occasionally has reduced its appropriations, through a process known as "proration," when its annual revenues are not expected to meet budgeted appropriations. As the State could potentially implement proration in future years, UAB continues to implement cost-saving measures in order to minimize the impact of any future proration.

Private gifts are an important part of the fundamental support of UAB. Economic pressures affecting donors may also affect the future level of support UAB receives from corporate and individual giving. In 2021 the University received the single largest philanthropic commitment in university history from longtime UAB supporter Marnix E. Heersink, M.D. As a result, the school of medicine is now known as the UAB Marnix E. Heersink School of Medicine. In addition, UAB established the Marnix E. Heersink Institute of Biomedical Innovation and the Mary Heersink Institute for Global Health. The gift and related matching gifts provide support with both endowed and outright funds for key initiatives of the UAB Marnix E. Heersink School of Medicine.

During fiscal year 2023, 66.2% of UAB students received financial aid, including \$187.5 million of Federal Financial Aid. In recent years, financial aid reform and reauthorization of existing aid programs have been topics in legislative sessions. Management is monitoring proposed future legislation in order to respond in a manner to assist current and future students.

The University Hospital faces significant challenges in a dynamic healthcare sector and volatile economic environment. The demand for health care services and the cost of providing them are increasing significantly while the revenues to support these services are diminishing. In addition to cost increases such as rising salary and benefit costs, the University Hospital also faces additional costs associated with new technologies, the education and training of health care professionals and provision of care for a disproportionate share of the medically underserved in Alabama. In recent years, federal legislation has been enacted to slow future rate increases in Medicare and Medicaid and reduce medical education and disproportionate share funding. Management is committed to staying abreast of pertinent issues; implementing appropriate management actions and continuing to provide quality care for all patients.

These financial statements are prepared to provide a general overview of the University of Alabama at Birmingham and to demonstrate UAB's accountability. Questions concerning any information provided in this report or requests for additional information should be addressed to Office of the Senior Vice President for Finance and Administration, The University of Alabama at Birmingham, AB 1030, 1720 2ND AVE S, BIRMINGHAM AL 35294-0106.

The University of Alabama at Birmingham
Statements of Net Position
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 477,904,742	\$ 365,792,264
Short term investments	1,479,271,187	1,417,861,440
Accounts receivable, net	653,630,146	642,903,571
Loans receivable, current portion	1,488,228	1,624,939
Pledges receivable, current portion	14,496,241	9,587,255
Inventories	43,120,584	43,796,437
Prepaid expenses and unearned scholarships	108,232,204	93,153,155
Other current assets	15,483,989	13,501,311
Total current assets	2,793,627,321	2,588,220,372
Noncurrent assets:		
Cash designated for capital activities	112,383,499	165,975,422
Restricted cash and cash equivalents	314,551	374,185
Investments for capital activities	974,814,001	746,525,202
Endowment and life income investments	739,375,564	673,323,752
Investment in Professional Liability Trust Fund	57,684,366	40,809,631
Other long-term investments	126,096,236	142,971,739
Loans receivable, net	7,781,195	7,076,686
Pledges receivable	30,688,336	43,311,474
Due from affiliates	17,475,575	52,206,128
Capital assets, net	2,093,265,020	1,978,030,226
Other noncurrent assets	14,163,446	15,728,198
Total noncurrent assets	4,174,041,789	3,866,332,643
Total assets	6,967,669,110	6,454,553,015
DEFERRED OUTFLOWS OF RESOURCES		
Bond deferred refundings	13,808,356	15,092,272
Pension and OPEB related obligations	883,589,394	716,467,779
Total deferred outflows of resources	897,397,750	731,560,051
Total assets and deferred outflows of resources	\$ 7,865,066,860	\$ 7,186,113,066

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Net Position (continued)
September 30, 2023 and 2022

	2023	2022
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 428,344,125	\$ 387,722,765
Deposits	20,064,316	19,553,960
Unearned revenue-grants	69,988,114	64,992,790
Unearned revenue-other	105,364,367	104,420,980
Long-term debt, current portion	82,313,666	81,790,922
Total current liabilities	706,074,588	658,481,417
Noncurrent liabilities:		
Federal advances-loan funds	3,548,954	4,743,839
Long-term debt, noncurrent portion	1,268,291,772	1,325,749,324
Pension liability	1,694,871,000	1,048,949,000
OPEB liability	148,290,100	553,774,052
Total noncurrent liabilities	3,115,001,826	2,933,216,215
Total liabilities	3,821,076,414	3,591,697,632
DEFERRED INFLOWS OF RESOURCES		
Leases	27,114,575	29,984,253
Pension and OPEB related obligations	780,795,114	846,514,810
Total deferred inflows of resources	807,909,689	876,499,063
NET POSITION		
Net investment in capital assets	859,476,471	786,548,309
Restricted		
Nonexpendable	458,967,147	435,778,701
Expendable	517,206,017	466,127,882
Unrestricted	1,400,431,122	1,029,461,479
Total net position	3,236,080,757	2,717,916,371
Total liabilities, deferred inflows and net position	\$ 7,865,066,860	\$ 7,186,113,066

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Tuition and fees	\$ 346,837,471	\$ 334,484,698
Less: scholarship allowance	(101,377,517)	(95,706,620)
Tuition and fees, net	245,459,954	238,778,078
Grants and contracts:		
Federal	600,264,365	465,169,073
State	14,457,544	12,555,524
Local	6,401,027	2,610,062
Private	103,781,415	92,103,676
Sales and services:		
Educational activities	72,309,309	66,563,264
University Hospital, net of bad debt expense of \$253.8 million in 2023 and \$204.9 million in 2022	3,122,236,928	2,784,105,444
Other auxiliary enterprises, net of scholarship allowance of \$3.5 million in 2023 and \$3.3 million in 2022	887,131,957	822,174,964
Other operating revenues	46,015,088	27,307,442
Total operating revenues	5,098,057,587	4,511,367,527
Operating Expenses		
Salaries, wages and benefits	2,262,252,884	2,028,850,498
Supplies and services	2,924,694,834	2,557,954,234
Depreciation	221,803,800	203,113,354
Scholarships and fellowships	28,273,943	33,114,448
Total operating expenses	5,437,025,461	4,823,032,534
Operating loss	(338,967,874)	(311,665,007)
Nonoperating (Expenses) Revenues		
Economic Relief Funds	10,863,331	21,209,457
State educational appropriations	369,169,834	332,448,930
Grants and contracts	40,837,244	61,949,289
Gifts	26,226,067	37,066,668
Investment income (loss)	319,436,415	(521,865,832)
Interest expense	(42,047,569)	(42,445,202)
Loss on asset dispositions, net	(2,621,037)	(18,452,939)
Other nonoperating income, net	8,779,278	6,882,325
Net nonoperating (expenses) revenues	730,643,563	(123,207,304)
Income (loss) before other changes in net position	391,675,689	(434,872,311)
Other Changes in Net Position		
State capital funds	42,769,897	26,379,881
State capital appropriations	50,000,000	—
Capital gifts and grants	10,888,728	12,806,674
Endowment gifts	22,830,072	44,941,789
Intergovernmental transfers	—	(48,635,716)
Total other changes in net position	126,488,697	35,492,628
Increase (decrease) in net position	518,164,386	(399,379,683)
Net Position, beginning of year	2,717,916,371	3,117,296,054
Net Position, end of year	\$ 3,236,080,757	\$ 2,717,916,371

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Student tuition and fees	\$ 240,764,928	\$ 245,966,174
Grants and contracts:		
Federal	602,811,165	460,331,631
State	13,267,644	12,516,743
Local	5,628,337	1,246,452
Private	103,224,683	99,227,010
Receipts from sales and services of:		
Educational activities	70,538,923	66,820,688
Patient services	3,088,982,266	2,648,741,987
Auxiliary enterprises, net	52,881,864	52,651,080
Premium and administrative fees collected	837,138,230	763,992,459
Payment to employees and related benefits	(1,505,509,889)	(1,487,722,848)
Payment for contract labor	(744,855,259)	(641,738,750)
Payment to suppliers	(2,890,852,665)	(2,585,685,332)
Payment for scholarships and fellowships	(28,273,943)	(33,114,447)
Other receipts	44,142,121	26,752,341
Net cash used in operating activities	(110,111,595)	(370,014,812)
Cash flows from noncapital financing activities		
Economic relief funds	10,863,331	21,209,457
State educational appropriations	369,169,834	332,448,930
Private gifts	54,700,803	80,824,499
Student direct lending receipts	157,865,260	160,577,061
Student direct lending disbursements	(160,526,531)	(158,008,589)
Intragovernmental Transfers	—	(48,635,718)
Other deposits	63,047,052	55,499,781
Deposits from affiliates	2,472,925	(5,143,741)
Net cash provided by noncapital financing activities	497,592,674	438,771,680
Cash flows from investing activities		
Interest and dividends from investments, net	37,587,326	25,683,022
Proceeds from notes receivable	3,600	4,000
Proceeds from sales and maturities of investments	70,269,650	135,799,736
Purchases of investments	(146,355,701)	(100,951,810)
Net cash (used in) provided by investing activities	(38,495,125)	60,534,948
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt	34,730,552	179,231,494
State capital funds	50,000,000	—
Capital gifts, grants and contracts	12,958,017	3,807,185
Proceeds from sale of capital assets	511,627	2,689,301
Purchases of capital assets	(252,641,822)	(176,520,512)
Principal payments on capital debt	(88,021,394)	(80,816,804)
Interest payments on capital debt	(48,062,013)	(46,157,113)
Net cash used in capital and related financing activities	(290,525,033)	(117,766,449)
Net increase in cash and cash equivalents	58,460,921	11,525,367
Cash and cash equivalents, beginning of year	532,141,871	520,616,504
Cash and cash equivalents, end of year	\$ 590,602,792	\$ 532,141,871

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows (continued)
Years Ended September 30, 2023 and 2022

	2023	2022
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 477,904,742	\$ 365,792,264
Cash designated for capital activities	112,383,499	165,975,422
Restricted cash and cash equivalents	314,551	374,185
Total cash and cash equivalents	590,602,792	\$ 532,141,871
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (338,967,874)	\$ (311,665,007)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	221,803,800	203,113,354
Pension expense	189,605,000	64,413,000
OPEB (benefit) expense	(59,121,586)	11,510,608
Changes in assets and liabilities:		
Accounts receivable, net	(46,812,211)	(130,278,195)
Prepaid expenses and other assets	(16,292,375)	(13,260,990)
Accounts payable and accrued liabilities	57,234,036	(82,466,313)
Pension obligations	(104,935,000)	(101,166,000)
OPEB obligations	(17,932,059)	(16,311,782)
Unearned Revenue	5,306,674	6,096,513
Net cash used in operating activities	\$ (110,111,595)	\$ (370,014,812)
Supplemental noncash activities information		
Capital assets acquired included in accounts payable	\$ 23,596,154	\$ 15,224,549
Capital assets acquired through new leases	23,626,718	19,618,241
Capital assets acquired through SBITAs	11,997,507	25,299,510
Capital assets acquired with State capital funds	42,769,896	26,379,881
Debt proceeds immediately transferred into escrow	78,755,000	150,772,683
Payment of outstanding bonds principal and interest via escrow	80,250,000	149,278,865
Reinvested investment distributions	45,932,247	49,586,633

See accompanying notes to financial statements.

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Net Position
December 30, 2022 and December 31, 2021

	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 3,436,195	\$ 2,218,692
Investments	158,759,828	51,179,367
Restricted cash and investments	11,471,250	13,308,476
Accounts receivable, net	11,099,935	20,639,167
Other receivables	838,735	514,425
Materials and supplies, net	216,277	920,111
Prepayments and other current assets	791,055	814,499
Total current assets	186,613,275	89,594,737
Noncurrent Assets:		
Net OPEB asset	1,756,251	2,053,566
Capital assets:		
Land and improvements	4,037,692	4,128,885
Buildings and major plant equipment	34,602,876	50,606,039
Laboratory equipment and fixtures	40,976,551	55,608,810
Office furniture and equipment	3,058,558	3,417,399
Intangible assets, net	1,808,088	2,103,141
	<u>84,483,765</u>	<u>115,864,274</u>
Less accumulated depreciation	<u>(66,781,306)</u>	<u>(85,047,276)</u>
	17,702,459	30,816,998
Construction-in-progress	4,532,910	1,630,206
Total capital assets, net	<u>22,235,369</u>	<u>32,447,204</u>
Total noncurrent assets	23,991,620	34,500,770
Total Assets	210,604,895	124,095,507
Deferred Outflows of Resources		
OPEB	574,750	174,529
Total Assets and Deferred Outflows of Resources	\$ 211,179,645	\$ 124,270,036
Current Liabilities:		
Accounts payable	\$ 4,615,663	\$ 2,228,778
Accrued liabilities	3,431,282	4,651,678
Unearned contract revenue	9,656,534	9,710,441
Current maturities of long-term debt	798,387	13,043,565
Note payable	1,639,864	—
Total current liabilities	20,141,730	29,634,462
Noncurrent Liabilities:		
Long-term debt	8,778,514	585,318
Total noncurrent liabilities	8,778,514	585,318
Total Liabilities	28,920,244	30,219,780
Deferred Inflows of Resources		
OPEB	1,824,877	1,960,536
Net Position		
Net investment in capital assets	12,658,468	18,818,321
Restricted		
Expendable	10,076,662	12,481,131
Unrestricted	157,699,394	60,790,268
Total Net Position	180,434,524	92,089,720
Total Liabilities, Deferred Inflows Of Resources, and Net Position	\$ 211,179,645	\$ 124,270,036

See accompanying notes to financial statements.

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 30, 2022 and December 31, 2021

	<u>2023</u>	<u>2022</u>
Operating Revenues		
Contract revenues	\$ 51,891,496	\$ 78,975,963
Intellectual property revenues, net of direct expenses	1,055,675	1,882,898
Total operating revenues	<u>52,947,171</u>	<u>80,858,861</u>
Operating Expenses		
Salaries, wages and benefits	28,713,097	40,538,321
Supplies and services	24,181,572	30,542,548
Depreciation and amortization	3,828,831	5,643,278
Total operating expenses	<u>56,723,500</u>	<u>76,724,147</u>
Operating (loss) income	<u>(3,776,329)</u>	<u>4,134,714</u>
Nonoperating (Expenses) Revenues		
Contributions	128,927	155,458
Investment (loss) income	(2,887,977)	1,529,017
Interest expense	(261,599)	(327,828)
Gain on disposal of assets	—	4,254,037
Income (loss) before capital contributions and special items	<u>(3,020,649)</u>	<u>5,610,684</u>
Capital contributions	45,000,000	—
Gain (loss) on discontinued operations	50,141,782	—
Change in net position	<u>88,344,804</u>	<u>9,745,398</u>
Net Position, beginning of year	<u>92,089,720</u>	<u>82,344,322</u>
Net Position, end of year	<u>\$ 180,434,524</u>	<u>\$ 92,089,720</u>

See accompanying notes to financial statements.

The University of Alabama at Birmingham

Notes to Financial Statements

Years Ended September 30, 2023 and 2022

(1) Organization and Summary of Significant Accounting Policies

The University of Alabama at Birmingham ("UAB") is one of three universities of The University of Alabama System ("the System"), which is a component unit of the State of Alabama ("the State"). The financial statements of UAB are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the business-type activities of the financial reporting entity of the System that is attributable to the transactions of UAB. They do not purport to, and do not, present fairly the financial position of the System, its changes in financial position or cash flows in accordance with accounting principles generally accepted in the United States of America. The System is recognized 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) of the Internal Revenue Code.

UAB, as a public institution, prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). UAB is not a separate legal entity from the System and therefore, management is not required to and has not performed a going concern analysis at the UAB level.

GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- **Net Investment in Capital Assets:**

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted:**

Nonexpendable: Net position subject to externally imposed stipulations that they be maintained permanently by UAB. Such assets include UAB's permanent endowment funds.

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

- **Unrestricted:**

The net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management. Substantially all of the unrestricted net position is designated for academic and research programs and initiatives and capital programs.

For financial reporting purposes, UAB is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

UAB policy states that operating activities as reported by the statement of revenues, expenses, and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The estimates susceptible to significant changes include those used in determining the allowance for contractual adjustments and uncollectible accounts, valuation of investments, accruals related to compensated absences,

allowance for self-insurance, estimated amounts due to or from third-party payors, and reserves for general and professional liability claims. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate.

Scope of Statements

UAB is principally comprised of a university ("the University") and the University of Alabama Hospital ("University Hospital") which are UAB's reportable segments as defined by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments: Omnibus an Amendment of GASB Statements No. 21 and No. 34*. UAB's financial statements present the financial position, changes in financial position, and the cash flows of the University, the University Hospital, and UAB's blended component units. Condensed financial information of UAB's reportable segments is presented at Note 15. Refer to Note 2 for information regarding UAB's component units.

UAB is affiliated with the UAB Educational Foundation ("UABEF"), the University of Alabama Health Services Foundation, P.C. ("HSF"), UAB Medicine Enterprise ("UABME"), formerly known as UAB Health System ("UABHS"), Medical West Hospital Authority, Cooper Green Mercy Health Services Authority, and the Valley Foundation ("VF"). UAB is not financially accountable for UABEF, HSF, UABME, Cooper Green Mercy Health Services Authority, or VF; therefore, they do not constitute component units under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. These entities are not required to be presented as component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and No. 61, *The Financial Reporting Entity – an Amendment of GASB Statement No. 14 and 34*. More information regarding HSF, UABME and VF can be found at Note 16.

UABEF provides funds and certain facilities to UAB for its educational and scientific functions. UABEF has 13 board members, including eight outside members not affiliated with UAB. UABEF leases certain facilities to UAB, with lease payments of approximately \$2.7 million for each of the years ended September 30, 2023 and 2022. UABEF made contributions to UAB which totaled approximately \$3.6 million and \$3.5 million for the years ended September 30, 2023 and 2022, respectively.

Implementation of new standards: During fiscal year 2023, UAB adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), which is a contract that conveys control of the right to use another party's information technology software. The statement requires a government to recognize a right-to-use subscription asset and a corresponding subscription liability. The adoption of GASB Statement No. 96 has been reflected at the beginning of the earliest period presented in the financial statements, or October 1, 2021, resulting in an increase (decrease) to the following line items within UAB's financial statements for the year ended September 30, 2022. UAB's discretely presented component unit Southern Research Institute ("SRI") and blended component unit Triton Health Systems, L.L.C. ("Triton") have not yet adopted GASB Statement No. 96 due to both entities having different fiscal year ends preceding the GASB Statement No. 96 effective date. The impact of GASB Statement No. 96 has not been reflected in the UAB financial statements.

UAB's discretely presented component unit Southern Research Institute ("SRI") and blended component unit Triton Health Systems, L.L.C. ("Triton") adopted GASB 87 subsequent to September 30, 2022 due to both entities having different fiscal year ends preceding the GASB Statement No. 87 effective date. The adoption of GASB Statement No. 87 has been reflected on a retrospective basis at the beginning of the earliest period presented in the financial statements, or January 1, 2021. The effects of adopting GASB 87 as it relates to Triton in UAB's financial statements for the year ended September 30, 2022 are as follows:

	As Previously Reported	Effect of Adoption of GASB 96	*Effect of Adoption of GASB 87	As Restated
Statement of Net Position				
Current Assets				
Account receivable, net	\$ 643,058,051	\$ —	(154,480)	\$ 642,903,571
Total current assets	\$ 2,588,374,852	\$ —	\$ (154,480)	\$ 2,588,220,372
Noncurrent Assets				
Capital assets, net	\$ 1,918,644,336	\$ 53,961,924	5,423,966	\$ 1,978,030,226
Total noncurrent assets	\$ 3,806,946,753	\$ 53,961,924	\$ 5,423,966	\$ 3,866,332,643
Total assets	\$ 6,395,321,605	\$ 53,961,924	\$ 5,269,486	\$ 6,454,553,015

	As Previously Reported	Effect of Adoption of GASB 96	*Effect of Adoption of GASB 87	As Restated
Current Liabilities				
Accounts payable and accrued expenses	\$ 387,972,177	\$ 99,711	\$ (349,123)	\$ 387,722,765
Unearned revenue-other	105,216,826	—	(795,846)	104,420,980
Long-term debt, current	56,667,288	21,801,449	3,322,185	81,790,922
Total current liabilities	\$ 634,403,041	\$ 21,901,160	\$ 2,177,216	\$ 658,481,417
Noncurrent Liabilities				
Long-term debt, noncurrent	\$ 1,292,453,575	\$ 30,930,418	\$ 2,365,331	\$ 1,325,749,324
Other noncurrent liabilities	317,411	—	(317,411)	—
Total noncurrent liabilities	\$ 2,900,237,877	\$ 30,930,418	\$ 2,047,920	\$ 2,933,216,215
Total Liabilities	\$ 3,534,640,918	\$ 52,831,578	\$ 4,225,136	\$ 3,591,697,632
Net Position				
Net investment in capital assets	\$ 785,417,963	\$ 1,130,346		\$ 786,548,309
Unrestricted	1,028,417,129		1,044,350	1,029,461,479
Total net position	\$ 2,715,741,675	\$ 1,130,346	\$ 1,044,350	\$ 2,717,916,371

	As Previously Reported	Effect of Adoption of GASB 96	*Effect of Adoption of GASB 87	As Restated
Statement of Revenues, Expenses and Changes in Net Position				
Operating Expenses				
Supplies and services	\$ 2,583,862,851	\$ (21,389,460)	\$ (4,519,157)	\$ 2,557,954,234
Depreciation	180,030,404	19,819,188	3,263,762	203,113,354
Total operating expenses	\$ 4,825,858,201	\$ (1,570,272)	\$ (1,255,395)	\$ 4,823,032,534
Operating loss	\$ (314,490,674)	\$ 1,570,272	\$ 1,255,395	\$ (311,665,007)
Nonoperating Revenues (Expenses)				
Interest expense	\$ (41,794,231)	\$ (439,926)	\$ (211,045)	\$ (42,445,202)
Total nonoperating revenues	\$ (122,556,333)	\$ (439,926)	\$ (211,045)	\$ (123,207,304)
Loss before other changes in net position	\$ (437,047,007)	\$ 1,130,346	\$ 1,044,350	\$ (434,872,311)
Decrease in net position	\$ (401,554,379)	\$ 1,130,346	\$ 1,044,350	\$ (399,379,683)

	As Previously Reported	Effect of Adoption of GASB 96	*Effect of Adoption of GASB 87	As Restated
Statements of Cash Flows				
Cash flows from operating activities				
Payment to suppliers	(2,610,398,590)	21,389,460	\$ 3,323,798	(2,585,685,332)
Net cash used in operating activities	\$ (394,728,070)	\$ 21,389,460	\$ 3,323,798	\$ (370,014,812)
Cash from capital and related financing activities				
Principal payments on capital debt	\$ (56,740,231)	\$ (20,963,820)	\$ (3,112,753)	\$ (80,816,804)
Interest payments on capital debt	(45,520,428)	(425,640)	(211,045)	(46,157,113)
Net cash used in capital and related financing activities	\$ (93,053,191)	\$ (21,389,460)	\$ (3,323,798)	\$ (117,766,449)
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	\$ (314,490,674)	\$ 1,570,272	\$ 1,255,395	\$ (311,665,007)
Depreciation	180,030,404	19,819,188	3,263,762	203,113,354
Account receivable	(130,324,594)	—	46,399	(130,278,195)
Prepaid expenses and other assets	(13,266,983)	—	5,993	(13,260,990)
Accounts payable and accrued liabilities	(81,218,562)	—	(1,247,751)	(82,466,313)
Net cash used in operating activities	\$ (394,728,070)	\$ 21,389,460	\$ 3,323,798	\$ (370,014,812)
Supplemental noncash activities information				
Capital assets acquired through new leases	\$ 19,208,478		\$ 409,763	\$ 19,618,241
Capital assets acquired through SBITAs	\$ —	\$ 25,299,510	\$ —	\$ 25,299,510

*Triton Health Systems, L.L.C. ("Triton") adopted GASB 87 subsequent to September 30, 2022 due to different fiscal year ends preceding the GASB Statement No. 87 effective date. The impact on Triton's financial statements of adopting GASB 87 has been reflected within certain notes to the UAB financial statements for the period ended September 30, 2022.

Certain notes to the financial statements for the period ended September 30, 2022 have been restated due to the adoption of GASB Statement No 96 for UAB and GASB Statement No 87 for blended component unit Triton Health System, LLC.

Cash and Cash Equivalents: For purposes of the statement of cash flows, UAB considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of UAB's endowment, life income, and other long-term investments are included in noncurrent assets.

Investments: UAB's investments are reported at fair value. The majority of UAB's investment portfolio is invested in separate investment pools sponsored by the System. Fair value for the investment pools is provided by the System, based on the fair value of the underlying investment securities held by each investment pool. Fair value of the underlying securities held in each investment pool is based on quoted market prices or dealer quotes, where available, or determined using net asset values provided by underlying investment partnerships or companies. Fair value for equity securities, debt securities, mutual funds and U.S. government and agency obligations held by UAB is determined from quoted market prices or market prices of similar instruments. Real estate held as investments is reported at fair value based upon appraisals, acquisition value at the date of donation, and other valuations typically based on management assumptions or expectations. Investments received by gift are reported at fair value at date of receipt. Net investment income, including realized and unrealized gains and losses, is reported as nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position.

Investments are reported in four categories in the statement of net position. Investments recorded as endowment and life income investments are those invested funds that cannot be used to fund current operations and thus are included in noncurrent assets. Investments for capital activities represent the investment of cash to fund future capital projects and are included in noncurrent assets. Other long-term investments are those invested funds with maturities greater than one year or are considered by management to be of a long duration that are not an investment of the endowment and life income fund or the plant fund. Short-term investments represent investments available for current operations.

Inventories: Inventories are carried at the lower of cost or market. Inventories consist primarily of medical supplies and pharmaceuticals.

Accounts Receivable: Accounts receivable consist primarily of patient receivables, tuition charged to students and amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to UAB's contracts and grants.

Capital Assets: All capital assets are carried at cost on date of acquisition (or in the case of gifts, at acquisition value on the date of donation, and in the case of right of use assets for leased property and equipment and SBITAs, an amount equal to the lease or SBITA liability at lease inception), less accumulated depreciation. UAB computes depreciation for buildings and building improvements (15-40 years) and for fixed equipment systems (3-20 years) using a component method. Depreciation of land improvements (40 years), library collection (10 years), inventoried equipment (3-20 years), and right of use assets (3-40 years) is computed on a straight-line basis. The University Hospital uses guidelines established by the American Hospital Association to assign useful lives to inventoried equipment.

Right of use assets acquired are amortized over the shorter of the lives of the respective leases and SBITAs or the estimated useful lives of the underlying assets. Capital assets acquired through federal grants and contracts in which the Federal government retains a reversionary interest are capitalized and depreciated.

Computer software capitalization, which is included as inventoried equipment, includes the costs of software and implementation. Implementation costs include consulting expenses and allocation of internal salaries and fringes for the core implementation team.

Pledges: UAB receives gift pledges and bequests of financial support. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Pledges are recorded at their gross, undiscounted amount. Endowment pledges do not meet eligibility requirements and are not recorded as assets until the related gift is received in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Due to uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

Endowment Spending: The State Legislature adopted the Alabama Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), effective January 1, 2009, which permits the Board of Trustees of the University of Alabama (the "Board") to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. UPMIFA prescribes guidelines for the expenditure of donor-restricted endowment funds in the absence of overriding, explicit donor stipulations. UPMIFA focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA eliminates UMIFA's historic-dollar-value threshold, an amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund.

UAB's policy is to retain the endowment realized and unrealized appreciation within an endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board approved a spending rate for fiscal years September 30, 2023 and 2022 of 4.5%, based on a moving five-year average of the market (unit) value.

Prepaid Expenses and Unearned Scholarships: Prepaid expenses are composed of future expenses that have been paid in advance and include prepaid postage, travel, and other miscellaneous expenses. Unearned scholarship expense results from the Fall academic term spanning across the fiscal year-end. UAB prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

Unearned Revenue: Unearned revenue consists primarily of student tuition and fees related predominantly to future fiscal years and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements and, therefore, have not yet been included in the net position.

Federal Refundable Loans: Certain loans to students are administered by UAB with funding primarily supported by the federal government. UAB's statements of net position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions and related activity owed upon termination of the program. The Federal Perkins Loan Program expired June 30, 2018. The University will continue operating the program and remit any excess cash annually for the pro rata federal and institutional capital contributions. As of September 30, 2023 and 2022, there was \$0.7 million and \$1.0 million, respectively, payable to the Department of Education for its portion of the excess cash available at June 30, 2023.

Compensated Absences: UAB accrues annual leave for employees at rates based upon length of service and job classification. UAB accrues compensatory time based upon job classification and hours worked. These amounts are included in accounts payable and accrued liabilities.

Deferred Outflows of Resources: Deferred outflows of resources consist of bond deferred refunding amounts, pension obligations, and OPEB obligations (Trust and UAB Plan). Pension obligations include employer contributions to the Teachers' Retirement System subsequent to the Plan's measurement date, differences between expected and actual experience, and changes in actuarial and other assumptions. The Trust's obligations include employer contributions to the Alabama Retired Education Employees' Health Care Trust subsequent to the Trust's measurement date, differences between expected and actual experience, and changes in proportion and differences between employer contributions and proportionate share of contributions. The UAB Plan's obligations include employer contributions to the UAB Health Care Plan subsequent to the Plan's measurement date for eligible disabled retirees.

Deferred Inflows of Resources: Deferred inflows of resources are composed of pension obligations, OPEB obligations (Trust and UAB Plan), and leases. Pension obligations include differences between expected and actual experience, changes in proportion and differences between employer contributions and proportionate share of contributions, and net difference between projected and actual earnings on pension plan investments. The Trust's obligations include changes in actuarial and other assumptions and net difference between projected and actual earnings on OPEB plan investments. The UAB Plan's obligations include differences between expected and actual experience and changes in actuarial and other assumptions. Deferred inflows for leases relate to those arrangements where UAB is the lessor.

Student Tuition and Fees and Scholarship Allowances and Student Aid: Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarships and fellowships expense.

Grant and Contract Revenue: UAB receives grant and contract revenue from governmental and private sources. UAB recognizes revenue associated with the sponsored programs in accordance with GASB Statement No. 33, based on the terms of the individual grant or contract.

University Hospital Revenue: Net patient service revenue is reported at the University Hospital's estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive revenue adjustments due to revenue audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered.

The University Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its estimated rates. Because the University Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Auxiliary Enterprise Revenue: Auxiliary enterprise revenues primarily represent revenues generated by intercollegiate athletics and parking as well as subscriber premiums for Triton Health Systems, L.L.C.

Other Revenue: Other revenue represents primarily revenues generated by UAB for activities such as intellectual property income and the University of Alabama Health Services Foundation, P.C. ("HSF") transfers.

Equity Investments: Investments in affiliated companies where UAB can exercise significant influence and for which UAB's ownership interest is 50% or less are accounted for using the equity method. The investment in the Professional Liability Trust Fund ("PLTF") also is accounted for using the equity method. See Notes 4 and 8.

Nonoperating Revenues (Expenses): Nonoperating revenues and expenses include State educational appropriations, federal appropriations, Federal Pell grants, private gifts for other than capital purposes, investment income, net unrealized appreciation or depreciation in the fair value of investments, interest expense, loss on asset dispositions, and CARES Act funds for fiscal years 2023 and 2022.

COVID-19: The Provider Relief Fund ("PRF") is administered through the U.S. Department of Health and Human Services ("HHS"). The Provider Relief Fund is administered through the U.S. Department of Health and Human Services and offers funding to hospitals and health care providers to offset expenses incurred or revenues lost associated with the COVID-19 pandemic. The State of Alabama received funds from the Coronavirus State and Local Fiscal Recovery Fund and appropriated the funds for Alabama hospitals for the purpose of responding to or mitigating the COVID-19 pandemic and public health emergency. During the fiscal years 2023 and 2022, University Hospital received CARES Act payments primarily from the Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution and Coronavirus State and Local Fiscal Recovery Funds. University Hospital recognized \$10.8 million and \$21.2 million in fiscal years 2023 and 2022, respectively.

All COVID-19 emergency grants received are included in nonoperating grants in the accompanying statements of revenues, expenses, and changes in net position.

Reclassifications: Certain reclassification have been made to the 2022 statement of cash flows to conform to the current year presentation. There was no effect on the previously reported net cash increase in cash and cash equivalents or any of the primary subtotals

Revision of Previously Issued Financial Statements: During preparation of the 2023 financial statements, management identified an error in the classification of certain pharmacy revenues on the 2022 Statement of Revenues, Expenses, and Changes in Net Position. This error resulted in an understatement of previously reported Sales and services: University Hospital revenues and Total operating revenues of approximately \$153.3 million and a corresponding understatement of previously reported Supplies and services expense and Total operating expense. Due to its classification nature, this error had no impact on previously reported Operating loss or Decrease in net position in the Statement of Revenues, Expenses, and Changes in Net Position, and it had no impact on the previously issued Statement of Net Position and Statement of Cash Flows. Management has concluded that this error was not material to the previously issued 2022 financial statements, but has revised its 2022 Statement of Revenues, Expenses, and Changes in Net Position to correct the error. Similar corrections have been made to Notes 13 to conform to this presentation.

(2) Component Unit(s)

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, No. 61, *The Financial Reporting Entity – an Amendment of GASB Statement No. 14 and 34* and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, requires governmental entities to include in their financial statements as a component unit, organizations that are legally separate entities for which the governmental entity, as a primary organization, is financially accountable. The primary objective of these statements is to determine whether all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. The statements as amended provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

Southern Research Institute ("SRI") is a legally separate entity but its financial relationship with UAB is such that excluding SRI from the UAB financial report would be misleading. Management has therefore determined that SRI is a discretely presented component unit of UAB under GASB Statements No. 14 and No. 61. SRI reports financial results under principles prescribed under the GASB. SRI offers research and technology services to support industry and federal government agencies primarily in the areas of drug design and evaluation, environmental controls, materials engineering, and chemical and biological defense. The activities of SRI are maintained using a fiscal calendar year-end that ends prior to UAB's fiscal year-end of September 30. The financial results of SRI are discretely presented in these financial statements.

UAB includes four blended component units, as follows: UAB Research Foundation ("UABRF"), UAB Athletics Foundation ("UABAF"), UAB Hospital Management, L.L.C. ("LLC") and Triton Health Systems, L.L.C. ("Triton"). The by-laws and corporate charters of UABRF allow UAB to appoint a majority of the board of directors and allow UAB to impose its will on the entity. UABRF operates for the exclusive benefit of UAB. UABAF was organized to support the UAB Athletics Department in its quest for excellence in all programs. UABAF operates as an extension of the UAB Athletics Department and it almost exclusively benefits the University. Additionally, LLC and Triton have governing bodies that are substantively the same as the governing body of UAB and there is a financial benefit or burden relationship between UAB and these entities. Therefore, management has determined that UABRF, UABAF, LLC and Triton (the Blended Component Units) constitute blended component units of UAB under GASB Statements No. 14 and No. 61. The Blended Component Units report financial results under principles prescribed under the GASB.

UABRF was organized exclusively for charitable, scientific, and educational purposes in order to benefit UAB. UABAF was formed in November 2015 as a nonprofit corporation organized to build loyalty and philanthropic support for the UAB athletic program and support the staff in coordinating, developing and improving a superior inter-collegiate athletics program. UABAF encourages alumni and friends to generously support the Athletics Department and contribute to scholarship funding for UAB's student athletes. The LLC was organized for the exclusive purpose of supporting UAB in connection with the management, administration, and operation of the University Hospital, including, without limitation, providing management, administrative, and staffing services to the University Hospital. Triton was

formed to advance the educational and research mission of UAB and to educate and train physicians and other health care professionals. Triton is owned 99% by UAB and 1% by The UABEF.

UABRF and LLC maintain a September 30 year-end. UABAF maintains a June 30 year-end. The activities of Triton are maintained using a fiscal calendar year-end that ends prior to UAB's fiscal year-end of September 30. However, interfund cash transactions during the period from January 1 through September 30 have been eliminated. Since Triton qualifies as a major component unit under GASB Statement No. 61, financial information for the years ended December 31, 2022 and 2021 is presented below.

TRITON HEALTH SYSTEMS, L.L.C.	2023	2022
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 263,051,009	\$ 229,880,328
Capital assets, net	13,288,267	7,417,267
Other assets	125,019,951	142,499,054
TOTAL ASSETS	\$ 401,359,227	\$ 379,796,649
Current liabilities	103,521,328	97,494,096
Other noncurrent liabilities	10,408,461	2,379,092
TOTAL LIABILITIES	113,929,789	99,873,188
Net investment in capital assets	1,517,267	1,993,300
Restricted nonexpendable net position	100,000	100,000
Unrestricted net position	285,812,171	277,830,161
TOTAL NET POSITION	287,429,438	279,923,461
TOTAL LIABILITIES AND NET POSITION	\$ 401,359,227	\$ 379,796,649

TRITON HEALTH SYSTEMS, L.L.C.	2023	2022
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 939,182,496	\$ 864,396,954
Operating expenses	(904,954,428)	(825,566,119)
Depreciation and amortization expense	(4,364,669)	(4,494,031)
OPERATING INCOME	29,863,399	34,336,804
Investment income	(6,832,702)	(1,865,876)
Interest expense	(224,792)	(211,025)
Income tax expense	2,384,064	(612,693)
INCOME BEFORE OTHER CHANGES IN NET POSITION	25,189,969	31,647,210
Distributions to members	(17,683,992)	(38,277,351)
(DECREASE) INCREASE IN NET POSITION	7,505,977	(6,630,141)
Net position, beginning of year	279,923,461	286,553,602
NET POSITION, END OF YEAR	\$ 287,429,438	\$ 279,923,461
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ 67,353,782	\$ 16,463,924
Noncapital financing activities	(17,683,992)	(38,277,351)
Capital and related financing activities	(3,851,591)	(3,819,884)
Investing activities	2,123,833	(15,709,049)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	47,942,032	(41,342,360)
Cash and cash equivalents, beginning of year	103,239,724	144,582,084
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 151,181,756	\$ 103,239,724

(3) Cash and Cash Equivalents

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for UAB funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama state treasurer as a qualified public depository under the Security for Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository. In the past, the bank pledged collateral directly to each individual public entity. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public deposits on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the state treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. As of September 30, 2023 and 2022, respectively, UAB had cash and cash equivalents totaling \$590.6 million and \$532.1 million.

(4) Investments

The Board has the responsibility for the establishment of the investment policy and the oversight of the investments for the System and related entities. In order to facilitate System-wide investment objectives and achieve economies of scale, the Board has established two distinct investment pools based primarily on the projected investment time-horizons for System funds: the Pooled Endowment Fund (“PEF”) and the Liquidity and Capital Reserve Pool Fund (“LCRP”); collectively, the “System Pools.” Pursuant to Board investment policies, each System or related entity may include all or a portion of their investments within the System-sponsored investment pools. These investment funds are considered “internal” investment pools under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools, with the assets pooled on a market value basis*. Separately managed funds that reside with each entity are to be invested consistent with the asset mix of the corresponding System investment pool.

The following disclosures relate to both the System Pools, which include the investments of other System entities and other affiliated entities, and the UAB-specific investment portfolio.

Pooled Endowment Fund

The purpose of the PEF is to pool endowment and similar funds to support the System universities, University Hospital and related entities in carrying out their respective missions over a perpetual time frame. Accordingly, the primary investment objectives of the PEF are to preserve the purchasing power of the principal and provide a stable source of perpetual financial support to the endowment beneficiaries. To satisfy the long-term rate of return objective, the PEF relies on a total return strategy in which investment returns are achieved through both capital appreciation and natural income. Asset allocation targets are established to meet return objectives while providing adequate diversification in order to minimize investment volatility.

Liquidity and Capital Reserve Pool

The LCRP serves as an investment vehicle to manage operating reserves of the System universities, University Hospital, and related entities with an investment strategy that matches the duration of reserves to their projected needs. The goals of the pool are to preserve and grow capital, maximize returns without undue exposure to risk, and maintain sufficient liquidity for credit ratings. The pool is invested in a diversified asset mix of liquid, semi-liquid, and illiquid securities. The pool can invest no more than 15% in illiquid assets and must invest no less than 60% in liquid assets as defined by Board Rule 404.

Fair Value Measurements

GASB 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

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

-
- Level 2 – Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
 - Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect UAB's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include UAB's own data.

GASB 72 allows for the use of net asset value ("NAV") as a practical expedient for valuation purposes for investments that do not have readily determinable fair value and meet certain other criteria. Investments that use NAV in determining fair value are disclosed separately from the valuation hierarchy as presented herein.

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

The determination of what constitutes observable requires judgment by UAB's management. UAB management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to UAB management's perceived risk of that investment.

The following is a description of the valuation methods and assumptions used by UAB to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at September 30, 2023. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. UAB management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. UAB's Level 1 investments primarily consist of investments in mutual funds, exchange traded funds, and both domestic and foreign equity funds.

UAB's Level 2 investments consist of mutual funds that are priced or traded at the end of the day.

UAB's Level 3 investments primarily consist of very illiquid securities. The inputs or methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. Valuation techniques utilized by UAB are appraisals, entry price at the date of donation, and other valuations typically based on management assumptions or expectations.

At September 30, 2023 and 2022, the fair value of UAB's investments based on the inputs used to value them is summarized as follows:

	2023				
	Level 1	Level 2	Level 3	NAV	Total
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	1,020,806	—	—	—	1,020,806
Fixed Income Securities:					
Corporate bonds	—	153,240,996	—	—	153,240,996
Commingled Funds:					
U.S. equity funds	—	1,048,827	—	—	1,048,827
Non-U.S. equity funds	—	326,522	—	—	326,522
Real Estate	—	—	159,600	—	159,600
	\$ 1,120,806	\$ 154,616,345	\$ 159,600	\$ —	\$ 155,896,751
					Equity investments in partnerships 57,684,366
					UAB Portion of System Pool Investments:
					Pooled Endowment Fund 740,914,939
					Liquidity and Capital Reserve Pool Fund 2,422,745,298
					Total Net Asset Value with System Pooled Investments \$ 3,377,241,354

	2022				
	Level 1	Level 2	Level 3	NAV	Total
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	420,806	—	—	—	420,806
Fixed Income Securities:					
Corporate bonds	—	162,525,395	—	—	162,525,395
Commingled Funds:					
U.S. equity funds	—	1,022,600	—	—	1,022,600
Non-U.S. equity funds	—	251,427	—	—	251,427
Real Estate	—	—	159,600	—	159,600
	\$ 520,806	\$ 163,799,422	\$ 159,600	\$ —	\$ 164,479,828
					Equity investments in partnerships 40,809,631
					UAB Portion of System Pool Investments:
					Pooled Endowment Fund 674,860,514
					Liquidity and Capital Reserve Pool Fund 2,141,341,791
					Total Net Asset Value with System Pooled Investments \$ 3,021,491,764

At September 30, 2023 and 2022, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

POOLED ENDOWMENT FUND					
	2023				
	Level 1	Level 2	Level 3	NAV	Total
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 1,004,822
Total Receivables	—	—	—	—	1,004,822
Cash Equivalents:					
Money Market Funds	82,092,112	—	—	—	82,092,112
Total Cash Equivalents	82,092,112	—	—	—	82,092,112
Equities:					
U.S. Common Stock	196,255,358	—	—	—	196,255,358
Foreign Stock	47,800,297	—	—	—	47,800,297
Total Equities	244,055,655	—	—	—	244,055,655
Fixed Income Securities:					
U.S. Government Obligations	—	12,068,968	—	—	12,068,968
Mortgage Backed Securities	—	13,998,021	—	—	13,998,021
Corporate Bonds	—	20,296,131	—	—	20,296,131
Non-U.S. Bonds	—	3,892,771	—	—	3,892,771
Total Fixed Income Securities	—	50,255,891	—	—	50,255,891
Commingled Funds:					
U.S. Equity Funds	—	65,208,495	—	—	65,208,495
Non-U.S. Equity Funds	—	165,312,862	—	—	165,312,862
Hedge Funds	—	—	—	716,526,857	716,526,857
Private Equity Funds	—	—	1,882,658	485,799,946	487,682,604
Real Estate Funds	—	—	3,095,306	332,524,313	335,619,619
Total Commingled Funds	—	230,521,357	4,977,964	1,534,851,116	1,770,350,437
Total Fund Investments	326,147,767	280,777,248	4,977,964	1,534,851,116	2,146,754,095
Total Fund Assets	\$ 326,147,767	\$ 280,777,248	\$ 4,977,964	\$ 1,534,851,116	\$ 2,147,758,917
Total Fund Liabilities					(724,160)
Affiliated Entity Investments					(307,072,586)
Total Net Asset Value					\$ 1,839,962,171

POOLED ENDOWMENT FUND

	2022				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 745,691
Total Receivables	—	—	—	—	745,691
Cash Equivalents:					
Money Market Funds	45,006,743	—	—	—	45,006,743
Total Cash Equivalents	45,006,743	—	—	—	45,006,743
Equities:					
U.S. Common Stock	140,307,712	—	—	—	140,307,712
Foreign Stock	30,583,042	—	—	—	30,583,042
Total Equities	170,890,754	—	—	—	170,890,754
Fixed Income Securities:					
U.S. Government Obligations	—	10,282,592	—	—	10,282,592
Mortgage Backed Securities	—	12,621,581	—	—	12,621,581
Corporate Bonds	—	21,255,552	—	—	21,255,552
Non-U.S. Bonds	—	4,370,866	—	—	4,370,866
Total Fixed Income Securities	—	48,530,591	—	—	48,530,591
Commingled Funds:					
U.S. Equity Funds	—	37,059,134	—	—	37,059,134
Non-U.S. Equity Funds	—	96,076,595	—	—	96,076,595
Hedge Funds	—	—	—	654,582,348	654,582,348
Private Equity Funds	—	—	2,043,040	444,027,507	446,070,547
Real Estate Funds	—	—	4,652,000	345,261,463	349,913,463
Total Commingled Funds	—	133,135,729	6,695,040	1,443,871,318	1,583,702,087
Total Fund Investments	215,897,497	181,666,320	6,695,040	1,443,871,318	1,848,130,175
Total Fund Assets	\$ 215,897,497	\$ 181,666,320	\$ 6,695,040	\$ 1,443,871,318	\$ 1,848,875,866
Total Fund Liabilities					(468,780)
Affiliated Entity Investments					(276,714,171)
Total Net Asset Value					\$ 1,571,692,915

LIQUIDITY AND CAPITAL RESERVE POOL FUND

	2023				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 7,759,723
Total Receivables	—	—	—	—	7,759,723
Cash Equivalents:					
Money Market Funds	40,904,062	—	—	—	40,904,062
Total Cash Equivalents	40,904,062	—	—	—	40,904,062
Equities:					
U.S. Common Stock	516,663,547	—	—	—	516,663,547
Foreign Stock	86,028,713	—	—	—	86,028,713
Total Equities	602,692,260	—	—	—	602,692,260
Fixed Income Securities:					
U.S. Government Obligations	—	289,033,443	—	—	289,033,443
Mortgage Backed Securities	—	220,244,106	—	—	220,244,106
Collateralized Mortgage Obligations	—	16,737,264	—	—	16,737,264
Corporate Bonds	—	214,097,075	—	—	214,097,075
Non-U.S. Bonds	—	88,577,042	—	—	88,577,042
Other Fixed Income Assets	—	7,257,193	—	—	7,257,193
Total Fixed Income Securities	—	835,946,123	—	—	835,946,123
Commingled Funds:					
U.S. Equity Funds	—	118,765,609	—	—	118,765,609
Non-U.S. Equity Funds	—	200,099,176	—	—	200,099,176
U.S. Bond Funds	—	451,679,478	—	—	451,679,478
Hedge Funds	—	—	—	1,152,378,614	1,152,378,614
Real Asset Funds	—	—	—	223,207,527	223,207,527
Total Commingled Funds	—	770,544,263	—	1,375,586,141	2,146,130,404
Total Fund Investments	643,596,322	1,606,490,386	—	1,375,586,141	3,625,672,849
Total Fund Assets	\$ 643,596,322	\$ 1,606,490,386	\$ —	\$ 1,375,586,141	\$ 3,633,432,572
Total Fund Liabilities					(1,191,854)
Affiliated Entity Investments					(237,445,251)
Total Net Asset Value					\$ 3,394,795,467

LIQUIDITY AND CAPITAL RESERVE POOL

	2022				
	Level 1	Level 2	Level 3	NAV	Total
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 5,962,851
Total Receivables	—	—	—	—	5,962,851
Cash Equivalents:					
Money Market Funds	44,987,405	—	—	—	44,987,405
Total Cash Equivalents	44,987,405	—	—	—	44,987,405
Equities:					
U.S. Common Stock	385,970,310	—	—	—	385,970,310
Foreign Stock	60,037,640	—	—	—	60,037,640
Total Equities	446,007,950	—	—	—	446,007,950
Fixed Income Securities:					
U.S. Government Obligations	—	227,749,680	—	—	227,749,680
Mortgage Backed Securities	—	207,578,465	—	—	207,578,465
Collateralized Mortgage Obligations	—	18,211,357	—	—	18,211,357
Corporate Bonds	—	201,087,489	—	—	201,087,489
Non-U.S. Bonds	—	94,105,656	—	—	94,105,656
Other Fixed Income Assets	—	6,877,721	—	—	6,877,721
Total Fixed Income Securities	—	755,610,368	—	—	755,610,368
Commingled Funds:					
U.S. Equity Funds	—	118,141,348	—	—	118,141,348
Non-U.S. Equity Funds	—	171,024,233	—	—	171,024,233
U.S. Bond Funds	—	372,671,133	—	—	372,671,133
Hedge Funds	—	—	—	1,121,752,329	1,121,752,329
Real Asset Funds	—	—	—	228,743,023	228,743,023
Total Commingled Funds	—	661,836,714	—	1,350,495,352	2,012,332,066
Total Fund Investments	490,995,355	1,417,447,082	—	1,350,495,352	3,258,937,789
Total Fund Assets	\$ 490,995,355	\$ 1,417,447,082	\$ —	\$ 1,350,495,352	\$ 3,264,900,640
Total Fund Liabilities					(1,094,294)
Affiliated Entity Investments					(230,500,974)
Total Net Asset Value					\$ 3,033,305,372

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV for the System Pools at September 30, 2023 and 2022 is as follows:

POOLED ENDOWMENT FUND

	2023				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 716,526,857	\$ 14,251,160	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	485,799,946	268,537,638	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	41,700,197	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	290,824,116	88,090,197	1-15 years	Partnerships ineligible for redemption	Not redeemable
	\$ 1,534,851,116	\$ 370,878,995			

POOLED ENDOWMENT FUND

	2022				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 654,582,348	\$ 36,000,000	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	444,027,507	210,125,649	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	57,784,904	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	287,476,559	102,280,510	1-15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 1,443,871,318</u>	<u>\$ 348,406,159</u>			

LIQUIDITY AND CAPITAL RESERVE FUND

	2023				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 1,152,378,614	\$ 26,720,926	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	223,207,527	—	No limit	Monthly and Quarterly	None
	<u>\$ 1,375,586,141</u>	<u>\$ 26,720,926</u>			

LIQUIDITY AND CAPITAL RESERVE FUND

	2022				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 1,121,752,329	\$ 67,500,000	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	228,743,023	—	No limit	Monthly and Quarterly	None
	<u>\$ 1,350,495,352</u>	<u>\$ 67,500,000</u>			

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk.

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the PEF and LCRP, and the credit quality of underlying fund investments is monitored on an ongoing basis. Fixed income investments within the PEF and LCRP include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds. In addition, approximately \$190.1 million and \$180.3 million in the PEF and LCRP, collectively, at September 30, 2023 and 2022, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$574.7 million and \$462.7 million in the PEF and LCRP, collectively, at September 30, 2023 and 2022, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2023 and 2022 is as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2023	2022	2023	2022
Fixed or Variable Income Securities				
U.S. Government Obligations	\$ 12,068,968	\$ 10,282,592	\$ 289,033,443	\$ 227,749,680
Other U.S. Denominated:				
AAA	1,444,806	1,111,407	35,779,230	28,847,345
AA	763,308	777,166	38,107,146	42,527,588
A	7,561,794	8,524,786	148,052,814	143,652,806
BBB	10,993,260	12,054,784	129,358,721	124,110,357
BB	3,993,984	3,940,529	6,707,732	6,363,702
B	495,051	—	8,090,491	9,672,564
C and < C	—	—	3,635,591	4,226,053
Unrated	12,934,720	11,839,327	177,180,955	168,460,273
Commingled Funds:				
U.S. Bond Funds: Unrated	—	—	451,679,478	372,671,133
Non-U.S. Bond Funds: Unrated	—	—	—	—
Money Market Funds: Unrated	82,092,112	45,006,743	40,904,062	44,987,405
TOTAL	\$ 132,348,003	\$ 93,537,334	\$ 1,328,529,663	\$ 1,173,268,906

In accordance with the Board policy disclosed previously, credit risk for UAB's fixed and variable income securities held outside of the System Pools is managed by diversifying across issuers and limiting the amount of portfolio assets that are invested in non- investment grade securities.

The credit risk for fixed and variable income securities of UAB's separately held investments at September 30, 2023 and 2022 is as follows:

	2023	2022
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ —	\$ —
Other U.S. and Non U.S. Denominated:		
AAA	153,240,996	162,525,395
AA	—	—
A	—	—
BBB	—	—
BB	—	—
B	—	—
CCC	—	—
CC	—	—
Unrated	—	—
Commingled Funds:		
U.S. Bond Funds: Unrated	—	—
Non-U.S. Bond Funds: Unrated	—	—
Money Market Funds: Unrated	—	—
Commercial Paper: Unrated	100,000	100,000
TOTAL	\$ 153,340,996	\$ 162,625,395

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the corporate failure of the custodian, the investment securities may not be returned.

Investment securities in the System Pools and UAB's separately held investments are registered in the Board's name by the custodial bank as an agent for the System. Other types of investments (e.g. open-ended mutual funds, money market funds) represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

As previously mentioned, credit risk in each investment pool and UAB's separately held portfolio is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities.

As of September 30, 2023 and 2022, there was no investment in a single issuer that represents 5% or more of total investments held by any single investment manager of the System Pools or UAB's separately held investment portfolio except for investments issued by the U.S. government and money market fund investments.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

The Board does not have a specific policy relative to interest rate risk. As such, there are no restrictions on weighted average maturity for each investment pool as they are managed relative to the investment objectives and liquidity demands of the investors.

The effective durations in years for fixed or variable income securities, for the System Pools at September 30, 2023 and 2022 are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2023	2022	2023	2022
U.S. Government Obligations	8.3	10.2	3.8	3.8
Corporate Bonds	4.7	5.0	2.2	2.4
Non-US Bonds	4.7	5.0	2.2	2.4
Commingled Bond Funds	—	—	3.4	2.8
Other Fixed Income	—	—	(0.1)	—

The effective durations for fixed or variable income securities for UAB's separately held investments at September 30, 2023 and 2022 are as follows:

	SEPARATELY HELD	
	2023	2022
Commingled Bond Funds	2.2	2.7

Investments may also include mortgage pass through securities and collateralized mortgage obligations that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. At September 30, 2023 and 2022, the fair market values of these investments in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2023	2022	2023	2022
Mortgage Backed Securities	\$ 13,998,021	\$ 12,621,581	\$ 220,244,106	\$ 207,578,465
Collateralized Mortgage Obligations	—	—	16,737,264	18,211,357
TOTAL FIXED	\$ 13,998,021	\$ 12,621,581	\$ 236,981,370	\$ 225,789,822

Mortgage Backed Securities. These securities are issued by the Federal National Mortgage Association ("Fannie Mae"), Government National Mortgage Association ("Ginnie Mae") and Federal Home Loan Mortgage Association ("Freddie Mac") and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations. Collateralized mortgage obligations ("CMOs") generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

At September 30, 2023 and 2022, the effective durations for these securities held in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2023	2022	2023	2022
Mortgage Backed Securities	6.7	6.6	3.2	3.3
Collateralized Mortgage Obligations	—	—	3.8	4.3

There are no mortgage backed securities or CMOs in UAB's separately held investments at September 30, 2023 and 2022.

Foreign Currency Risk

The strategic asset allocation policy for the PEF, the LCRP, and UAB's separately held investments includes an allocation to non-United States equity and fixed income securities. Currency hedging of foreign bonds and stocks is allowed under System policy. As of September 30, 2023 and 2022, all foreign investments in the System Pools and UAB's separately held investments are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for foreign stock and non-U.S. bond funds denominated in U.S. dollars and held by each of the two pools as disclosed in previous tables.

Securities Lending

The System permits security lending as a mechanism to augment income. Loans of the securities are required to be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral. At September 30, 2023 and 2022, there were no securities on loan from the investment pools.

Joint Ventures

UAB accounts for its ownership of the PLTF as a joint venture, using the equity method in the amount of approximately \$57.7 million and \$40.8 million at September 30, 2023 and 2022, respectively. See Note 8 for further discussion of the PLTF.

(5) Receivables

Account receivable:

Accounts receivable consist of patient receivables, tuition charged to students and amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to UAB's contracts and grants.

The composition of accounts receivable at September 30, 2023 and 2022 is summarized as follows:

	2023	2022
Patient care	\$ 587,181,339	\$ 536,007,761
Receivables from sponsoring agencies	106,307,043	114,513,548
Student accounts	52,102,414	49,607,347
Other	90,549,636	129,061,992
Total accounts receivable	\$ 836,140,432	\$ 829,190,648
Less: Allowances for doubtful accounts from patient care	173,094,155	176,530,020
Less: Allowances for doubtful accounts from student accounts	6,088,010	6,591,447
Less: Allowances for doubtful accounts, other	3,328,121	3,165,610
ACCOUNTS RECEIVABLE, NET	\$ 653,630,146	\$ 642,903,571

Loans receivable:

Loans receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs. The principal repayment and interest rate terms of federal and university loans vary considerably. The allowance for doubtful accounts only applies to University-funded notes and the University portion of federal student loans, since the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to UAB under the Perkins and various health professions loan programs.

The composition of loans receivable at September 30, 2023 and 2022 is summarized in the table as follows:

	<u>2023</u>	<u>2022</u>
Federal loan program	\$ 9,858,150	\$ 10,022,381
University loan funds	2,233,107	2,298,824
Other	19,860	45,153
Total loans receivable	\$ 12,111,117	\$ 12,366,358
Less allowance for doubtful accounts	2,841,694	3,664,733
Total loans receivable, net	\$ 9,269,423	\$ 8,701,625
Less: current portion	1,488,228	1,624,939
TOTAL LOANS RECEIVABLE OUTSTANDING, NONCURRENT	<u>\$ 7,781,195</u>	<u>\$ 7,076,686</u>

Pledges receivable:

Pledges receivable represent unconditional promises to give from third party donors. Pledges for permanent endowments do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Due to uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

The composition of pledges receivable at September 30, 2023 and 2022 is summarized in the following table.

	<u>2023</u>	<u>2022</u>
Operations	\$ 30,775,960	\$ 36,420,624
Capital	14,408,617	16,478,105
Total gift pledges	\$ 45,184,577	\$ 52,898,729
Less: current portion	14,496,241	9,587,255
TOTAL GIFT PLEDGES, NONCURRENT	<u>\$ 30,688,336</u>	<u>\$ 43,311,474</u>

(6) Capital Assets

Capital assets as of September 30, 2023 and 2022 are summarized as follows:

	BEGINNING BALANCE	ADDITIONS	SALES/ RETIREMENTS/ TRANSFERS	ENDING BALANCE
	October 1, 2022			September 30, 2023
UNIVERSITY AND BLENDED COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 86,555,808	\$ 5,258,387	\$ —	\$ 91,814,195
Construction in progress	82,318,042	101,130,551	(77,490,914)	105,957,679
	168,873,850	106,388,938	(77,490,914)	197,771,874
Capital assets being depreciated				
Land Improvements	63,221,478	4,217,060	(1,223,486)	66,215,052
Buildings	1,854,439,385	119,696,716	(1,053,865)	1,973,082,236
Fixed Equipment Systems	90,754,603	94,277	—	90,848,880
Equipment	434,270,172	29,233,691	(2,463,509)	461,040,354
Library Materials	153,166,348	12,345,430	—	165,511,778
Right Of Use Asset - Leases	82,840,941	12,683,091	—	95,524,032
Right Of Use Asset - SBITAs	25,213,040	1,498,390	—	26,711,430
	2,703,905,967	179,768,655	(4,740,860)	2,878,933,762
Total Capital Assets	2,872,779,817	286,157,593	(82,231,774)	3,076,705,636
Less: Accumulated Depreciation	1,587,786,265	114,768,961	(2,417,140)	1,700,138,086
Total Net Capital Assets	\$ 1,284,993,552	\$ 171,388,632	\$ (79,814,634)	\$ 1,376,567,550
UNIVERSITY HOSPITAL				
Capital assets not being depreciated				
Land	\$ 20,813,545	\$ —	\$ —	\$ 20,813,545
Construction in progress	34,365,901	39,278,649	(12,123,578)	61,520,972
	55,179,446	39,278,649	(12,123,578)	82,334,517
Capital assets being depreciated				
Land Improvements	2,192,696	188,063	—	2,380,759
Buildings	1,007,106,993	25,458,911	—	1,032,565,904
Fixed Equipment Systems	10,217,842	—	—	10,217,842
Equipment	648,559,487	57,148,188	(12,123,048)	693,584,627
Right Of Use Asset - Leases	72,570,867	10,415,728	—	82,986,595
Right Of Use Asset - SBITAs	48,568,071	10,499,118	—	59,067,189
	1,789,215,956	103,710,008	(12,123,048)	1,880,802,916
Total Capital Assets	1,844,395,402	142,988,657	(24,246,626)	1,963,137,433
Less: Accumulated Depreciation	1,151,358,728	107,034,839	(11,953,604)	1,246,439,963
Total Net Capital Assets	\$ 693,036,674	\$ 35,953,818	\$ (12,293,022)	\$ 716,697,470

TOTAL UAB

Capital assets not being depreciated				
Land	\$ 107,369,353	\$ 5,258,387	\$ —	\$ 112,627,740
Construction in progress	116,683,943	140,409,200	(89,614,492)	167,478,651
	224,053,296	145,667,587	(89,614,492)	280,106,391
Capital assets being depreciated				
Land Improvements	65,414,174	4,405,123	(1,223,486)	68,595,811
Buildings	2,861,546,378	145,155,627	(1,053,865)	3,005,648,140
Fixed Equipment Systems	100,972,445	94,277	—	101,066,722
Equipment	1,082,829,659	86,381,879	(14,586,557)	1,154,624,981
Library Materials	153,166,348	12,345,430	—	165,511,778
Right Of Use Asset - Leases	155,411,808	23,098,819	—	178,510,627
Right Of Use Asset - SBITAs	73,781,111	11,997,508	—	85,778,619
	4,493,121,923	283,478,663	(16,863,908)	4,759,736,678
Total Capital Assets	4,717,175,219	429,146,250	(106,478,400)	5,039,843,069
Less: Accumulated Depreciation	2,739,144,993	221,803,800	(14,370,744)	2,946,578,049
TOTAL NET CAPITAL ASSETS	\$ 1,978,030,226	\$ 207,342,450	\$ (92,107,656)	\$ 2,093,265,020

	BEGINNING BALANCE	ADDITIONS	SALES/ RETIREMENTS/ TRANSFERS	ENDING BALANCE
	October 1, 2021			September 30, 2022
UNIVERSITY AND BLENDED COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 87,061,419	\$ —	\$ (505,611)	\$ 86,555,808
Construction in progress	28,844,822	62,812,125	(9,338,905)	82,318,042
	115,906,241	62,812,125	(9,844,516)	168,873,850
Capital assets being depreciated				
Land Improvements	62,660,947	560,531	—	63,221,478
Buildings	1,841,750,043	40,841,664	(28,152,322)	1,854,439,385
Fixed Equipment Systems	89,926,623	827,980	—	90,754,603
Equipment	414,215,557	28,121,591	(8,066,976)	434,270,172
Library Materials	142,395,957	10,770,391	—	153,166,348
Right Of Use Asset - Leases	70,056,246	12,874,851	(90,156)	82,840,941
Right Of Use Asset - SBITAs	11,665,935	13,547,105	—	25,213,040
	2,632,671,308	107,544,113	(36,309,454)	2,703,905,967
Total Capital Assets	2,748,577,549	170,356,238	(46,153,970)	2,872,779,817
Less: Accumulated Depreciation	1,501,950,370	101,705,608	(15,869,713)	1,587,786,265
Total Net Capital Assets	\$ 1,246,627,179	\$ 68,650,630	\$ (30,284,257)	\$ 1,284,993,552

UNIVERSITY HOSPITAL

Capital assets not being depreciated				
Land	\$ 20,813,545	\$ —	\$ —	\$ 20,813,545
Construction in progress	17,834,349	21,192,596	(4,661,044)	34,365,901
	38,647,894	21,192,596	(4,661,044)	55,179,446
Capital assets being depreciated				
Land Improvements	705,439	1,487,257	—	2,192,696
Buildings	993,041,519	14,065,474	—	1,007,106,993
Fixed Equipment Systems	10,217,842	—	—	10,217,842
Equipment	629,036,807	37,427,798	(17,905,118)	648,559,487
Right Of Use Asset - Leases	65,827,477	6,743,390	—	72,570,867
Right Of Use Asset - SBITAs	36,815,667	11,752,404	—	48,568,071
	1,735,644,751	71,476,323	(17,905,118)	1,789,215,956
Total Capital Assets	1,774,292,645	92,668,919	(22,566,162)	1,844,395,402
Less: Accumulated Depreciation	1,067,617,219	101,407,746	(17,666,237)	1,151,358,728
Total Net Capital Assets	\$ 706,675,426	\$ (8,738,827)	\$ (4,899,925)	\$ 693,036,674

TOTAL UAB

Capital assets not being depreciated

Land	\$ 107,874,964	\$ —	\$ (505,611)	\$ 107,369,353
Construction in progress	46,679,171	84,004,721	(13,999,949)	116,683,943
	154,554,135	84,004,721	(14,505,560)	224,053,296

Capital assets being depreciated

Land Improvements	63,366,386	2,047,788	—	65,414,174
Buildings	2,834,791,562	54,907,138	(28,152,322)	2,861,546,378
Fixed Equipment Systems	100,144,465	827,980	—	100,972,445
Equipment	1,043,252,364	65,549,389	(25,972,094)	1,082,829,659
Library Materials	142,395,957	10,770,391	—	153,166,348
Right Of Use Asset - Leases	135,883,723	19,618,241	(90,156)	155,411,808
Right Of Use Asset - SBITAs	48,481,602	25,299,509	—	73,781,111

	4,368,316,059	179,020,436	(54,214,572)	4,493,121,923
Total Capital Assets	4,522,870,194	263,025,157	(68,720,132)	4,717,175,219
Less: Accumulated Depreciation	2,569,567,589	203,113,354	(33,535,950)	2,739,144,993
TOTAL NET CAPITAL ASSETS	\$ 1,953,302,605	\$ 59,911,803	\$ (35,184,182)	\$ 1,978,030,226

A summary of right of use asset, net by major classes as of September 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 611,721	\$ 593,302
Building	96,257,896	100,051,567
Equipment	12,451,974	10,863,695
Vehicle	1,177	9,508
SBITAs	41,819,330	53,961,925
	<u>\$ 151,142,099</u>	<u>\$ 165,479,997</u>

(7) Long-Term Debt

Long-term debt activity for the years ended September 30, 2023 and 2022 is summarized as follows:

	Balance		Principal	Balance	Current
	October 1, 2022	New Debt	Repayment	September 30, 2023	Portion
UNIVERSITY AND BLENDED COMPONENT UNITS					
Direct Borrowings					
Note Payable, 2.7% due annually from 2023 through 2044	\$ 80,250,000		\$ 80,250,000	\$ —	\$ —
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 4.0% due annually from 2022 through 2025	10,895,000	—	3,480,000	7,415,000	3,635,000
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	20,770,000	—	3,325,000	17,445,000	3,400,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	4,800,000	—	2,375,000	2,425,000	2,425,000
Birmingham General Revenue Bonds Series 2013D-2, 5.0% due annually from 2025 through 2025	2,470,000	—	—	2,470,000	—
Birmingham General Revenue Bonds Series 2015A, 3.0% to 5.0% due annually through 2028	15,885,000	—	3,160,000	12,725,000	2,635,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	17,830,000	—	3,430,000	14,400,000	3,495,000
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585,000	—	—	95,585,000	—
Birmingham General Revenue Bonds Series 2019A, 4.0% to 5.0% due annually from 2022 through 2030	23,640,000	—	1,330,000	22,310,000	1,510,000
Birmingham General Revenue Bonds Series 2019B, 3.0% to 5.0% due annually from 2031 through 2049	145,940,000	—	—	145,940,000	—
Birmingham General Revenue Bonds Series 2019C, 3.0% to 5.0% due annually from 2021 through 2041	37,085,000	—	1,500,000	35,585,000	1,600,000
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	35,325,000	—	210,000	35,115,000	220,000
Birmingham General Revenue Bonds Series 2022A, 3.0% to 5.0% due annually from 2023 through 2052	162,700,000	—	1,480,000	161,220,000	2,895,000
Birmingham General Revenue Bonds Series 2022B, 5.0% due annually from 2023 through 2025	9,585,000	—	3,560,000	6,025,000	3,395,000
Birmingham General Revenue Bonds Series 2022C, 2.15% due annually 2026 through 2044	58,960,000	—	—	58,960,000	—
Birmingham General Revenue Bonds Series 2023A, 2.1% due annually from 2024 through 2044	—	78,755,000	—	78,755,000	385,000
Other Obligations					
Lease Obligations, 0.7% to 4.47% due annually through 2045	61,154,741	13,208,910	13,126,897	61,236,754	10,110,289
SBITA Obligations, 0.7% to 4.59% due annually through 2029	18,179,475	1,498,389	8,126,734	11,551,130	7,628,583
	\$ 801,054,216	\$ 93,462,299	\$ 125,353,631	\$ 769,162,884	\$ 43,333,872
Plus unamortized bond premium				29,051,232	—
TOTAL UNIVERSITY DEBT				\$ 798,214,116	\$ 43,333,872

	Balance		Principal		Balance	Current
	October 1, 2022	New Debt	Repayment		September 30, 2023	Portion
UNIVERSITY HOSPITAL						
Direct Borrowings						
Note payable UAB Medical Enterprise, 3.0% to 5.0% due annually through 2048	90,530,618	—	1,461,564	\$	89,069,054	1,530,199
General Receipts Bonds						
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	7,789,000	—	1,476,000	\$	6,313,000	1,516,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	8,800,000	\$	293,730,000	9,195,000
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385,000	—	—	\$	18,385,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810,000	—	—	\$	44,810,000	—
Other Obligations						
Lease Obligations, 1.9% to 4.0% due monthly through 2046	55,646,849	10,417,808	14,385,699		51,678,958	12,986,696
SBITA Obligations, 0.25% to 2.78% due monthly through 2028	34,552,392	10,499,118	15,560,852		29,490,658	13,751,899
	\$ 554,243,859	\$ 20,916,926	\$ 41,684,115		\$ 533,476,670	\$ 38,979,794
Plus unamortized bond premium					18,914,652	—
TOTAL UNIVERSITY HOSPITAL DEBT					\$ 552,391,322	\$ 38,979,794
TOTAL UAB	\$ 1,355,298,075	\$ 114,379,225	\$ 167,037,746		\$ 1,302,639,554	\$ 82,313,666
Plus unamortized bond premium					47,965,884	—
TOTAL UAB DEBT					\$ 1,350,605,438	\$ 82,313,666

	Balance		Principal		Balance	Current
	October 1, 2021	New Debt	Repayment	September 30, 2022	Portion	
UNIVERSITY AND BLENDED COMPONENT UNITS						
Direct Borrowings						
Note Payable, 2.7% due annually from 2023 through 2044	\$ —	\$ 80,250,000	\$ —	\$ 80,250,000	\$ 1,495,000	
General Receipts Bonds						
Birmingham General Revenue Bonds Series 2010A, 2.0% to 5.0% due annually through 2025	8,185,000	—	8,185,000	—	—	
Birmingham General Revenue Bonds Series 2010C, 2.0% to 5.0% due annually through 2025	5,505,000	—	5,505,000	—	—	
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2044	72,595,000	—	61,700,000	10,895,000	3,480,000	
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	24,040,000	—	3,270,000	20,770,000	3,325,000	
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	7,130,000	—	2,330,000	4,800,000	2,375,000	
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually from 2025 through 2044	78,325,000	—	75,855,000	2,470,000	—	
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028	18,890,000	—	3,005,000	15,885,000	3,160,000	
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	21,195,000	—	3,365,000	17,830,000	3,430,000	
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585,000	—	—	95,585,000	—	
Birmingham General Revenue Bonds Series 2019C, 3.0% to 5.0% due annually from 2021 through 2041	24,775,000	—	1,135,000	23,640,000	1,330,000	
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	145,940,000	—	—	145,940,000	—	
Birmingham General Revenue Bonds Series 2019C, 3.0% to 5.0% due annually from 2021 through 2041	38,495,000	—	1,410,000	37,085,000	1,500,000	
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	35,530,000	—	205,000	35,325,000	210,000	
Birmingham General Revenue Bonds Series 2022A, 3.0% to 5.0% due annually from 2023 through 2052	—	162,700,000	—	162,700,000	1,480,000	
Birmingham General Revenue Bonds Series 2022B, 5.0% due annually from 2023 through 2025	\$ —	9,585,000	—	9,585,000	3,560,000	
Birmingham General Revenue Bonds Series 2022C, 2.15% due annually 2026 through 2044	\$ —	\$ 58,960,000	\$ —	\$ 58,960,000	\$ —	
Other Obligations						
Lease Obligations, 0.7% to 6.157% due annually through 2045 and 4.47% due monthly through 2022	\$ 61,194,736	\$ 13,173,632	\$ 13,213,627	\$ 61,154,741	\$ 11,763,226	
SBITA Obligations, 0.7% to 2.02% due annually through 2029	\$ 11,875,338	\$ 13,337,703	\$ 7,033,566	\$ 18,179,475	\$ 7,653,556	
	\$ 649,260,074	\$ 338,006,335	\$ 186,212,193	\$ 801,054,216	\$ 44,761,782	
Plus unamortized bond premium				31,816,458	—	
TOTAL UNIVERSITY DEBT				\$ 832,870,674	\$ 44,761,782	

	Balance		Principal		Balance	Current
	October 1, 2021	New Debt	Repayment	September 30, 2022	Portion	
UNIVERSITY HOSPITAL						
Direct Borrowings						
Note payable UAB Medicine Enterprise, 3.0% to 5.0% due annually through 2048	\$ 91,995,143	\$ —	\$ 1,464,525	90,530,618	\$ 1,461,564	
General Receipts Bonds						
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	9,226,000	—	1,437,000	7,789,000	1,476,000	
UAB Medicine Financing Authority Revenue Bonds Series 2016A, 1.2% due annually through 2022	11,340,000	—	11,340,000	—	—	
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	—	302,530,000	8,800,000	
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385,000	—	—	18,385,000	—	
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810,000	—	—	44,810,000	—	
Other Obligations						
Lease Obligations, 1.9% to 4.0% due monthly through 2046	59,498,764	6,743,390	10,595,305	55,646,849	11,143,684	
SBITA Obligations, 0.25% to 2.78% due monthly through 2028	36,815,667	11,752,404	14,015,679	34,552,392	14,147,892	
	\$ 574,600,574	\$ 18,495,794	\$ 38,852,509	\$ 554,243,859	\$ 37,029,140	
Plus unamortized bond premium				20,425,713	—	
TOTAL UNIVERSITY HOSPITAL DEBT				\$ 574,669,572	\$ 37,029,140	
TOTAL UAB	\$ 1,223,860,648	\$ 356,502,129	\$ 225,064,702	\$ 1,355,298,075	\$ 81,790,922	
Plus unamortized bond premium				52,242,171	—	
TOTAL UAB DEBT				\$ 1,407,540,246	\$ 81,790,922	

Maturities and interest on Direct Borrowings and Direct Placement Other and General Receipts Bonds for the next five years and in subsequent five-year incremental periods are presented in the table below:

Direct Borrowings and Direct Placement Other

Year	UNIVERSITY			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ —	\$ —	\$ —	\$ 1,530,199	\$ 2,793,471	\$ 4,323,670	\$ 1,530,199	\$ 2,793,471	\$ 4,323,670
2025	—	—	—	1,641,755	2,760,647	4,402,402	1,641,755	2,760,647	4,402,402
2026	—	—	—	2,185,733	2,724,767	4,910,500	2,185,733	2,724,767	4,910,500
2027	—	—	—	2,764,822	2,678,464	5,443,286	2,764,822	2,678,464	5,443,286
2028	—	—	—	2,821,397	2,621,238	5,442,635	2,821,397	2,621,238	5,442,635
2029-2033	—	—	—	15,137,739	12,069,604	27,207,343	15,137,739	12,069,604	27,207,343
2034-2038	—	—	—	17,505,882	9,692,140	27,198,022	17,505,882	9,692,140	27,198,022
2039-2043	—	—	—	20,646,293	6,537,860	27,184,153	20,646,293	6,537,860	27,184,153
2044-2048	—	—	—	24,835,234	2,621,099	27,456,333	24,835,234	2,621,099	27,456,333
TOTAL	\$ —	\$ —	\$ —	\$ 89,069,054	\$ 44,499,290	\$ 133,568,344	\$ 89,069,054	\$ 44,499,290	\$ 133,568,344

General Receipts Bonds

Year	UNIVERSITY			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 25,595,000	\$ 22,441,259	\$ 48,036,259	\$ 10,711,000	\$ 15,145,280	\$ 25,856,280	\$ 36,306,000	\$ 37,586,539	\$ 73,892,539
2025	27,255,000	22,312,227	49,567,227	11,347,000	14,636,516	25,983,516	38,602,000	36,948,743	75,550,743
2026	27,490,000	21,395,108	48,885,108	13,739,000	14,250,402	27,989,402	41,229,000	35,645,510	76,874,510
2027	28,090,000	20,538,564	48,628,564	14,781,000	13,801,196	28,582,196	42,871,000	34,339,760	77,210,760
2028	27,400,000	19,648,314	47,048,314	14,770,000	13,265,189	28,035,189	42,170,000	32,913,503	75,083,503
2029-2033	131,870,000	83,665,916	215,535,916	88,410,000	55,600,599	144,010,599	220,280,000	139,266,515	359,546,515
2034-2038	137,590,000	58,417,689	196,007,689	113,500,000	34,655,150	148,155,150	251,090,000	93,072,839	344,162,839
2039-2043	145,140,000	35,026,809	180,166,809	95,980,000	9,206,788	105,186,788	241,120,000	44,233,597	285,353,597
2044-2048	101,320,000	14,448,805	115,768,805	—	—	—	101,320,000	14,448,805	115,768,805
2049-2052	44,625,000	2,179,300	46,804,300	—	—	—	44,625,000	2,179,300	46,804,300
TOTAL	\$ 696,375,000	\$ 300,073,991	\$ 996,448,991	\$ 363,238,000	\$ 170,561,120	\$ 533,799,120	\$ 1,059,613,000	\$ 470,635,111	\$ 1,530,248,111

Lease Obligations

Year	UNIVERSITY AND BLENDED COMPONENT UNITS			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 11,350,596	\$ 1,374,108	\$ 12,724,704	\$ 12,986,696	\$ 1,360,071	\$ 14,346,767	\$ 24,337,292	\$ 2,734,179	\$ 27,071,471
2025	7,474,465	1,151,931	8,626,396	11,030,062	1,003,609	12,033,671	18,504,527	2,155,540	20,660,067
2026	6,699,618	991,886	7,691,504	9,212,773	700,002	9,912,775	15,912,391	1,691,888	17,604,279
2027	6,076,341	862,760	6,939,100	7,836,629	444,611	8,281,240	13,912,970	1,307,371	15,220,340
2028	4,153,430	779,400	4,932,830	7,182,209	222,273	7,404,482	11,335,639	1,001,673	12,337,312
2029-2033	6,515,545	3,309,790	9,825,335	3,195,967	115,427	3,311,394	9,711,512	3,425,217	13,136,729
2034-2038	6,474,740	2,404,608	8,879,348	234,613	9,596	244,209	6,709,353	2,414,204	9,123,557
2039-2043	8,447,558	1,281,916	9,729,474	5	—	5	8,447,563	1,281,916	9,729,479
2044-2047	4,044,461	124,674	4,169,135	4	—	4	4,044,465	124,674	4,169,139
TOTAL	\$ 61,236,754	\$ 12,281,073	\$ 73,517,826	\$ 51,678,958	\$ 3,855,589	\$ 55,534,547	\$ 112,915,712	\$ 16,136,662	\$ 129,052,373

SBITA Obligations

Year	UNIVERSITY			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 7,631,304	\$ 108,703	\$ 7,740,007	\$ 13,751,899	\$ 251,043	\$ 14,002,942	\$ 21,383,203	\$ 359,746	\$ 21,742,949
2025	2,135,423	55,682	2,191,105	10,243,693	103,714	10,347,407	12,379,116	159,396	12,538,512
2026	938,025	25,972	963,998	5,120,116	21,517	5,141,633	6,058,141	47,489	6,105,631
2027	638,205	6,960	645,165	332,434	621	333,055	970,639	7,581	978,220
2028	103,117	2,159	105,276	42,516	43	42,559	145,633	2,202	147,835
2029	105,056	175	105,231	—	—	—	105,056	175	105,231
TOTAL	\$ 11,551,130	\$ 199,651	\$ 11,750,782	\$ 29,490,658	\$ 376,938	\$ 29,867,596	\$ 41,041,788	\$ 576,589	\$ 41,618,378

Pledged revenues for 2023 and 2022, as defined by the Series 2012A Hospital Revenue Trust Indenture, are as follows:

UNIVERSITY HOSPITAL BONDS	2023	2022
Total pledged revenues	\$ 3,148,992,506	\$ 2,823,804,739

Pledged revenues for 2023 and 2022, as defined by the Series 2005A, 2010A, 2010B, 2010C, 2013A, 2013B, 2013C, 2013D, 2015A, 2016A, 2016B, 2019A, 2019B, 2022A, 2022B and 2023A, General Revenue Trust Indentures, are as follows:

UNIVERSITY BONDS	2023	2022
Tuition and fees	\$ 346,837,471	\$ 337,336,681
Indirect cost recovery	157,548,135	130,043,971
Sales and service of educational activities	72,309,309	66,563,264
Auxiliary sales and service	51,761,067	57,796,141
Endowment and investment income	53,667,369	45,279,211
Other sources	39,218,319	20,772,484
TOTAL PLEDGED REVENUES	\$ 721,341,670	\$ 657,791,752

In September 2023, the University exercised the option to redeem the Series 2022D bonds in whole for Series 2023A bonds. The redemption of the Series 2022D bonds was accomplished through an exchange of the Series 2022D bonds for a forward delivery bond with an initial principal amount equal to the principal amount of the Series 2022D bonds being redeemed plus payment of any accrued interest on those same bonds. The principle amount of Series 2022D at redemption totaled \$78.8 million and accrued interest totaled \$1.04 million.

The University defeased certain indebtedness during fiscal year 2022 with the 2022 Series B, C and D bond issuance. For this defeasance, funds were deposited in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Under the trust agreements, funds deposited in the trust accounts were invested in obligations of the U.S. Government. The University estimates that the amounts on deposit will be sufficient to satisfy the debt service requirements on the defeased indebtedness and that the defeasance will result in lower overall debt service payments to the University. Should the amounts on deposit not be sufficient to retire the defeased indebtedness upon maturity, the University would be responsible to satisfy the shortfall. The University remains legally obligated for the repayment of the defeased indebtedness. Neither the assets of the trust accounts nor the defeased indebtedness are included in the accompanying statements of net position. The principal outstanding on the 2022 defeased indebtedness at September 30, 2023 and 2022 was approximately \$77.2 million and \$148.8 million, respectively.

In February 2022, the University issued \$80.3 million in Series 2022D General Revenue Bonds. The Bond is being issued to evidence a taxable loan made to the Board by Regions Commercial Equipment Finance, LLC, as lender and the holder of the bond. The bond pay interest rate of 2.70%, with principal due annually through October 1, 2043. As part of the Series 2022D bond agreement, the University has the option to redeem the Series 2022D bonds in whole during a period beginning July 3, 2023 and ending on October 1, 2023. The redemption of the Series 2022D bonds would be accomplished through an exchange of the Series 2022D bonds for a forward delivery bond with an initial principal amount equal to the principal amount of the Series 2022D bonds being redeemed plus payment of any accrued interest on those same bonds. The proceeds of this offering were used for the purposes of advance refunding Series 2013D2 General Revenue Bonds; and paying costs and expenses associated with this issue.

In March 2022, the University issued \$162.7 million and \$9.6 million in Series 2022A and Series 2022B General Revenue Bonds, respectively. The Series 2022A bonds consisted of \$101.2 million in serial bonds and \$61.5 million in term bonds. The bonds pay interest at varying rates of 3.0% to 5.0%, respectively. The Serial bonds have principal due annually through October 1, 2043. The term bonds principal due October 1, 2047 and October 1, 2051. The proceeds of these offering are being used to finance the cost of certain capital improvements to the facilities of UAB, for the purposes of advance refunding Series 2010A and 2010C General Revenue Bonds; and paying costs and expenses associated with this issue. These bonds were issued at a premium of \$11.7 million and \$0.5 million resulting in total proceeds of \$174.4 million and \$10.2 million respectively.

In July 2022, the University issued \$58.9 million in Series 2022C General Revenue Bonds. The bonds pay taxable interest rate of 2.76% or tax-exempt interest rate of 2.15%, with principal due annually through October 1, 2043. The

proceeds of these offerings are being used for the purposes of advance refunding Series 2013A2 General Revenue Bonds; and paying costs and expenses associated with this issue. The bonds were issued at a par resulting in total proceeds of \$58.9 million.

The undiscounted cash flows required to service principal and interest under the old bonds as of September 30, 2022, would have been \$213.4 million compared to undiscounted cash flow requirements of \$184.3 million under the new bonds. The economic gain to the University of the bond refinancing in fiscal year 2022 was calculated to be approximately \$21.6 million using an effective interest rate of approximately 2.2% applied to the old and new bond cash flow requirements.

In June 2019, the UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.3 million in Series 2019B Revenue Bonds, the proceeds of which were loaned to UAB Medicine Enterprise pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, University Hospital entered into a loan agreement with UAB Medicine Enterprise for \$77 million of the 2019A and 2019B bond proceeds for the purpose of financing capital improvement projects. In January 2021, University Hospital borrowed an additional \$17.7 million of the 2019A and 2019B bond proceeds from UAB Medicine Enterprise. Of the total amount borrowed, \$77.2 million and \$42.5 million were distributed to University Hospital as of September 30, 2023 and September 30, 2022, respectively. As University Hospital is legally obligated to repay \$94.7 million and is currently paying principal and interest on this full amount, University Hospital has reflected the full \$94.7 million on its statement of net position as long-term debt and \$17.5 million and \$52.2 million as Due from affiliate on the statement of net position as of September 30, 2023 and 2022, respectively. University Hospital pays interest to UAB Medicine Enterprise on the entire amount, regardless of the amount outstanding. There are no financial covenants related to the loan between University Hospital and UAB Medicine Enterprise.

The UAB general revenue bonds and the Hospital Revenue Trust Indentures are subject to certain covenants with the most restrictive being those on the Hospital's 2012A series issuance. These covenants, among other things, require the University Hospital to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. UAB and the University Hospital are in compliance with all financial covenants as of September 30, 2023.

The UAB Medicine Financing Authority's Revenue Trust Indentures are also subject to certain covenants. These covenants require the obligated group to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. The obligated group is in compliance with all financial covenants as of September 30, 2023.

UAB has leases for land, buildings, vehicles, and equipment under agreements that extend through 2047. Some leases include one or more options to renew. Leases may also include options to terminate the leases. UAB measures the lease liability at the present value of payments expected to be made during the lease term. If the interest rate implicit in the lease cannot be readily determined, UAB uses an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

UAB has subscription-based information technology arrangements (SBITAs) under agreements that extend through 2029. Some SBITAs include one or more options to renew. SBITAs may also include options to terminate the subscription. UAB measures the SBITA liability at the present value of payments expected to be made during the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, UAB uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

(8) Self-Insurance

UAB manages risks related to medical malpractice, general liability, and employee health care through a combination of self-insurance, risk pooling arrangements, and commercial insurance coverage.

UAB's medical malpractice liability is managed by PLTF, a professional liability trust fund. PLTF functions as a risk-sharing vehicle for UAB and more than ten nongovernmental organizations. PLTF covers liabilities of the covered parties, including UAB, arising from reported claims, claims that are incurred but not reported, and future costs of handling these claims. The liabilities are generally based on present value actuarial valuations discounted at a rate of 2% in 2023 and 2022. The associated risks of claims are subject to aggregate limits, with excess liability coverage provided by independent insurers to protect participants against losses should a claim arise that exceeds PLTF coverage limits. Although UAB is the sponsor of PLTF, it is not the predominant participant in the fund.

The PLTF's policy committee establishes the premium rate of participants based on recommendations from consulting actuaries and considering the assumption of risk from the PLTF's date of inception. Premiums paid to the PLTF are provided by UAB, HSF, and other participants. In addition, certain legal and administrative services are provided to the PLTF by the University of Alabama System.

The PLTF agreement requires a flat \$15 million of all PLTF assets to be held in liquid assets. At September 30, 2023 and 2022, the liquid assets of the PLTF, as defined by the agreement, were in compliance with the agreement.

As discussed in Note 4, UAB accounts for its ownership of the PLTF under the equity method of accounting and it is not included in the table below.

General liability is subject to various claims and aggregate limits, with excess liability coverage provided by an independent insurer. General liability and employee health care claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The liabilities are based on actuarial valuations and are reported at present value. The discount rate used for the general liability was 2% in both 2023 and 2022. Changes in the total self-insured liabilities for the years ended September 30, 2023 and 2022 are presented as follows for UAB:

SELF INSURED LIABILITIES	2023	2022
Balance, beginning of year	\$ 6,943,664	\$ 3,548,183
Claims incurred and changes in estimates	104,701,491	96,302,841
Claim payments	(106,195,009)	(92,907,360)
BALANCE, END OF YEAR	\$ 5,450,146	\$ 6,943,664

(9) Employee Benefits

Eligible employees of the University and University Hospital participate in the mandatory Teachers' Retirement System of Alabama ("TRS"), a cost sharing, multiple-employer public retirement system designated as a defined benefit plan. In addition, eligible employees may elect to participate in a voluntary 403(b) defined contribution retirement plan. Teachers Insurance and Annuity Association ("TIAA") serves as the single recordkeeper and sole vendor for the plan.

Defined Benefit Plan - TRS

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Members of TRS are classified as either Tier 1 or Tier 2 plan members, contingent upon if their eligible service began prior to January 1, 2013. Benefits for TRS members vest after 10 years of creditable service.

Tier 1 members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or Employees' Retirement System ("ERS") agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are

entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or ERS agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation.

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

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions. Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Effective October 1, 2021, the covered Tier 2 members' contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. All regular employees of the University are members of the TRS with the exception of temporary employees. Contributions for covered employees are mandatory for both employee and employer. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute.

UAB's contractually required contribution rate for the year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. UAB's contractually required contribution rate for the year ended September 30, 2022 was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members.

These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. The total contribution requirement for fiscal years 2023, 2022 and 2021 is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Employer Contributions	\$ 104,935,405	\$ 101,166,000	\$ 96,839,000
Employee Contributions	60,763,285	59,625,000	57,052,000
TOTAL CONTRIBUTIONS	<u>\$ 165,698,690</u>	<u>\$ 160,791,000</u>	<u>\$ 153,891,000</u>

Pensionable salaries and wages for covered employees participating in TRS were approximately \$1.03 billion during fiscal year 2023 and \$1.02 billion during fiscal year 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2023 and September 30, 2022, the financial statements of UAB reflected a liability of \$1.69 billion and \$1.05 billion, respectively, for its proportionate share of the collective net pension liability, as prescribed by GASB Standard No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB No. 27*. The collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. UAB's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2022, UAB's proportion was 10.91%, which was a decrease of 0.22% from its proportion measured as of September 30, 2021. At September 30, 2021, UAB's proportion was 11.13%, which was a decrease of 0.30% from its proportion measured as of September 30, 2020.

For the years ended September 30, 2023 and September 30, 2022, UAB recognized pension expense of \$189.6 million and \$64.4 million, respectively. At September 30, 2023 and 2022, UAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,258,000	\$ 41,129,000
Changes of assumptions	76,908,000	—
Net difference between projected and actual earnings on pension plan investments	340,106,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,950,000	49,138,000
Employer contributions subsequent to the measurement date	104,936,000	—
TOTAL	\$ 566,158,000	\$ 90,267,000

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,566,000	\$ 61,114,000
Changes of assumptions	110,107,000	—
Net difference between projected and actual earnings on pension plan investments	—	247,602,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	10,425,000	47,545,000
Employer contributions subsequent to the measurement date	101,166,000	—
TOTAL	\$ 270,264,000	\$ 356,261,000

\$104.9 million reported as deferred outflows of resources related to pensions resulting from UAB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending September 30:		
2024	\$	101,657,000
2025		83,868,000
2026		54,555,000
2027		130,875,000
2028		—
Thereafter		—

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

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

*Net of pension plan investment expense

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

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

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

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

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

*Includes assumed rate of inflation of 2.00%

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

Sensitivity of UAB's proportionate share of the net pension liability to changes in the discount rate. The following table reflects UAB's proportionate share of the net pension liability, as prescribed by GASB 68, calculated using the discount rate of 7.45%, as well as what UAB's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease	Current Rate	1% Increase
UAB's proportionate share of collective net pension liability	\$ 2,193,091,000	\$ 1,694,871,000	\$ 1,275,213,000

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocation and Pension Amounts by Employer and accompanying note detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>

Defined Contribution Plans

As previously noted, some employees also participate in a voluntary UA System 403(b) defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full-time regular monthly employees are eligible to participate from the date of employment. UAB contributes a matching amount of up to 5% of total salaries for participating employees. UAB's contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contributions for fiscal years 2023 and 2022, excluding employee amounts not eligible for matching, were approximately \$80.8 million and \$77.4 million, respectively. This includes employee contributions eligible for matching of \$40.4 million and \$38.7 million, and UAB contributions of \$40.4 million and \$38.7 million, in 2023 and 2022, respectively.

The LLC sponsors a voluntary 403(b) retirement plan for eligible employees. The 403(b) plan is a voluntary, defined-contribution, tax-deferred as well as Roth after tax plan governed by Internal Revenue Code 403(b). TIAA is the administrator for the voluntary retirement program. Employees are vested after 3 years of employment. Eligibility for matching is for all full-time and part-time regular, twelve-hour shift, and weekend staff employees.

The University, the University Hospital, LLC and UABRF total salaries and wages for fiscal years 2023 and 2022 were approximately \$1.68 billion and \$1.55 billion, respectively. Total salaries and wages during fiscal years 2023 and 2022 for covered employees participating in TRS were approximately \$884.9 million and \$862.1 million, respectively. Total salaries and wages during fiscal years 2023 and 2022 for covered employees participating in the 403(b) Plan were approximately \$931.6 million and \$869.9 million, respectively.

Triton sponsors a 401(k) plan covering substantially all employees who have completed at least six months of service. Information regarding this benefit is presented in Triton's annual report.

Compensated Absences

Certain UAB employees accumulate vacation and sick leave at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid unused accrued vacation at their regular rate of pay up to a designated maximum number of days.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the financial statements include accruals of approximately \$87 million and \$85 million as of September 30, 2023 and 2022, respectively, for accrued vacation pay and salary-related payments associated with vacation pay. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

(10) Post-Employment Benefits

Post-employment health care benefits ("OPEB") are offered to all employees who officially retire from UAB through the Alabama Retired Education Employees Health Care Trust Plan with TRS or certain retired employees may elect to continue to participate in UAB's group health plan until they are eligible for Medicare by paying the full cost of the plan premium. TRS offers health care benefits through a cost-sharing multiple-employer defined benefit health care plan administered by the Public Education Employee Health Insurance Plan ("PEEHIP"). Retired employees age sixty-five or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB's health care plan becomes the secondary insurer. Despite the availability of the UAB plan, most retirees elect to participate in the PEEHIP with TRS, in which case the retirees pay a portion of the PEEHIP premium, with UAB paying an allocation towards the cost of retiree coverage.

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum amounts. The retirees pay the full amount of the premiums in such cases. Retirees are not eligible for tuition assistance benefits themselves. However, their unmarried dependent children may qualify in some cases.

PEEHIP

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

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

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and covered dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (the "SEIB"), Local Government Board (the "LGB"), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account ("HSA") or Health Reimbursement Arrangement ("HRA"), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHI Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the PEEHI Board

for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2023 and 2022, the financial statements of UAB reflected a liability of \$142.1 million and \$546.6 million, respectively for its proportionate share of the net OPEB liability, as prescribed by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. UAB's proportion of the net OPEB liability was based on a projection of UAB's share of contributions to the OPEB plan relative to the projected contributions of all participating PEEHIP employers, actuarially determined. At September 30, 2022, UAB's proportion was 8.16%, which was an decrease of 2.42% from its proportion measured as of September 30, 2021.

For the years ended September 30, 2023 and 2022, UAB recognized an OPEB benefit of \$57.9 million and an OPEB expense of \$12.5 million, respectively with no special funding situations. At September 30, 2023 and 2022, UAB reported deferred outflows of resources and deferred inflows of resources related to the PEEHIP plan from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,519,409	\$ 287,408,705
Changes of assumptions	115,300,291	206,902,899
Net difference between projected and actual earnings on OPEB plan investments	17,876,284	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	157,732,991	187,986,006
Employer contributions subsequent to the measurement date	17,099,504	—
TOTAL	\$ 314,528,479	\$ 682,297,610

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,931,778	\$ 190,151,498
Changes of assumptions	194,654,383	211,853,862
Net difference between projected and actual earnings on OPEB plan investments	—	17,049,322
Changes in proportion and differences between Employer contributions and proportionate share of contributions	219,964,781	62,471,151
Employer contributions subsequent to the measurement date	15,600,447	—
TOTAL	\$ 443,151,389	\$ 481,525,833

\$17.1 million reported as deferred outflows of resources related to OPEB resulting from UAB's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending September 30:

2024	\$	(88,369,417)
2025		(88,752,434)
2026		(24,437,730)
2027		(41,330,974)
2028		(84,792,940)
Thereafter		(57,185,140)

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

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

¹Includes 2.75% wage inflation.

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

**Initial Medicare claims are set based on scheduled increases through plan year 2025.

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

Group	Membership Table	Set Forward (+) / Set Back (1)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63-67 Female: 112% ages < 69, 98% ages > 74, Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

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

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates

inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns. The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

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

* Geometric mean, includes 2.5% inflation

Discount Rate. The discount rate (also known as the Single Equivalent Interest Rate ("SEIR"), as described by GASB Statement No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pensions Plans*) used to measure the PEEHIP total OPEB liability at September 30, 2022 was 7.00%. The discount rate used to measure the total OPEB liability at the prior measurement date was 3.97%. Premiums paid to the PEEHI Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for UAB members are paid by the UAB and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2120.

Sensitivity of the UAB's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate. A 1-percentage-point decrease would change the current healthcare trend rate from 6.50% to 5.50%, the pre-Medicare from 4.50% to 3.50%, the Known Medicare eligible from 4.50% to 3.50%. A 1-percentage-point increase would change the current healthcare trend rate from 6.50% to 7.50%, the pre-Medicare from 4.50% to 5.50%, the Known Medicare eligible from 4.50% to 5.50%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's proportionate share of the collective net OPEB liability	\$ 107,790,037	\$ 142,146,574	\$ 184,281,634

The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate. A 1-percentage-point decrease would change the current discount rate from 7.00% to 6.00%. A 1-percentage-point increase would change the current discount rate from 7.00% to 8.00%.

	1% Decrease	Current Discount Rate	1% Increase
UAB's proportionate share of the collective net OPEB liability	\$ 175,743,247	\$ 142,146,574	\$ 113,943,170

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

UAB Plan

Plan description. The UAB plan is considered a single-employer plan which is administered by University of Alabama at Birmingham ("UAB"). The UAB Plan offers its members hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit. The health care benefits cover medical and hospitalization costs for retirees and their dependents. The portion of the UAB plan related to health care may be amended by the approval of the President of UAB upon recommendation from the Benefits Committee. The portion of the UAB plan related to the life insurance may be amended by the System.

Benefits provided. UAB employees can participate in the UAB plan as a retiree if the following conditions are met: retiree has 25 years of creditable service, regardless of age (Tier I only), or retiree has 10 years of service and is 60 years old (62 years old for Tier II), or retiree has 10 years of service and is determined disabled by the Social Security Administration or the Teachers' Retirement System of Alabama's Medical Board. These retired UAB employees may elect to continue to participate in UAB Plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB Plan becomes the secondary insurer. Despite the availability of the UAB Plan, most retirees elect to participate in the PEEHIP with TRS. The UAB Plan consists of hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit.

Employees included in the actuarial valuation include active employees, retirees and disabled employees enrolled in the medical plan and retirees not enrolled in the medical plan with retiree life insurance. The following table summarizes the membership of the UAB Plan as of September 30, 2021, the Valuation Date.

Membership:	2023
Inactive Employees or Beneficiaries Currently Receiving Benefits	202
Inactive Members Entitled To But Not Yet Receiving Benefits	—
Active Employees	10,317
TOTAL MEMBERSHIP	10,519

Contributions. UAB retired employees make contributions to the plan by making premium payments associated with their selected health plan option. Eligible disabled retirees are responsible for only the employee portion of those premiums and UAB is responsible for the employer portion. All other UAB retirees are responsible for the full premium cost of the plan and in no case does the employer contribute to the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2023 and 2022, UAB reported a total OPEB liability ("TOL") of \$6.1 million and \$7.2 million, respectively. The TOL is based upon an Entry Age Normal ("EAN") actuarial funding method as of the valuation date, September 30, 2021. Since the valuation date at which the TOL is determined is before the measurement date, the TOL must be rolled forward to the measurement date.

For the years ended September 30, 2023 and 2022, UAB recognized an OPEB benefit of \$1.2 million and \$1.0 million, respectively with no special funding situations. At September 30, 2023 and 2022, UAB reported deferred outflows of resources and deferred inflows of resources related to the UAB plan from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 600,579	\$ 4,459,859
Changes of assumptions	1,469,781	3,770,645
Employer contributions subsequent to the measurement period	832,555	—
TOTAL	\$ 2,902,915	\$ 8,230,504

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 678,374	\$ 4,823,778
Changes of assumptions	1,662,683	3,904,199
Employer contributions subsequent to the measurement period	711,333	—
TOTAL	\$ 3,052,390	\$ 8,727,977

\$0.8 million reported as deferred outflows of resources related to OPEB resulting from University Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2024	\$	(1,425,827)
2025		(1,425,827)
2026		(1,412,830)
2027		(1,296,527)
2028		(820,119)
Thereafter		220,986

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

Inflation	2.50 %
Real Wage Growth	0.25 %
Projected Salary Increases ¹	3.25%-5.00%
Wage inflation.	2.75 %
Municipal Bond Index Rate at the Measurement Date	4.40 %
Municipal Bond Index Rate at the Prior Measurement Date	2.29 %
Healthcare Cost Trend Rate	
Pre-Medicare Medical and Prescription Drug (decreasing to an ultimate rate of 4.50% by 2029)	6.00 %

¹Includes 3.00% wage inflation.

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

Group	Membership Table	Set Forward (+) / Set Back (1)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63-67 Female: 112% ages < 69, 98% ages > 74, Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2021 valuation were based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2021 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2021 valuation.

The UAB Plan does not hold any plan assets, as such, there are no long-term expected rate of return or target allocation presented.

Discount Rate. The discount rate, as defined by Paragraph 155 of GASB 75 is to be a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate) The Municipal Bond Index Rate used for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index, the Fidelity General Obligation AA 20-year Municipal Bond Index, and the S&P High Grade 20-year Municipal Bond Index. The rates as of September 30, 2022 were 4.02%, 4.40%, and 4.77% for the Bond Buyer, Fidelity, and S&P Municipal Bond Indices respectively. These three rates resulted in an averaged Municipal Bond Index Rate of 4.40%. This is a change from the Municipal Bond Index Rate of 2.29% as of the Prior Measurement Date.

Sensitivity of the UAB Plan's net OPEB liability to changes in the healthcare cost trend rates. The following table presents the total OPEB Liability of the UAB Plan, calculated using the current healthcare trend rate, as well as what the total OPEB Liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate. A 1-percent-point decrease would change the current healthcare trend rate from 6.00% to 5.00% and pre-Medicare from 4.50% to 3.50%. A 1-percent-point increase would change the current healthcare trend rate from 6.00% to 7.00% and the pre-Medicare from 4.50% to 5.50%.

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
UAB's total OPEB liability	\$ 5,993,112	\$ 6,143,526	\$ 6,304,994

The following table presents the total OPEB Liability of the UAB Plan, calculated using the discount rate of 4.40%, as well as what the total OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>3.40%</u>	<u>4.40%</u>	<u>5.40%</u>
UAB's total OPEB liability	\$ 6,442,791	\$ 6,143,526	\$ 5,867,695

Changes in the Total OPEB Liability. Since the UAB Plan does not meet the definition within paragraph 4 of GASB Statement No 75, UAB is disclosing a schedule of changes in the total OPEB liability below:

	<u>2023</u>
Total OPEB Liability as of September 30, 2022	\$ 7,207,553
Changes for the year:	
Service cost	76,146
Interest on TOL and cash flows	163,858
Changes in benefit terms	—
Difference between expected and actual experience	(536,196)
Changes of assumptions or other inputs	(662,855)
Benefit payments	(104,980)
Net changes	<u>\$ (1,064,027)</u>
Total OPEB Liability as of September 30, 2023	<u><u>\$ 6,143,526</u></u>

*The service cost include interest for the year.

(11) Federal Direct Student Loan Program

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the university rather than through private lenders. UAB began participation in the FDSLP on July 1, 1994. As a university qualified to originate loans, UAB is responsible for handling the complete loan process, including funds management, as well as promissory note functions. UAB is not responsible for collection of these loans. During the years ended September 30, 2023 and 2022, UAB disbursed approximately \$160.5 million and \$158.0 million, respectively, under the FDSLP.

(12) Grants and Contracts

At September 30, 2023 and 2022, UAB had been awarded approximately \$923.5 million and \$950.1 million, respectively, in grants and contracts which have not been expended. These awards, which represent commitments of sponsors to provide funds for specific research, training, and service projects, have not been reflected in the financial statements.

(13) Operating Expenses by Function

Total operating expenses by functional classification for the years ended September 30, 2023 and 2022 are as follows for UAB:

2023 Operating Expenses

(by functional classification)

	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 292,503,646	\$ 43,926,132	\$ —	\$ —	\$ 336,429,778
Research	235,665,848	120,845,820	—	—	356,511,668
Public service	118,502,092	160,152,747	—	—	278,654,839
Academic support	211,688,814	23,933,309	—	—	235,622,123
Student services	31,805,676	20,757,184	—	—	52,562,860
Institutional support	115,988,831	144,271,332	—	—	260,260,163
Operations and maintenance of plant	45,989,509	41,399,727	—	—	87,389,236
Scholarships and fellowships	—	—	—	28,273,943	28,273,943
University Hospital	1,128,627,934	1,594,660,299	—	—	2,723,288,233
Auxiliary	81,480,534	774,748,284	—	—	856,228,818
Depreciation	—	—	221,803,800	—	221,803,800
TOTAL OPERATING EXPENSES	\$ 2,262,252,884	\$ 2,924,694,834	\$ 221,803,800	\$ 28,273,943	\$ 5,437,025,461

2022 Operating Expenses

(by functional classification)

	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 254,093,368	\$ 34,006,866	\$ —	\$ —	\$ 288,100,234
Research	204,583,844	130,638,802	—	—	335,222,646
Public service	110,208,683	81,678,438	—	—	191,887,121
Academic support	172,405,795	27,968,503	—	—	200,374,298
Student services	28,266,610	8,342,140	—	—	36,608,750
Institutional support	119,432,872	93,449,024	—	—	212,881,896
Operations and maintenance of plant	42,976,230	42,105,778	—	—	85,082,008
Scholarships and fellowships	—	—	—	33,114,448	33,114,448
University Hospital	1,020,673,576	1,436,707,998	—	—	2,457,381,574
Auxiliary	76,209,520	703,056,685	—	—	779,266,205
Depreciation	—	—	203,113,354	—	203,113,354
TOTAL OPERATING EXPENSES	\$ 2,028,850,498	\$ 2,557,954,234	\$ 203,113,354	\$ 33,114,448	\$ 4,823,032,534

(14) Contingencies and Commitments

UAB has sovereign immunity and is, therefore, in the opinion of UAB counsel, immune to ordinary tort actions including those based on medical malpractice or general injury to patients. Consequently, while UAB is sometimes named as defendant in malpractice actions and other actions for injuries arising in the University Hospital, it has consistently been dismissed from those lawsuits on the basis of the sovereign immunity doctrine. That doctrine also protects UAB from vicarious liability arising from the negligence of its employees. To the extent that UAB employees are sued in their individual capacity for actions related to their official duties within the line and scope of their employment, UAB has defended those actions and paid for any resulting costs through its self-insured trust fund. While UAB is not aware of any impending threat to this doctrine, UAB is a named insured under the terms of the PLTF and excess insurance purchased from commercial companies (Note 8). There are some exceptions to the sovereign immunity doctrine, most notably federal court cases arising under the federal constitution or federal statutes.

UAB is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statements. However, the settlement of legal actions is subject to inherent uncertainties and it is possible that such outcomes could differ materially from management's current expectations.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by such agencies, principally the United States Government. Any disallowed claims, including amounts already collected, may constitute a liability of UAB. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although UAB expects any such amounts to be immaterial.

UAB has contracted for the construction and renovation of several facilities. At September 30, 2023 and 2022, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$477 million and \$468 million, respectively, which is expected to be financed from private gifts, grants, bond proceeds, and UAB reserves.

(15) Segment Reporting

As discussed in Note 1, UAB's two significant identifiable activities that have bonds outstanding where revenue is pledged in support of the bonds are the University and the University Hospital. Condensed financial statement information related to the University and University Hospital as of and for the years ended September 30, 2023 and 2022 is as follows:

UNIVERSITY
CONDENSED STATEMENTS OF NET POSITION

	2023	2022
Current assets	\$ 1,001,934,290	\$ 905,310,840
Capital assets, net	1,363,187,251	1,277,484,254
Other assets	1,263,241,796	1,207,170,848
TOTAL ASSETS	\$ 3,628,363,337	\$ 3,389,965,942
DEFERRED OUTFLOW OF RESOURCES	\$ 635,612,600	\$ 484,468,683
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,263,975,937	\$ 3,874,434,625
Current liabilities	385,520,423	346,928,425
Long-term debt	744,501,647	785,743,564
Other noncurrent liabilities	1,274,903,902	1,019,965,334
TOTAL LIABILITIES	\$ 2,404,925,972	\$ 2,152,637,323
DEFERRED INFLOW OF RESOURCES	\$ 478,848,564	\$ 567,293,559
Net investment in capital assets	681,521,955	606,823,754
Restricted nonexpendable	458,739,048	435,550,602
Restricted expendable	469,085,968	416,868,445
Unrestricted	(229,145,570)	(304,739,058)
TOTAL NET POSITION	\$ 1,380,201,401	\$ 1,154,503,743
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 4,263,975,937	\$ 3,874,434,625

UNIVERSITY
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2023	2022
Tuition and fees, net	\$ 245,459,954	\$ 238,778,078
Grant and contract revenue	724,904,351	572,438,336
Sales and services, educational	72,309,309	66,563,264
Other operating revenues	90,979,385	78,568,625
Salaries, wages, and benefits	(1,069,370,579)	(947,380,434)
Supplies and services	(587,294,560)	(451,348,757)
Depreciation	(110,404,292)	(97,211,577)
Scholarships and fellowships	(28,273,943)	(33,099,152)
OPERATING LOSS	(661,690,375)	(572,691,617)
State appropriations	325,654,068	292,027,354
Investment income	169,556,367	(239,084,640)
Interest expense	(22,500,506)	(22,184,882)
Gifts	22,854,495	31,620,373
Other nonoperating revenues	44,780,864	51,230,247
(LOSS) BEFORE OTHER CHANGES IN NET POSITION	(121,345,087)	(459,083,165)
Capital gifts and grants	42,769,897	12,806,599
State capital funds	10,888,528	26,379,881
Endowment gifts	22,830,072	44,941,789
Intergovernmental transfers	270,554,248	264,593,479
(DECREASE) INCREASE IN NET POSITION	225,697,658	(110,361,417)
Net position, beginning of year	1,154,503,743	1,264,865,160
NET POSITION, END OF YEAR	\$ 1,380,201,401	\$ 1,154,503,743

UNIVERSITY**CONDENSED STATEMENTS OF CASH FLOWS**

	2023	2022
Net cash provided by (used in):		
Operating activities	\$ (515,103,439)	\$ (517,140,899)
Noncapital financing activities	709,108,329	683,388,794
Investing activities	(43,681,976)	(60,104,419)
Capital and related financing activities	(200,687,163)	14,815,779
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,364,249)	120,959,255
Cash and cash equivalents, beginning of year	336,449,561	215,490,306
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 286,085,312	\$ 336,449,561

UNIVERSITY HOSPITAL**CONDENSED STATEMENTS OF NET POSITION**

	2023	2022
Current assets	\$ 1,474,315,869	\$ 1,392,058,470
Capital assets, net	716,697,472	693,036,675
Other assets	687,500,629	532,814,383
TOTAL ASSETS	\$ 2,878,513,970	\$ 2,617,909,528
DEFERRED OUTFLOW OF RESOURCES	\$ 261,785,150	\$ 247,091,368
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,140,299,120	\$ 2,865,000,896
Current liabilities	258,730,068	250,814,128
Long-term debt	513,411,528	537,640,428
Other noncurrent liabilities	571,806,152	587,501,559
TOTAL LIABILITIES	\$ 1,343,947,748	\$ 1,375,956,115
DEFERRED INFLOW OF RESOURCES	\$ 329,061,126	\$ 309,205,504
Net investment in capital assets	176,345,220	177,639,228
Restricted nonexpendable	128,099	128,099
Restricted expendable	19,374,361	19,114,351
Unrestricted	1,271,442,566	982,957,599
TOTAL NET POSITION	\$ 1,467,290,246	\$ 1,179,839,277
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 3,140,299,120	\$ 2,865,000,896

UNIVERSITY HOSPITAL**CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	2023	2022
Operating revenues	\$ 3,152,902,811	\$ 2,812,023,695
Operating expenses	(2,753,158,437)	(2,484,525,751)
Depreciation expense	(107,034,839)	(101,407,746)
OPERATING INCOME	292,709,535	226,090,198
Economic relief funds	10,863,331	21,209,457
State appropriations	43,515,766	40,421,576
Investment income	156,875,136	(280,994,404)
Interest expense	(19,547,063)	(20,049,275)
Gifts	126,495	121,736
Other nonoperating expenses	(169,443)	(238,881)
(LOSS) INCOME BEFORE OTHER CHANGES IN NET POSITION	191,664,222	(239,529,791)
State capital appropriations	50,000,000	—
Intergovernmental transfers	(246,922,788)	(258,252,587)
(DECREASE) INCREASE IN NET POSITION	287,450,969	(271,692,180)
Net position, beginning of year	1,179,839,277	1,451,531,457
NET POSITION, END OF YEAR	\$ 1,467,290,246	\$ 1,179,839,277

CONDENSED STATEMENTS OF CASH FLOWS

	2023	2022
Net cash provided by (used in):		
Operating activities	342,373,499	141,097,133
Noncapital financing activities	(192,417,896)	(196,499,891)
Investing activities	3,662,876	136,344,929
Capital and related financing activities	(85,986,282)	(129,267,957)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	67,632,197	(48,325,786)
Cash and cash equivalents, beginning of year	32,907,723	81,233,509
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 100,539,920	\$ 32,907,723

(16) Health Care Services

Net Patient Service Revenue

The University Hospital has agreements with governmental and other third-party payors that provide for reimbursement to the University Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the University Hospital's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

Medicare. Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the University Hospital is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The University Hospital generally is reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the University Hospital and audits by the Medicare fiscal intermediary. The University Hospital's cost reports have been audited and settled for all fiscal years through 2012, as well as fiscal years 2015, 2016, and 2017. Revenue from the Medicare program accounted for approximately 16% and 17% of the University Hospital's net patient service revenue for the years ended September 30, 2023 and 2022, respectively.

Section 302 of the Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare overpayments and underpayments made to providers. As

of September 30, 2023, the University Hospital reported claims in various stages of review based on the requests received by the RACs during the fiscal year. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and the University Hospital intends to pursue the reversal of adverse determinations, where appropriate. The University Hospital cannot predict with certainty the impact of the Medicare RAC program on our future results of operations or cash flows.

Blue Cross. Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed at a prospectively determined rate. The method of reimbursement is determined by the procedures that are performed. Revenue from the Blue Cross program accounted for approximately 36% of the University Hospital's net patient service revenue for each of the years ended September 30, 2023 and 2022.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule. The University Hospital is designated as a Disproportionate Share Hospital (DSH) and receives payments under the Medicaid DSH program. In addition, as a participant in the Alabama Medicaid Plan, the University Hospital also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. The net benefit associated with the University Hospital's participation in these programs, totaling approximately \$176.0 million and \$154.1 million in 2023 and 2022, respectively, is included in net patient service revenue in the accompanying statement of revenues, expenses and changes in net position. There can be no assurance that the University Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified. Revenue from the Medicaid program accounted for approximately 15% of the University Hospital's net patient service revenue for each of the years ended September 30, 2023 and 2022.

Other. The University Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the University Hospital under these agreements includes discounts from established charges and prospectively determined daily and case rates.

The composition of University Hospital operating revenue follows:

	<u>2023</u>	<u>2022</u>
Gross Patient Service Revenue	\$ 11,404,036,548	\$ 10,318,705,328
Less Provision for Contractual and Other Adjustments	(8,697,217,288)	(7,906,817,837)
Less Provision for Uncollectible Accounts	<u>(253,823,386)</u>	<u>(204,914,523)</u>
Net Patient Service Revenue	\$ 2,452,995,873	\$ 2,206,972,968
Capitation Revenue	81,357,575	80,335,191
Other Operating Revenue	<u>618,549,364</u>	<u>524,715,538</u>
TOTAL UNIVERSITY HOSPITAL SALES REVENUE	<u>\$ 3,152,902,812</u>	<u>\$ 2,812,023,697</u>

Charity Care

The University Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated costs of those services, and supplies and equivalent service statistics. The estimated cost of charity care provided during the years ended September 30, 2023 and 2022 was approximately \$45.3 million and \$42.4 million, respectively, calculated based on the ratio of total direct and indirect costs to establish charges applied to the charges foregone under the charity care policy.

	<u>2023</u>	<u>2022</u>
Approximate charges foregone, based on established rates	\$ 165,019,403	\$ 155,552,620
Percentage of charity charges to total charges	1.4%	1.5%

Credit Risk

The University Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2023 and 2022 follows:

	2023	2022
Blue Cross	37%	40%
Medicare	9%	10%
Medicaid	6%	6%
Other	48%	44%
	100%	100%

Related Parties

The University Hospital and the other divisions of UAB provide a variety of support services to each other. The cost of these services is allocated to the end user on bases which vary according to the service being furnished. These services are paid for by transfers of funds which reduce operating expenses of the unit providing the service and are included in the operating costs of the unit receiving the service. Administrative and purchased services provided by UAB and allocated to and reimbursed by the University Hospital during the years ended September 30, 2023 and 2022 were approximately \$40.4 million and \$38.1 million, respectively. In addition, during the years ended September 30, 2023 and 2022, the University Hospital transferred approximately \$246.9 million and \$209.6 million, respectively, to UAB to support UAB's academic and medical programs.

As noted in footnote 7, in June 2019, the UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.4 million in Series 2019B Revenue Bonds, the proceeds of which were loaned to UAB Medicine Enterprise, formally known as UAB Health System pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, University Hospital entered into a loan agreement with UAB Medicine Enterprise for \$77.0 million of the 2019A and 2019B bond proceeds for the purpose of financing capital improvement projects. In January 2021, University Hospital borrowed an additional \$17.7 million of the 2019A and 2019B bond proceeds from UAB Medicine Enterprise. As of September 30, 2023 and 2022, \$77.2 million and \$42.5 million, respectively, of the loan amount was distributed to University Hospital for capital improvement project spending and the remaining \$17.5 and \$52.2 million, respectively, is held in trust for future projects. As University Hospital was legally obligated to repay \$94.7 million and is currently paying principal and interest on this full amount, University Hospital initially reflected the full \$94.7 million on its statement of net position as long-term debt and the undistributed amount as Due from affiliate on the statement of net position. University Hospital pays interest to UAB Medicine Enterprise on the entire amount, regardless of the amount outstanding. There are no financial covenants related to the loan between University Hospital and UAB Medicine Enterprise.

During 2008, the University Hospital entered into an operating agreement with the Health Services Foundation ("HSF") whereby HSF would lease two floors of the Women and Infants Center ("WIC"). HSF reimbursed the University Hospital for construction costs of this space as they were incurred on a square-footage basis. Total reimbursements are being amortized as rent revenue on a straight-line basis over a period equal to the 90 year total lease term, commencing on February 22, 2010, the date the building was placed into service. The University Hospital had received reimbursements from HSF totaling approximately \$14.7 million in 2023 and 2022, of which approximately \$12.3 million and \$12.4 million respectively, is included in the accompanying statement of net position as lease related deferred inflows for the years ended September 30, 2023 and 2022, respectively.

In the normal course of business, HSF purchases various services from University Hospital, which aggregated to approximately \$63.0 million and \$50.3 million for the years ended September 30, 2023 and 2022, respectively, and University Hospital purchased various services from HSF, which aggregated to approximately \$88.7 million and \$81.6 million for the years ended September 30, 2023 and 2022, respectively. University Hospital had a net receivable from HSF of approximately \$1.9 million at September 30, 2023, and a net payable to HSF of \$16.5 million at September 30, 2022, which is included in accounts receivable and accrued expenses in the accompanying statements of net position, respectively.

The Board and HSF entered into an agreement dated October 7, 1996, amended April 6, 2017, to establish the UAB Medicine Enterprise and to provide common management for both existing and future healthcare delivery operations. In connection with its agreement with UAB Medicine Enterprise, University Hospital partially funded the operations of UAB Medicine Enterprise and its corporate office, charging approximately \$18.7 million and \$18.3 million to other operating expense in fiscal year 2023 and 2022, respectively. University Hospital made equity transfers of approximately \$119.6 million and \$76.0 million to UAB Medicine Enterprise during fiscal year 2023 and 2022, respectively. In addition, UAB Medicine Enterprise periodically makes payments on behalf of University Hospital for which it is reimbursed. University Hospital had a net payable to UAB Medicine Enterprise of approximately \$5.7 million and \$6.7 million at September 30, 2023 and 2022, respectively.

In March 2014, the University Hospital assumed operations of the outpatient clinics in The Kirklin Clinic and entered into an agreement with HSF to lease the land and the building known as The Kirklin Clinic. The initial term of the lease, which is cancellable by either party upon proper written notice and without penalty, is five years, with automatic one-year renewals thereafter. The expenses related to this agreement for year ending September 30, 2023 and 2022 is \$9.6 million and \$9.4 million, respectively.

During the years ended September 30, 2023 and 2022, University Hospital received approximately \$81.4 million and \$80.3 million, respectively, in capitation fees from Triton Health Systems, LLC (“Triton”), a Health Insurance Plan sponsored by UAB.

During October 2021, University Hospital transferred \$48.6 million via an equity transfer to the UAB Health System Authority. These funds were subsequently transferred by the UAB Health System Authority to UAB Medicine Enterprise for the purpose of purchasing the Medical West Hospital Authority main hospital facility located in Bessemer, Alabama.

Effective July 1, 2012, all new hires of University Hospital are employed by UAB Hospital Management, LLC (“LLC”), the single member of which is UAB. The LLC offers the employees a voluntary 403(b) retirement plan for eligible employees. The 403(b) is a voluntary, defined-contribution, tax-deferred plan as well as Roth after-tax plan governed by Internal Revenue Code 403(b). Eligible employees can choose between both TIAA and VALIC (Variable Annuity Life Insurance Company) for investments. The LLC matches the individual’s contributions up to 5% of gross monthly pay not to exceed the IRS annual compensation limit. The salary cap only applies to employees hired on or after July 1, 1996. Employees are vested in LLC contributions after 3 years of employment with the LLC. Eligibility for matching is for all full-time and part-time regular, twelve-hour shift, and weekend staff employees. Upon the LLC formation, University Hospital employees were given the option to become employees of the LLC. Those University Hospital employees who chose not to transfer to the LLC effective July 2012 may choose to transfer to the LLC at any time in the future. Once employees transfer to the LLC, they may not transfer employment back to University Hospital. For the years ended September 30, 2023 and 2022, respectively, University Hospital purchased \$732.6 million and \$617.5 million in contract labor from the LLC. There were approximately 9,829 employees of the LLC at September 30, 2023 and approximately 8,950 employees at September 30, 2022. In addition to the LLC contract labor, for the years ended September 30, 2023 and 2022, respectively, the University Hospital purchased \$26.7 million and \$25.6 million of contract labor from HSF related to provider based clinics.

(17) Recently Issued Pronouncements

The GASB issued Statement No. 91, *Conduit Debt Obligations*, in May 2019. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement is effective for reporting periods beginning after December 15, 2021. UAB has determined there was no material impact from its adoption of GASB Statement No. 91.

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, in March 2020. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of the IBOR. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. UAB has determined there was no material impact from its adoption of the portions of GASB Statement No. 93.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, in March 2020. The objective of this Statement is to improve financial reporting by addressing issues related to public-private partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The statement is effective for reporting periods beginning after June 15, 2022. UAB has determined there was no material impact from its adoption of GASB Statement No. 94.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The statement is effective for reporting periods beginning after June 15, 2022. Refer to Note 1 for additional information regarding the impact of UAB's adoption of GASB Statement No. 96.

The GASB issued Statement No. 99, Omnibus 2022, in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. UAB has determined there was no material impact from its adoption of the portions of GASB Statement No. 99 which were effective immediately and for fiscal years beginning after June 15, 2022, and UAB is evaluating whether there will be any material impact from its adoption of the portions of this Statement effective for reporting periods beginning after June 15, 2023.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. As GASB Statement No. 100 is based on an unknown possible future event, materiality can not be determined. UAB will continue to evaluate for any potential impact in the future.

The GASB issued Statement No. 101, *Compensated Absences*, in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. UAB is evaluating whether there will be any material impact from its adoption of GASB Statement No. 101.

The GASB issued Statement No. 102, *Certain Risk Disclosures*, in January 2024. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. UAB is evaluating whether there will be any material impact from its adoption of GASB 102.

The University of Alabama at Birmingham Required Supplementary Information (Unaudited)

The following required supplementary information relates to UAB's participation in the Teachers' Retirement System of Alabama. (Dollars in thousands)

Schedule of UAB's Proportionate Share of the Net Pension Liability Teachers' Retirement Plan of Alabama

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	10.905951 %	11.134965 %	11.425593 %	11.260686 %	11.750518 %	11.814264 %	11.863961 %	11.916376 %	12.188512 %
Employer's proportionate share of the collective net pension liability	\$1,694,871	\$1,048,949	\$1,413,306	\$1,245,083	\$1,168,305	\$ 1,161,162	\$1,284,396	\$1,247,128	\$1,107,275
Employer's covered payroll during the measurement period	\$1,022,561	\$ 947,482	\$ 946,085	\$ 940,203	\$ 916,059	\$ 901,338	\$ 876,899	\$ 864,300	\$ 880,666
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	165.75 %	110.71 %	149.38 %	132.43 %	127.54 %	128.83 %	146.47 %	144.29 %	125.73 %
Plan fiduciary net position as a percentage of the total collective pension liability	62.21 %	76.44 %	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %	71.01 %

Schedule of UAB's Contributions Teachers' Retirement Plan of Alabama

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 104,936	\$ 101,166	\$ 96,839	\$ 98,485	\$ 94,900	\$ 91,228	\$ 88,660	\$ 86,334	\$ 84,999
Contributions in relation to the contractually required contribution required contribution	\$ 104,936	\$ 101,166	\$ 96,839	\$ 98,485	\$ 94,900	\$ 91,228	\$ 88,660	\$ 86,334	\$ 84,999
Contribution deficiency (excess)	—	—	—	—	—	—	—	—	—
Employer's covered payroll	\$ 1,034,632	\$ 1,022,561	\$ 947,482	\$ 946,085	\$ 940,203	\$ 916,059	\$ 901,338	\$ 876,899	\$ 864,300
Contributions as a percentage of covered payroll	10.14%	9.89%	10.22%	10.41%	10.09%	9.96%	9.84%	9.85%	9.83%

Notes to Schedules

Employer's covered payroll: The payroll on which contributions to a pension plan are based.

Measurement period:

For fiscal year 2023, the measurement period is October 1, 2021 – September 30, 2022

For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021

For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020

For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019

For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018

For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

For fiscal year 2017, the measurement period is October 1, 2015 – September 30, 2016

For fiscal year 2016, the measurement period is October 1, 2014 – September 30, 2015

For fiscal year 2015, the measurement period is October 1, 2013 – September 30, 2014

The following required supplementary information related to UAB's participation in the Alabama Retired Education Employees' Health Care Trust (PEEHIP). (Dollars in thousands)

Schedule of UAB's Proportionate Share of the Net OPEB Liability Alabama Retired Education Employees' Health Care Trust (PEEHIP)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employers' proportion of the net OPEB liability	8.157863 %	10.578406 %	10.484536 %	7.028808 %	8.029386 %	8.670675%
Employer's proportionate share of the net OPEB liability	\$ 142,147	\$ 546,566	\$ 680,432	\$ 265,181	\$ 659,913	\$ 644,008,211
Employer's covered payroll during the measurement period	\$ 1,018,754	\$ 955,043	\$ 951,988	\$ 911,574	\$ 922,919	\$ 908,353,000
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	13.95 %	57.23 %	71.47 %	29.09 %	71.50 %	70.90%
Plan fiduciary net position as a percentage of the total OPEB liability	48.39 %	27.11 %	19.80 %	28.14 %	14.81 %	15.37%

Schedule of UAB's Contributions to the Alabama Retired Education Employees' Health Care Trust (PEEHIP)

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 17,099,504	\$ 15,600,447	\$ 18,240,187	\$ 20,775,402	\$ 19,976,210	\$ 19,713,541
Contributions in relation to the contractually required contribution	\$ 17,099,504	\$ 15,600,447	\$ 18,240,187	\$ 20,775,402	\$ 19,976,210	\$ 19,713,541
Contribution deficiency (excess)	—	—	—	—	—	—
Employer's covered payroll	\$1,034,632,282	\$1,018,753,848	\$ 955,043,349	\$ 951,987,983	\$ 911,573,992	\$ 922,919,000
Contributions as a percentage of covered payroll	1.65 %	1.53 %	1.91 %	2.18 %	2.19 %	2.14 %

Notes to Schedules

Employer's covered payroll: The payroll on which contributions to an OPEB plan are based.

Measurement period:

For fiscal year 2023, the measurement period is October 1, 2021 – September 30, 2022

For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021

For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020

For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019

For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018

For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

The following required supplementary information is related to the UAB Health Care Plan.

Schedule of Change in UAB Health Care Plan's Total OPEB Liability

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost*	76,146	176,656	168,931	169,614	168,312	6,230,996
Interest on TOL and cash flows	163,858	108,805	153,833	708,983	691,351	690,596
Changes in benefit terms	—	250	—	—	0	(6,710,449)
Difference between expected and actual experience	(536,196)	756,169	(436,896)	(6,173,296)	(787,087)	—
Changes of assumptions or other inputs	(662,855)	1,779,639	85,758	(4,662,781)	(767,436)	(961,631)
Benefit payments	(104,980)	(894,479)	(942,445)	(1,489,763)	(1,927,388)	(4,961,185)
Net changes in Total OPEB Liability	(1,064,027)	1,927,040	(970,819)	\$ (11,447,243)	\$ (2,622,248)	\$ (5,711,673)
Total OPEB Liability - Beginning	\$ 7,207,553	\$ 5,280,513	\$ 6,251,332	\$ 17,698,575	\$ 20,320,823	\$ 26,032,496
Total OPEB Liability - Ending	\$ 6,143,526	\$ 7,207,553	\$ 5,280,513	\$ 6,251,332	\$ 17,698,575	\$ 20,320,823
Covered payroll	\$1,018,753,848	\$955,043,349	\$951,987,983	\$911,573,992	\$922,919,000	\$908,353,000
Total OPEB Liability as a percentage of covered payroll	0.60 %	0.75 %	0.55 %	0.69 %	1.92 %	2.24 %

*The service cost include interest for the year.

Notes to Schedules

Employer's covered payroll: The payroll on which contributions to an OPEB plan are based.

Measurement period:

For fiscal year 2023, the measurement period is October 1, 2021 – September 30, 2022

For fiscal year 2022, the measurement period is October 1, 2020 – September 30, 2021

For fiscal year 2021, the measurement period is October 1, 2019 – September 30, 2020

For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019

For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018

For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

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