



UAB HERITAGE HALL
COLLEGE OF ARTS AND SCIENCES

2024

FINANCIAL REPORT

UAB
The University of
Alabama at Birmingham.

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University of Alabama at Birmingham

2023-2024 Annual Financial Report

Table of Contents

Financial Section	
Management's Responsibility for Financial Reporting	2
Report of Independent Auditors	3
Management's Discussion and Analysis (Unaudited)	6
Financial Statements	
Statements of Net Position	23
Statements of Revenues, Expenses, and Changes in Net Position	25
Statements of Cash Flows	26
Discretely Presented Component Unit	
Statements of Net Position	28
Statements of Revenues, Expenses, and Changes in Net Position	30
Notes to Financial Statements	
Note 1 Organization and Summary of Significant Accounting Policies	31
Note 2 Component Units	36
Note 3 Cash and Cash Equivalents	38
Note 4 Investments	38
Note 5 Receivables	49
Note 6 Capital Assets	51
Note 7 Long-term Debt	54
Note 8 Self-insurance	60
Note 9 Employee Benefits	61
Note 10 Post-Employment Benefits	65
Note 11 Federal Direct Student Loan Program	72
Note 12 Grants and Contracts	73
Note 13 Operating Expenses by Function	73
Note 14 Contingencies and Commitments	74
Note 15 Segment Reporting	74
Note 16 Health Care Services	77
Note 17 Recently Issued Pronouncements	80
Required Supplementary Information (Unaudited)	82
UAB Administration (Unaudited)	86
The Board of Trustees of The University of Alabama (Unaudited)	87



Management’s Responsibility for Financial Reporting

The accompanying financial statements of the University of Alabama at Birmingham ("UAB") for the years ended September 30, 2024 and 2023 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 judgment. 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.

The consolidated financial statements have been audited by our independent auditor PricewaterhouseCoopers, LLP, which was given unconditional access to all financial records and related data, including minutes of all meetings of the Board of Trustees. The management of UAB believes that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers’ audit opinion is presented on pages 3 and 5.

Stephanie Mullins

Stephanie Mullins
Vice President for Strategic Initiatives and Interim Vice President for Finance

R. Andrew Hollis

Andy Hollis
Interim UAB Chief Financial Officer and Associate Vice President for Financial Affairs

FINANCE & ADMINISTRATION

1030 Administration Building | 701 20th Street South | Mailing Address: | 1720 2ND AVE SOUTH | BIRMINGHAM AL 35294-0110

phone: 205.934.5493 | www.uab.edu



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, 2024 and 2023, 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 UAB as of September 30, 2024 and 2023, 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 \$241.5 million and \$212.9 million as of December 29, 2023 and December 30, 2022, and changes in net position of (\$2.4) million and \$89.1 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 Matter

As discussed in Note 1, the financial statements of UAB are intended to present the financial position, the changes in financial position, and, where applicable, the cash flows of only that portion of the business-type activities and the discretely presented component unit 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, 2024 and 2023, the changes in its financial position, or, where applicable, 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 supplemental information for the pension plan and postemployment benefits on pages 81 through 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 supplemental



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 27, 2025

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, 2024 and 2023. 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

UAB became an autonomous campus within The University of Alabama System (the "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 enriches society and improves health and well-being through transformational educational experiences, groundbreaking research, innovation and entrepreneurship, community engagement, and world-class patient care while serving our UAB, local and global communities.

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. UAB Research Foundation's ("UABRF") Harbert Institute for Innovation and Entrepreneurship generated \$6.5 million in revenues, 124 intellectual property disclosures, 34 licenses and 17 U.S. patents in FY2024 alone - the Institute's tenth straight year to achieve a positive bottom line (among approximately 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, upon completion late 2025, will double its lab space, expand capacity to research chronic diseases, grow an estimated 150 new scientific and professional jobs, and substantially increase a statewide economic impact that currently exceeds \$221.8 million annually.

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 an Artificial Intelligence (AI) in Medicine master's degree, the first in the Southeast, to launch in spring 2025. UAB graduate programs continue to rank highly in *US News & World Report*, with 19 programs in the top 25, including a Master's in Health Administration that is number one nationally and seven 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, The University of Alabama in Huntsville and UAB Health System, which, along with UAB, make up 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 is carrying on the most successful era of research funding in the university's history, with research expenditures growing by 82 percent over the past decade and currently at \$780 million. UAB ranks 21st in federal funding nationally among public universities (top five percent) and 38th overall (top six percent). In funding from the National Institutes of Health (NIH), UAB ranks 13th among public universities (top four percent) and 25th overall (top five percent), and is among the top one percent of all NIH-funded organizations—public, private and international. With its Research Strategic Initiative: *Growth with Purpose*, UAB will substantially increase its impact on lives locally and globally by reaching \$1 billion in research expenditures (a level attained by less than 30 universities nationally).

UAB remains a national leader in translational research and is positioning itself at the global vanguard of precision medicine with construction of the Altec/Styslinger Genomic Medicine & Data Sciences Building that is projected to open early 2025 and the Interdisciplinary Biomedical Research & Psychology Building slated for completion in late 2026. The UAB Center for Clinical and Translational Science was recently awarded four grants from the National Center for Advancing Translational Science, part of the National Institutes of Health, totaling \$82 million over seven years. The four linked grants represent record-breaking funding for the center that will transform the future of clinical and translational science and outcomes across the Deep South. Clinical trial expenditures at UAB have quadrupled over a decade, from \$31.3 million in 2014 to a current \$139.5 million.

University Hospital:

The University of Alabama Hospital (the "Hospital" or "University Hospital"), is a 1,207-bed quaternary and tertiary care medical facility and is the primary teaching hospital for UAB Heersink School of Medicine. University Hospitals' facilities consist of 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 also operates The Kirklin Clinic and The Whitaker Clinic. 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 under UAB Medicine Enterprise management include the UAB Callahan Eye Hospital Authority, Medical West Hospital Authority, and The Health Care Authority for Baptist Health.

University Hospital's Emergency Department is currently undergoing a \$73.0 million expansion (with \$50.0 million of that funding coming from the State of Alabama) to meet a 20 percent volume increase in the past five years. In June, 2024, the Board, approved the acquisition of the St. Vincent's Health System, which includes five hospitals and 19 total ambulatory facilities in Birmingham and four neighboring counties. This transaction closed on November 1, 2024.

U.S. News & World Report's 2024 "Best Hospitals" edition ranked seven UAB Medicine specialties among the top 50 of their kind in the nation and named UAB Hospital the top hospital in Alabama. Six specialties were classified as high-performing, the highest classification for those specialties. The publication also recognized UAB Hospital as "high-performing" in fifteen of the twenty-one assessed adult procedures and conditions. *Healthgrades* has recognized UAB Medicine as one of America's 50 Best Hospitals for Cardiac Surgery and awarded it with the Coronary Intervention Excellence award for 2025. This recognition recognizes superior clinical outcomes in heart bypass surgery, heart valve surgery, and coronary intervention procedures. UAB Hospital continues to be recognized as a Magnet-designated organization by the American Nurses Credentialing Center Magnet Recognition Program®. Magnet hospitals are recognized for excellence in nursing care and patient outcomes, and UAB is only the 19th hospital worldwide to receive this designation six consecutive times. For the second consecutive year, The American Association for Men in Nursing has awarded UAB Health System with its Best Workplace Award. Criteria for the award include health and wellness programs to address men's health issues, strategic plans to increase gender diversity in nursing staff, and a focus on providing opportunities for career advance for all nurses. UAB Medicine consistently ranks on the NRC Health Top 100 Consumer Loyalty list, based on data from the largest healthcare consumer survey in the country. The list highlights healthcare organizations that earn exceptional loyalty from their patients. Additionally, UAB Medicine received eight Women's Choice Awards in 2024, recognizing its exceptional clinical excellence, patient experience, and satisfaction. The Women's Choice Award is a trusted independent referral source that helps women make informed healthcare decisions.

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, 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 Southern Research Institute ("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 28-30.

UAB's overall financial position remained strong, as assets totaled \$7.76, \$6.97, and \$6.45 billion at September 30, 2024, 2023, and 2022, respectively. The increases of \$784.2 million or 11.2% from September 30, 2023 to September 30, 2024 was primarily due to increases in fair market value of the investments held and capital assets, net of accumulated depreciation. This increase was offset by a decrease in cash designated for capital activities. The increase of \$519.4 million or 8.0% 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.

Total liabilities increased \$68.5 million or 1.8% from September 30, 2023 to September 30, 2024. The increase results primarily from an increase in accounts payable and accrued liabilities. University Hospital reported an increase in payables and due to third party payors of \$30.7 million and \$13.6 million, respectively. Total liabilities increased \$235.9 million or 6.6% 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").

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, 2024, 2023, and 2022, as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
TOTAL OPERATING REVENUES	\$ 5,478,554,074	\$ 5,098,057,587	\$ 4,511,367,527
TOTAL OPERATING EXPENSES	5,866,314,029	5,437,069,839	4,823,032,534
NET OPERATING LOSS	(387,759,955)	(339,012,252)	(311,665,007)
TOTAL NONOPERATING INCOME (LOSS), CAPITAL, ENDOWMENT AND OTHER ACTIVITIES	1,115,121,299	856,959,690	(87,714,676)
INCREASE (DECREASE) IN NET POSITION	\$ 727,361,344	\$ 517,947,438	\$ (399,379,683)

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, 2024, 2023, and 2022, is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 3,137,684,324	\$ 2,792,915,136	\$ 2,588,220,372
Capital assets, net	2,302,056,826	2,100,290,964	1,978,030,226
Other assets	2,318,478,798	2,080,776,769	1,888,302,417
TOTAL ASSETS	7,758,219,948	6,973,982,869	6,454,553,015
Deferred outflows from debt refundings	12,592,176	13,808,356	15,092,272
Deferred outflows pension and OPEB related	893,675,324	883,589,394	716,467,779
TOTAL DEFERRED OUTFLOWS OF RESOURCES	906,267,500	897,397,750	731,560,051
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,664,487,448	\$ 7,871,380,619	\$ 7,186,113,066
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	\$ 774,775,325	\$ 706,743,961	\$ 658,481,417
Noncurrent liabilities	3,121,373,210	3,120,863,160	2,933,216,215
TOTAL LIABILITIES	3,896,148,535	3,827,607,121	3,591,697,632
Deferred inflows from leases	27,218,667	27,114,575	29,984,253
Deferred inflows pension and OPEB related	777,895,093	780,795,114	846,514,810
TOTAL DEFERRED INFLOWS OF RESOURCES	805,113,760	807,909,689	876,499,063
Net position	3,963,225,153	3,235,863,809	2,717,916,371
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 8,664,487,448	\$ 7,871,380,619	\$ 7,186,113,066

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, 2024, the major categories totaled \$2.93 billion of the \$3.14 billion. Total current assets increased \$344.8 million or 12.3% from 2023. This increase resulted from \$346.5 million growth in short-term investments attributable to improved market conditions and a \$33.4 million increase in net patient accounts receivable during 2024, offset by a decrease in cash and cash equivalents. At September 30, 2023, the major categories totaled \$2.61 billion of the \$2.79 billion and increased \$204.7 million or 7.9% from 2022. This increase resulted from an increase in University Hospital and Triton cash on hand attributed to funds from operating and nonoperating revenues of \$67.6 million and \$47.9 million, respectively. Also, \$61.4 million growth in short-term investments attributable to improved market conditions during 2023.

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, 2024, deferred outflows from debt refundings decreased \$1.2 million to \$12.6 million due to annual amortization of the refunding. Deferred outflows related to the pension obligations decreased \$138.9 million to \$427.3 million, and deferred outflows related to the OPEB obligations increased \$149.0 million to \$466.4 million. The decrease in deferred outflows related to the pension obligations and the increase in deferred outflows related to OPEB obligation is due to actuarial changes at the Plan level as reported by Teachers' Retirement System of Alabama ("TRS") and the Alabama Public Education Employee Health Insurance Plan ("PEEHIP"), respectively, along with change in UAB's respective proportionate shares thereof. At September 30, 2023, deferred outflows from refundings decreased \$1.3 million to \$13.8 million due to new debt issuances during the year. During 2023, deferred outflows related to the pension obligation increased \$295.9 million to \$566.2 million and deferred outflows related to the OPEB obligations decreased \$128.8 million to \$317.4 million. These changes were due to actuarial changes at the Plan level as reported by TRS and PEEHIP, along with change in UAB's respective proportionate shares thereof. As discussed in Notes 9 and 10, total deferred outflows related to pension and OPEB, net of total deferred inflows related to pension and OPEB (discussed below) at September 30, 2024 of \$115.8 million will be recognized in UAB's statements of revenue, expenses, and changes in net position over multiple years, with the impact to the year ended September 30, 2025 estimated to be a net benefit of \$20.0 million.

Current liabilities consist primarily of accounts payable, accrued payroll and related benefits, unearned revenue, and current portion of long-term debt. At September 30, 2024, current liabilities increased \$68.0 million to \$774.8 million. The increase is due to timing of payments related to active capital projects, University Hospital's due to third-party payors, payroll related accruals, Triton's Medicare Part B payables, and Triton's liability for unpaid claims. At September 30, 2023, current liabilities increased \$48.3 million to \$706.7 million. The increase is due to timing of payments related to active capital projects, grant and contract related expenditures and the vacation accrual.

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 OPEB obligations (Note 10). At September 30, 2024, deferred inflows related to leases increased \$0.1 million to \$27.2 million. The increase is due to future lease payments received during the fiscal year to be amortized into revenue in future periods. During 2024, deferred inflows related to the pension obligation decreased \$1.2 million to \$89.1 million and deferred inflows related to the OPEB obligations decreased \$1.7 million to \$688.8 million. These decreases in deferred inflows related to the pension and OPEB obligations are due to actuarial changes at the Plan level as reported by TRS and PEEHIP respectively, along with changes in UAB's respective proportionate shares thereof. 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. During 2023, deferred inflows related to the pension obligations decreased \$266.0 million to \$90.3 million, and deferred inflows related to the OPEB obligations increased \$200.3 million to \$690.5 million. These changes in deferred inflows were due to actuarial changes at the Plan level as reported by TRS and PEEHIP, along with a change in UAB's respective proportionate shares thereof.

Endowment, Life Income and Other Investments

The composition of UAB's endowment, life income and other investments at September 30, 2024, 2023, and 2022, is summarized as follows:

	2024	2023	2022
Endowment and Life income investments	\$ 858,991,097	\$ 739,375,564	\$ 673,323,752
Investment in Professional Liability Trust Fund	80,613,902	57,684,366	40,809,631
Other long-term investments	119,481,218	126,096,236	142,971,739
TOTAL ENDOWMENT, LIFE INCOME AND OTHER INVESTMENTS	<u>\$ 1,059,086,217</u>	<u>\$ 923,156,166</u>	<u>\$ 857,105,122</u>

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 2,218, 2,133, and 2,028 individual endowment funds within the pool at September 30, 2024, 2023, and 2022, respectively, the majority of which are restricted for specific purposes.

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.

Activity related to the UAB's endowment and life income investments for 2024 and 2023 is presented below.

	<u>2024</u>	<u>2023</u>
Endowment and life income investments, beginning of year	\$ 739,375,564	\$ 673,323,752
Gifts/additions	34,027,752	28,180,321
Distributions	(32,303,611)	(30,412,890)
Market change	117,891,392	68,284,381
Endowment and life income investments, end of year	<u>\$ 858,991,097</u>	<u>\$ 739,375,564</u>

UAB's endowment and life income investments increased \$119.6 million to \$859.0 million from September 30, 2023 to September 30, 2024 and \$66.1 million to \$739.4 million from September 30, 2022 to September 30, 2023. The increases resulted from growth in unrealized gains led by the public equity performance during 2024 and 2023, respectively. The UAB's endowment and life income investment total cost and market value as of September 30 is presented graphically below.

Endowment Cost and Market Value Fiscal Years Ending September 30



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, 2024, 2023, and 2022, University Hospital's investment in the PLTF totaled approximately \$80.6, \$57.7, and \$40.8 million, respectively.

At September 30, 2024, 2023, and 2022, UAB's other investments totaled \$119.5, \$126.1, and \$143.0 million, respectively. Other investments primarily consisted of investments held by UAB's blended component unit Triton Health Systems, L.L.C. ("Triton"), which totaled \$118.2, \$124.9, and \$142.4 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 \$192.8 million and \$145.7 million during September 30, 2024 and 2023, respectively. Capital projects in process at September 30, 2024 include Science and Engineering Complex Phase two, Altec/Styslinger Genomic Medicine & Data Sciences, Biomedical Research and Psychology Building, and Inpatient Rehabilitation Facility. Capital projects in process at September 30, 2023 include a new parking deck, Science and Engineering Complex Phase two, the Student Organization Facility, Altec/Styslinger Genomic Medicine & Data Sciences, and Child Care Center.

Capital asset additions totaled \$305.0 million in 2024 as compared to \$288.0 million in 2023. 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 \$98.8 million and \$59.2 million, as well as capital funds, grants, and gifts totaling \$21.5 million and \$49.5 million, in 2024 and 2023, respectively.

During fiscal year 2024, 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, 2024 and September 30, 2023 is summarized as follows:

2024

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Direct borrowings	\$ 89,069,054	\$ —	\$ 1,530,199	\$ 87,538,855
General receipt bonds	1,059,613,000	—	36,306,000	1,023,307,000
Lease and SBITA obligations	160,412,497	59,864,811	61,006,551	159,270,757
	<u>\$ 1,309,094,551</u>	<u>\$ 59,864,811</u>	<u>\$ 98,842,750</u>	<u>\$ 1,270,116,612</u>

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	173,886,719	39,943,302	53,417,524	160,412,497
	<u>\$ 1,359,651,337</u>	<u>\$ 118,698,302</u>	<u>\$ 169,255,088</u>	<u>\$ 1,309,094,551</u>

UAB's long-term debt consists of a note payable, general revenue bonds, leases and SBITA obligations. Long-term debt decreased \$39.0 million to \$1.27 billion and \$50.6 million to \$1.31 billion from September 30, 2023 to September 30, 2024 and September 30, 2022 to September 30, 2023, respectively. The decrease in debt for these two fiscal years is due to repayment on debt exceeding additions to long-term debt.

Effective interest rates on UAB's general revenue bonds averaged 2.82% and 2.97% in 2024 and 2023, respectively. Interest expense on general revenue bonds totaled \$43.6 million and \$45.0 million in 2024 and 2023, 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 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 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 for each plan that are directed by and performed by TRS and PEEHIP, respectively. UAB records its share of the collective liabilities, deferred inflows and outflows, and net pension and OPEB expense (benefit) of the Plan and PEEHIP based on audited schedules provided by TRS and PEEHIP. As a participating employer, UAB is not involved in establishing the assumptions and methodologies used to estimate the respective balances associated with these plans. 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 \$1.67 billion at September 30, 2024, as compared to \$1.69 billion and \$1.05 billion at September 30, 2023 and 2022, respectively. The decrease in the reported liability at September 30, 2024 is due to UAB's proportionate share of the decrease in net pension liability reported by TRS Pension Plan at the measurement date September 30, 2023. TRS reported a fiduciary net position of 63.57% of total pension liability an increase of 1.36% from September 30, 2023. The increase in the reported liability at September 30, 2023 is due to UAB's proportionate share of the increase in net pension liability reported by TRS Pension Plan at the measurement date September 30, 2022. TRS reported a fiduciary net position of 62.21% of total pension liability a decrease of 14.23% from September 30, 2022.

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 \$211.2 million at September 30, 2024, as compared to \$142.1 million and \$546.6 million at September 30, 2023 and 2022, respectively. The increase in the reported liability at September 30, 2024 due to UAB's proportionate share of the increase in total OPEB liability of PEEHIP. PEEHIP reported a net OPEB liability increase of 10.31%. In 2023, UAB's proportionate share of the liability decreased \$404.4 million was due to UAB's proportionate share of the decrease in total OPEB liability of PEEHIP. PEEHIP reported a fiduciary net position of 48.39% of total OPEB liability an increase of 21.28% from September 30, 2022.

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 the UAB plan totaled \$6.2 million at September 30, 2024, as compared to \$6.1 million and \$7.2 million at September 30, 2023 and 2022, respectively.

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 \$727.4 million during fiscal year 2024, reaching \$3.96 billion. This increase reflects UAB's current year's operations including increases in net patient revenue, net auxiliary revenue, state educational appropriations, as well as net investment gains due to improved market conditions. During fiscal year 2023, net position increased \$517.9 million, totaling \$3.24 billion, which reflects UAB'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. UAB's net position at September 30, 2024, 2023, and 2022, is summarized as follows:

	2024	2023	2022
NET INVESTMENT IN CAPITAL ASSETS	\$ 987,497,197	\$ 859,476,471	\$ 786,548,309
RESTRICTED			
Nonexpendable	489,153,662	458,967,147	435,778,701
Expendable	634,527,616	517,206,017	466,127,882
UNRESTRICTED	1,852,046,678	1,400,214,174	1,029,461,479
TOTAL NET POSITION	\$ 3,963,225,153	\$ 3,235,863,809	\$ 2,717,916,371

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 \$128.0 million increase in 2024 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 \$30.2 million and \$23.2 million increase in 2024 and 2023 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 \$117.3 million and \$51.1 million increase in 2024 and 2023, respectively, is largely due to the net investment gains due to improved market conditions.

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 \$451.8 million and \$370.8 million in 2024 and 2023, respectively, primarily due to increases in net patient revenue, net investment gains due to improved market conditions, and State appropriations received.

Statements of Revenues, Expenses, and Changes in Net Position

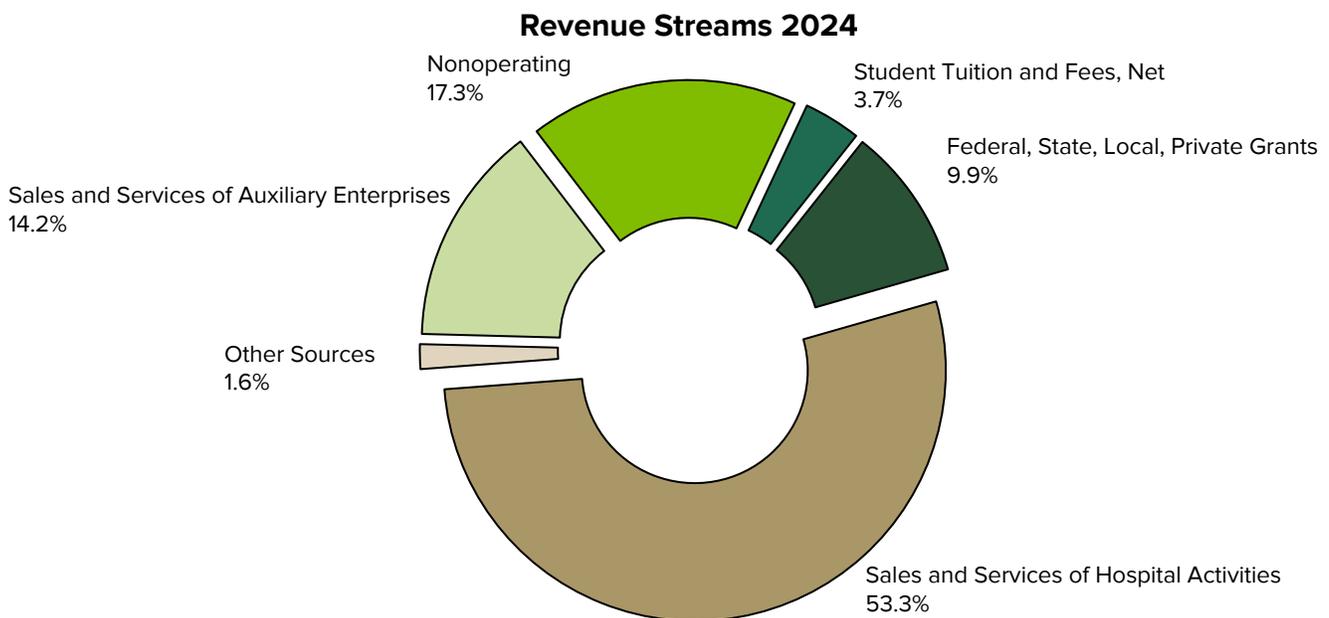
The statement of revenues, expenses, and changes in net position ("SRECNP") presents UAB's results of operations, as well as the nonoperating revenues and expenses. Primary components of UAB's operating revenue sources are tuition and fees, grants and contracts, and sales and services. Sales and services revenues are 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 revenues (a blended component unit) (Auxiliary sales and services). Other significant revenue sources, which are considered nonoperating as defined by the 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 \$43.2 million and \$0.0 million in 2024 and 2023, respectively. During 2024, the Alabama Legislature passed two supplemental appropriation bills, HB 144 (\$66.0 million) and HB 147 (\$67.7 million), that provided funding directly to the Board to allocate to each of the three campuses of the System. The Board allocated \$43.2 million to UAB in funding of strategic priorities.

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.

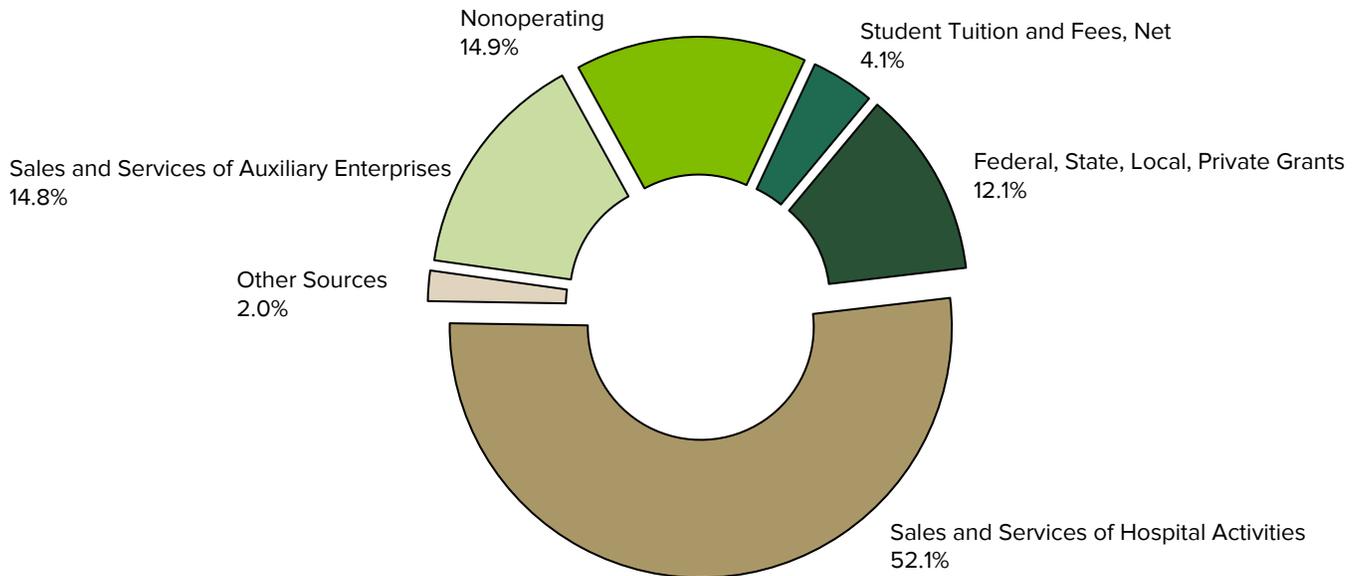
A summarized comparison of UAB's revenues, expenses and changes in net position for the years ended September 30, 2024, 2023, and 2022 is presented below:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
OPERATING REVENUES			
Student tuition and fees, net	\$ 245,453,396	\$ 245,459,954	\$ 238,778,078
Grants and contracts	657,700,319	724,904,351	572,438,335
Sales and services	4,542,743,797	4,081,678,194	3,672,843,672
Other revenues	32,656,562	46,015,088	27,307,442
TOTAL OPERATING REVENUES	5,478,554,074	5,098,057,587	4,511,367,527
OPERATING EXPENSES			
Operating expenses	5,866,314,029	5,437,069,839	4,823,032,534
OPERATING LOSS	(387,759,955)	(339,012,252)	(311,665,007)
NONOPERATING REVENUES (EXPENSES)			
Economic relief funds	—	10,863,331	21,209,457
State educational appropriations	375,199,643	369,169,834	332,448,930
Grants and contracts	40,893,699	40,837,244	61,949,289
Private gifts	36,422,598	26,226,067	37,066,668
Investment income (loss)	602,041,568	319,436,415	(521,865,832)
Interest expense	(40,780,159)	(42,220,139)	(42,445,202)
Net other nonoperating revenue	4,437,814	6,158,241	(11,570,614)
NET NONOPERATING REVENUES (EXPENSES)	1,018,215,163	730,470,993	(123,207,304)
OTHER CHANGES IN NET POSITION	96,906,136	126,488,697	35,492,628
INCREASE (DECREASE) IN NET POSITION	727,361,344	517,947,438	(399,379,683)
Net Position, beginning of year	3,235,863,809	2,717,916,371	3,117,296,054
NET POSITION, END OF YEAR	\$ 3,963,225,153	\$ 3,235,863,809	\$ 2,717,916,371

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, 2024 and September 30, 2023, respectively. Certain recurring sources of the University's revenues are considered nonoperating, as defined by GASB, such as state appropriations, distributions from investments, private gifts and federal Pell grants.



Revenue Streams 2023



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 2023-2024 school year is outlined in the following table.

FALL 2023

	UNDERGRADUATE	GRADUATE	FIRST PROFESSIONAL/ ADVANCED PROFESSIONAL *	TOTAL
SCHOOL OF ARTS AND SCIENCES	6,107	1,051	305	7,463
SCHOOL OF BUSINESS	2,309	766	—	3,075
SCHOOL OF EDUCATION	868	473	73	1,414
SCHOOL OF ENGINEERING	811	479	118	1,408
UNCLASSIFIED	—	187	2	189
SUBTOTAL	10,095	2,956	498	13,549
ACADEMIC HEALTH CENTER:				
SCHOOL OF MEDICINE	—	24	1,969	1,993
SCHOOL OF DENTISTRY	9	4	458	471
SCHOOL OF OPTOMETRY	—	2	259	261
SCHOOL OF NURSING	958	928	736	2,622
SCHOOL OF HEALTH PROFESSIONS	1,087	799	523	2,409
SCHOOL OF PUBLIC HEALTH	233	476	103	812
JOINT HEALTH SCIENCES	—	86	462	548
SUBTOTAL, ACADEMIC HEALTH CENTER	2,287	2,319	4,510	9,116
TOTAL ENROLLMENT	12,382	5,275	5,008	22,665

* Includes 1,292 first professionals and 1,505 advanced professionals.

Fall 2023 marked UAB's sixth straight year to surpass 21,000 in enrollment (21,160) despite significant headwinds in higher education, and enrollment has grown 14 percent over ten years. The University continues to grow educational opportunity and academic merit, with 34 percent of freshmen being first-generation and an average ACT score of 26.2. Underrepresented students make up 51% of the enrollment and 60% of first-time freshman. Full-time students make up 70% of the enrolled students. For the years ended September 30, 2024, 2023, and 2022, net student tuition and fees revenue consisted of the following components:

	2024	2023	2022
Student tuition and fees, gross	\$ 346,352,859	\$ 346,837,471	\$ 334,484,698
Less: scholarship allowances	(100,899,463)	(101,377,517)	(95,706,620)
STUDENT TUITION AND FEES, NET	\$ 245,453,396	\$ 245,459,954	\$ 238,778,078

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 and graduate non-resident students rates 3% for the 2023-2024 academic year. First Professional programs rate increases were proposed and received Board approval in April 2023 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 2023 in-state enrollment decreased by 3.8% to 15,291 students and out-of-state enrollment increased by 2.2% to 5,869 students. Tuition rate increases for non-resident students softened the decline in enrollment resulting in a marginal decrease in gross tuition revenue of \$0.5 million. The decrease in gross tuition and fees was offset by an decrease of \$0.5 million or 0.5% in scholarship allowances.

For the 2022-2023 academic year 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. 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).

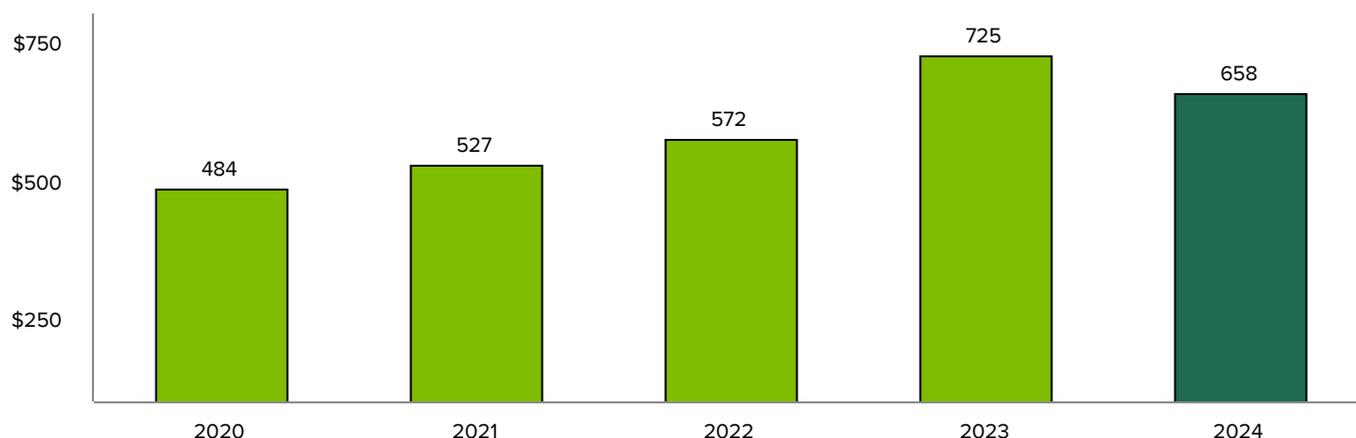
Fall 2022 in-state enrollment decreased by 4.1% to 15,896 students and out-of-state enrollment increased by 0.5% to 5,743 students. The tuition rate increases offset by the decline in enrollment contributed to the increase in gross tuition revenue of \$12.4 million or 3.7%. The gross tuition and fees 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.

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 2024, UAB recognized \$698.6 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 decreased \$67.2 million or 9.3% in 2024, as compared to an increase of \$152.5 million or 26.6% in 2023. The decrease in 2024 and increase 2023 was largely due to federal grants and contract revenues. The primary driver of the changes in federal grants and contracts revenue was related to the Centers for Disease Control and Prevention (CDC) public service award for COVID testing in Alabama K-12 that contributed \$0.0 million and \$96.2 million in 2024 and 2023, respectively.

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, 2024 and 2023, respectively. These funds are used to further the mission of UAB: research, education, and public service.

Figure B: Grants and Contract Revenues 2024

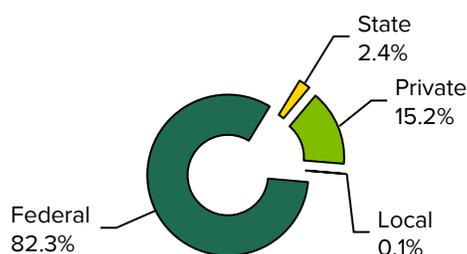
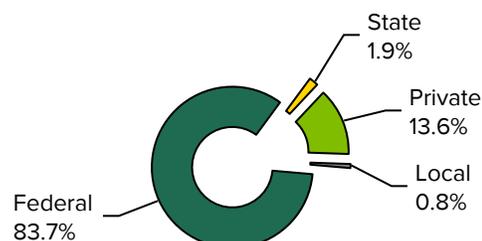


Figure B1: Grants and Contract Revenues 2023



Sales and services revenue of hospital activities

University Hospital is a division of UAB and a part of UAB Medicine Enterprise. For the fiscal year 2024, inpatient discharges increased 1.6% and adjusted patient discharges increased 4.2%. Operating room cases increased 1.5% over fiscal year 2023 and emergency room visits increased 5.6% during fiscal year 2024. University Hospital had an increase in net position of \$417.7 million in fiscal year 2024. 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. Also emergency room visits increased 4.1% during fiscal year 2023. The Hospital had an increase in net position of \$287.5 million in fiscal year 2023. Selected University Hospital operating statistics are outlined below:

	2024	2023	2022
Beds in service	1,200	1,183	1,172
Patient discharges	54,505	53,629	53,532
Adjusted patient discharges	99,784	95,744	92,004
Patient days	435,118	427,239	416,716
Adjusted patient days	796,586	762,755	716,197
Operating room cases	41,463	40,839	39,289
Emergency department visits	137,442	130,155	125,069
Patient origin:			
Jefferson County	44.3%	44.8%	46.3%
Other Alabama counties	49.2%	48.9%	47.8%
Out of state	6.5%	6.3%	5.9%

For the years ended September 30, 2024, 2023, and 2022, University Hospital revenues by source are summarized as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net patient service revenue	\$ 2,708,831,184	\$ 2,452,995,873	\$ 2,206,972,968
Other operating revenue	818,102,743	669,241,055	577,132,476
TOTAL UNIVERSITY HOSPITAL OPERATING REVENUE	<u>\$ 3,526,933,927</u>	<u>\$ 3,122,236,928</u>	<u>\$ 2,784,105,444</u>

Patient service revenue and capitation, net of allowances for contractual discounts, charity care and provisions for uncollectible accounts, was \$2.7 billion, an increase of \$255.8 million, or 10.4%, over fiscal year 2023. The increase was related to increased volume and contract improvements, as well as a \$53.2 million in Medicare settlements related to underpayments in the 340B discount drug program for calendar years 2018 through 2022. The increase from 2022 to 2023 was \$246.0 million, or 11.1%. Contributing factors to this included increased volume and contract improvements.

Other operating revenues primarily consists of pharmacy related sales. The increase in other operating revenues from September 30, 2024 to 2023 was \$148.9 million or 22% compared to \$92.1 million in 2022 or 16.0%. Both 2024 and 2023 had increases related to growth in Specialty Pharmacy retail volumes.

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 \$940.0, \$887.1, and \$822.2 million, an increase of 6.0% and 7.9% from 2023 to 2024 and 2022 to 2023, respectively. These increases are primarily due to Triton's subscriber premiums growth of \$54.6 million and \$75.2 million in 2024 and 2023, respectively.

Other sources

Other sources consist of sales and service educational activities and other operating revenues. Net educational sales and service revenue totaled \$75.9, \$72.3, and \$66.6 million, an increase of 4.9% from 2023 to 2024 and an increase of 8.6% from 2022 to 2023, respectively. The current year increase is primarily due to support received in 2024 from Alabama Department of Public Health in support of UAB School of Dentistry's Decatur Satellite Clinic. Other operating revenue totaled \$32.7, \$46.0, and \$27.3 million, a decrease of 29.0% from 2023 to 2024 and an increase of 68.5% from 2022 to 2023, respectively. The current year decrease is largely due to less School of Medicine Academic Enrichment Funds payments received during 2024.

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, 2024, 2023, and 2022, UAB's nonoperating revenue is summarized as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Economic relief funds	\$ —	\$ 10,863,331	\$ 21,209,457
State educational appropriation	375,199,643	369,169,834	332,448,930
Grants and contracts	40,893,699	40,837,244	61,949,289
Gifts	36,422,598	26,226,067	37,066,668
Investment income	602,041,568	319,436,415	(521,865,832)
Capital gifts and grants	18,114,353	10,888,728	12,806,674
Endowment gifts	30,430,045	22,830,072	44,941,789
TOTAL UAB NONOPERATING REVENUES (LOSSES)	<u>\$ 1,103,101,906</u>	<u>\$ 800,251,691</u>	<u>\$ (11,443,025)</u>

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 \$0.0 million, \$10.9 million and \$21.2 million in federal CARES Act provider relief funding in 2024, 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, 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 2024, State educational appropriations from the ETF increased \$21.9 million from the prior year, reaching a total of \$370.5 million. In 2023, State educational appropriations from the ETF increased \$20.3 million over 2022 for a total received of \$348.6 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 2024 and 2023. UAB also received Public School and College Authority funds and other state capital funds in 2024 and 2023 totaling \$5.2 million and \$42.8 million, respectively. In 2023, the University Hospital received \$50.0 million appropriation from the State of Alabama related to emergency medicine expansion.

Gift revenue consists of gifts, pledges, endowment gifts and capital gifts. UAB's gift revenue totaled \$85.0 million for the year ended September 30, 2024, which was an increase of \$25.0 million from the prior year. The change in gift revenue is due to growth in pledge additions and endowment gifts received in 2024. In 2023, UAB gift revenues decreased \$34.9 million to \$59.9 million, due to a decline in pledge additions and fewer large endowment gifts received in 2023.

Both investment and endowment income are combined as investment income on the SRECNP. Net investment income increased \$282.6 million from 2023 to 2024 and increased \$841.3 million from 2022 to 2023. The increase in 2024 and 2023 was due to reinvestment of realized gains into the investment pools and improved market performance throughout both years which increased the fair value of investments at September 30, 2024 and 2023, respectively.

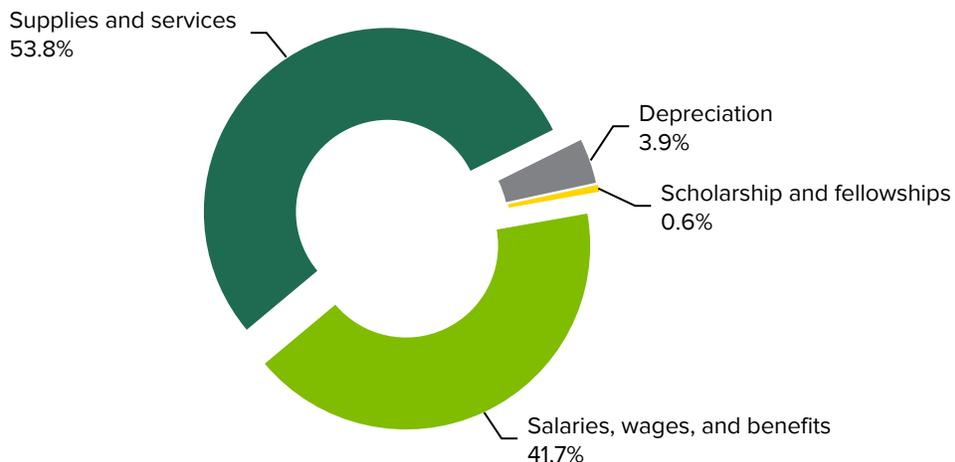
Operating Expenses

A comparative summary of UAB's operating expenses by natural classification for the years ended September 30, 2024, 2023, and 2022, is as follows:

	2024	2023	2022
Salaries, wages, and benefits	\$ 2,445,548,231	\$ 2,262,252,884	\$ 2,028,850,498
Supplies and services	3,153,499,006	2,922,830,046	2,557,954,234
Depreciation	231,174,105	223,712,966	203,113,354
Scholarships and fellowships	36,092,687	28,273,943	33,114,448
TOTAL OPERATING EXPENSES	<u>\$ 5,866,314,029</u>	<u>\$ 5,437,069,839</u>	<u>\$ 4,823,032,534</u>

Graphic illustrations of UAB's operating expenses by natural classification for the year ended September 30, 2024 is presented as below:

2024 Operating Expenses by Natural Classification



UAB is one of the largest employers in the state with a total workforce of 26,614, 25,161, and 24,259 in 2024, 2023, and 2022, respectively. The workforce consisted of 18,638 full-time and 7,976 part-time employees, of which underrepresented employees make up approximately 44.5% in 2024. UAB employed 2,801 faculty of which 906 or 32% were tenured in 2024. UAB's salaries, wages, and benefits totaled \$2.45, \$2.26, \$2.03 billion and makes up 41.7%, 41.6%, and 42.1% of total operating expenses in 2024, 2023, and 2022, respectively. Salaries, wages, and benefits increased \$183.3 million or 8.1% to \$2.45 billion during 2024. Salaries, wages, and benefits increased \$233.4 million or 11.5% to \$2.26 billion. The increase is primarily due to the growth of UAB's salary base and rising benefit costs related to growth in salary base.

Supplies and services totaled \$3.15, \$2.92, and \$2.56 billion and makes up the largest portion of total operating expenses at 53.8%, 53.8%, and 53.0% in 2024, 2023, and 2022, respectively. During 2024, Supplies and services increased \$230.7 million to \$3.15 billion due to patient volume and inflationary increases in supplies and service costs and a 5.5% increase in Triton's expenses per member and Medicare Advantage membership growth. Supplies and services increased \$364.9 million or 14.3% to \$2.92 billion during 2023. This increase is 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.

Depreciation expense increased 3.3%, or \$7.5 million to \$231.2 million in 2024, as compared to an increase of 10.1%, or \$20.6 million, to \$223.7 million in 2023. This increase is due to the 9.6% or \$201.8 million growth in capital assets in 2024. Capital assets placed in service during 2024 included the parking deck, the Student Organization Facility, and Child Care Center.

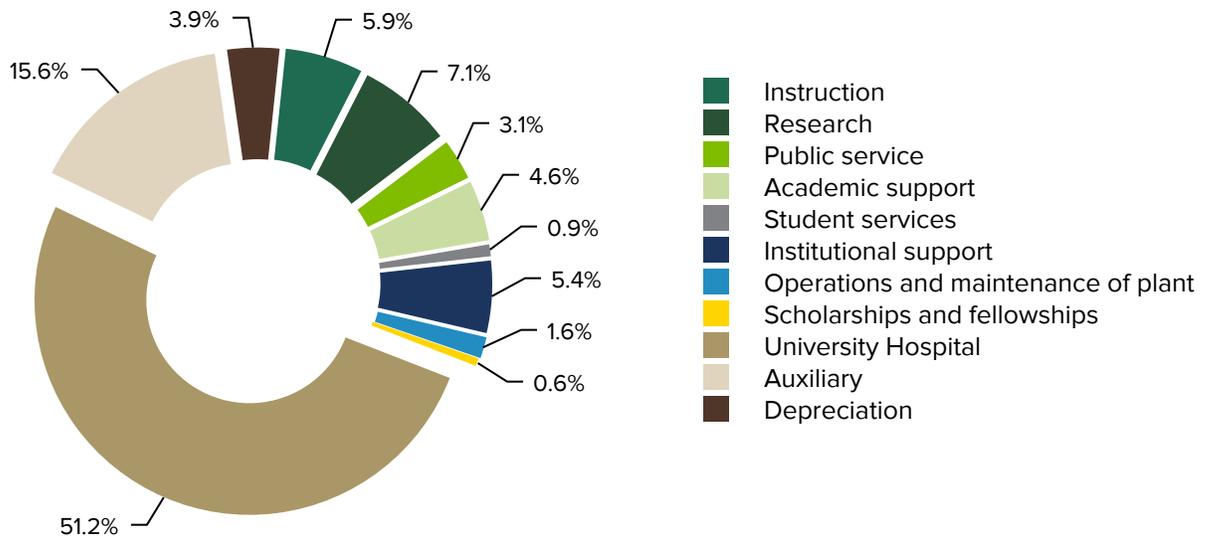
Scholarships and fellowships expense is reported net of scholarship allowances. The net expenses of \$36.1, \$28.3, and \$33.1 million for fiscal years 2024, 2023, and 2022, respectively, represent payments made directly to students after awards have been applied against tuition and fees and auxiliary housing charged to student accounts. Gross scholarship expenses, including allowances, totaled \$137.0, \$129.7, and \$128.8 million for the years ended September 30, 2024, 2023, and 2022, 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, 2024, 2023, and 2022, are summarized as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Instruction	\$ 344,891,056	\$ 336,429,778	\$ 288,100,234
Research	418,195,823	356,511,668	335,222,646
Public service	182,210,523	278,654,839	191,887,121
Academic support	268,204,899	235,622,123	200,374,298
Student services	53,177,546	52,562,860	36,608,750
Institutional support	313,325,896	260,260,163	212,881,896
Operations and maintenance of plant	95,146,127	87,389,236	85,082,008
Scholarships and fellowships	36,092,687	28,273,943	33,114,448
University Hospital	3,009,039,482	2,723,288,233	2,457,381,574
Auxiliary	914,855,885	854,364,030	779,266,205
Depreciation	231,174,105	223,712,966	203,113,354
TOTAL OPERATING EXPENSES	<u>\$ 5,866,314,029</u>	<u>\$ 5,437,069,839</u>	<u>\$ 4,823,032,534</u>

Graphic illustrations of UAB's operating expenses by functional classification for the year ending September 30, 2024 is presented as follows:

2024 Operating Expenses by Functional Classification



The instruction category includes expenses for all activities that are part of UAB's instruction programs. Instruction expenses increased \$8.5 million and \$48.3 million in 2024 and 2023, respectively. 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 \$61.7 million and \$21.3 million in 2024 and 2023, respectively. The public service category includes expenses for activities established primarily to provide non-instructional services for the benefit of individuals and groups that are external to UAB. Public service expenses decreased \$96.4 million in 2024 and increased \$86.8 million in 2023. The academic support category includes expenses incurred to provide support services for UAB's primary programs of instruction, research, and public service. Academic support expenses increased \$32.6 million and \$35.2 million in 2024 and 2023, respectively. The student services category includes expenses incurred for offices of admissions and the registrar and activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. Student services increased \$0.6 million and \$16.0 million in 2024 and 2023, respectively. The institutional support category includes expenses for central, institutional-level activities concerned with management of UAB. Institutional expenses increased \$53.1 million and \$47.4 million in 2024 and 2023, respectively. The operation and maintenance of plant category includes expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. Operation and maintenance of plant expenses increased \$7.8 million and \$2.3 million in 2024 and 2023, respectively. University Hospital expenses increased \$285.8 million and \$265.9 million, in 2024 and 2023, respectively. The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises, and increased \$60.5 million and \$75.1 million, in 2024 and 2023, respectively.

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.

UAB Advancement exists to provide critical private financial and in-kind resources to the people and initiatives that define UAB's life-changing and innovative work. We seek to identify and connect with alumni, employees, grateful patients, corporations, and foundations whose philanthropic mission and values are closely aligned with UAB's priorities. The level of private support underscores the continued confidence among donors in the quality of UAB's programs and the importance of its mission. Economic pressures affecting donors may also affect the future level of support UAB receives from corporate and individual giving

During fiscal year 2024, 63.8% of UAB students received financial aid, including \$187.9 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 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, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 409,162,021	\$ 477,904,742
Short term investments	1,825,784,415	1,479,271,187
Accounts receivable, net	694,237,959	653,630,146
Loans receivable, current portion	1,523,785	1,488,228
Pledges receivable, current portion	11,851,064	14,496,241
Inventories	52,895,676	43,120,584
Prepaid expenses and unearned scholarships	125,672,159	108,232,204
Other current assets	16,557,245	14,771,804
Total current assets	3,137,684,324	2,792,915,136
Noncurrent assets:		
Cash equivalents designated for capital activities	13,701,248	112,383,499
Restricted cash and cash equivalents	251,815	314,551
Investments for capital activities	1,192,770,997	974,814,001
Endowment and life income investments	858,991,097	739,375,564
Investment in Professional Liability Trust Fund	80,613,902	57,684,366
Other long-term investments	119,481,218	126,096,236
Loans receivable, net	7,162,559	7,781,195
Pledges receivable	30,548,820	30,688,336
Due from affiliates	—	17,475,575
Capital assets, net	2,302,056,826	2,100,290,964
Other noncurrent assets	14,957,142	14,163,446
Total noncurrent assets	4,620,535,624	4,181,067,733
Total assets	7,758,219,948	6,973,982,869
DEFERRED OUTFLOWS OF RESOURCES		
Bond deferred refundings	12,592,176	13,808,356
Pension and OPEB related obligations	893,675,324	883,589,394
Total deferred outflows of resources	906,267,500	897,397,750
Total assets and deferred outflows of resources	\$ 8,664,487,448	\$ 7,871,380,619

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Net Position (continued)
September 30, 2024 and 2023

	2024	2023
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 486,086,101	\$ 428,419,835
Deposits	22,213,305	20,064,316
Unearned revenue-grants	74,800,367	69,988,114
Unearned revenue-other	105,758,782	105,364,367
Long-term debt, current portion	85,916,770	82,907,329
Total current liabilities	774,775,325	706,743,961
Noncurrent liabilities:		
Federal advances-loan funds	2,510,875	3,548,954
Long-term debt, noncurrent portion	1,228,146,578	1,274,153,106
Pension liability	1,673,311,000	1,694,871,000
OPEB liability	217,404,757	148,290,100
Total noncurrent liabilities	3,121,373,210	3,120,863,160
Total liabilities	3,896,148,535	3,827,607,121
DEFERRED INFLOWS OF RESOURCES		
Leases	27,218,667	27,114,575
Pension and OPEB related obligations	777,895,093	780,795,114
Total deferred inflows of resources	805,113,760	807,909,689
NET POSITION		
Net investment in capital assets	987,497,197	859,476,471
Restricted		
Nonexpendable	489,153,662	458,967,147
Expendable	634,527,616	517,206,017
Unrestricted	1,852,046,678	1,400,214,174
Total net position	3,963,225,153	3,235,863,809
Total liabilities, deferred inflows and net position	\$ 8,664,487,448	\$ 7,871,380,619

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Tuition and fees	\$ 346,352,859	\$ 346,837,471
Less: scholarship allowance	(100,899,463)	(101,377,517)
Tuition and fees, net	245,453,396	245,459,954
Grants and contracts:		
Federal	534,363,989	600,264,365
State	16,712,845	14,457,544
Local	508,921	6,401,027
Private	106,114,564	103,781,415
Sales and services:		
Educational activities	75,850,347	72,309,309
University Hospital, net of bad debt expense of \$218.9 million in 2024 and \$253.8 million in 2023	3,526,933,927	3,122,236,928
Other auxiliary enterprises, net of scholarship allowance of \$3.6 million in 2024 and \$3.5 million in 2023	939,959,523	887,131,957
Other operating revenues	32,656,562	46,015,088
Total operating revenues	5,478,554,074	5,098,057,587
Operating Expenses		
Salaries, wages and benefits	2,445,548,231	2,262,252,884
Supplies and services	3,153,499,006	2,922,830,046
Depreciation	231,174,105	223,712,966
Scholarships and fellowships	36,092,687	28,273,943
Total operating expenses	5,866,314,029	5,437,069,839
Operating loss	(387,759,955)	(339,012,252)
Nonoperating (Expenses) Revenues		
Economic Relief Funds	—	10,863,331
State educational appropriations	375,199,643	369,169,834
Grants and contracts	40,893,699	40,837,244
Gifts	36,422,598	26,226,067
Investment income	602,041,568	319,436,415
Interest expense	(40,780,159)	(42,220,139)
Loss on asset dispositions, net	(1,236,144)	(2,621,037)
Other nonoperating income, net	5,673,958	8,779,278
Net nonoperating revenues	1,018,215,163	730,470,993
Income before other changes in net position	630,455,208	391,458,741
Other Changes in Net Position		
State capital funds	5,211,738	42,769,897
State capital appropriations	—	50,000,000
Capital gifts and grants	18,114,353	10,888,728
Endowment gifts	30,430,045	22,830,072
Intergovernmental transfers	43,150,000	—
Total other changes in net position	96,906,136	126,488,697
Increase in net position	727,361,344	517,947,438
Net Position, beginning of year	3,235,863,809	2,717,916,371
Net Position, end of year	\$ 3,963,225,153	\$ 3,235,863,809

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Student tuition and fees	\$ 242,441,736	\$ 240,764,928
Grants and contracts:		
Federal	529,607,655	602,811,165
State	16,766,824	13,267,644
Local	1,253,233	5,628,337
Private	108,150,520	103,224,683
Receipts from sales and services of:		
Educational activities	74,931,955	70,538,923
Patient services	3,493,984,819	3,088,982,266
Auxiliary enterprises, net	59,727,191	52,881,864
Premium and administrative fees collected	880,838,097	837,138,230
Payment to employees and related benefits	(1,576,316,833)	(1,505,509,889)
Payment for contract labor	(822,094,667)	(744,855,259)
Payment to suppliers	(3,177,741,769)	(2,888,815,307)
Payment for scholarships and fellowships	(36,092,687)	(28,273,943)
Other receipts	36,247,009	44,142,121
Net cash used in operating activities	(168,296,917)	(108,074,237)
Cash flows from noncapital financing activities		
Economic relief funds	—	10,863,331
State educational appropriations	375,199,643	369,169,834
Private gifts	65,011,275	54,700,803
Student direct lending receipts	159,058,301	157,865,260
Student direct lending disbursements	(157,708,515)	(160,526,531)
Intragovernmental Transfers	53,834,576	—
Other deposits	48,845,181	63,047,052
Deposits from affiliates	(874,065)	2,472,925
Net cash provided by noncapital financing activities	543,366,396	497,592,674
Cash flows from investing activities		
Interest and dividends from investments, net	52,653,914	37,587,326
Proceeds from notes receivable	3,600	3,600
Proceeds from sales and maturities of investments	10,762,965	70,269,650
Purchases of investments	(161,198,161)	(146,355,701)
Net cash used in investing activities	(97,777,682)	(38,495,125)
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt	17,475,575	34,730,552
State capital funds	—	50,000,000
Capital gifts, grants and contracts	25,277,034	12,958,017
Proceeds from sale of capital assets	1,075,184	511,627
Purchases of capital assets	(345,628,737)	(252,641,822)
Principal payments on capital debt	(97,881,797)	(89,886,182)
Interest payments on capital debt	(45,096,764)	(48,234,583)
Net cash used in capital and related financing activities	(444,779,505)	(292,562,391)
Net (decrease) increase in cash and cash equivalents	(167,487,708)	58,460,921
Cash and cash equivalents, beginning of year	590,602,792	532,141,871
Cash and cash equivalents, end of year	\$ 423,115,084	\$ 590,602,792

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows (continued)
Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 409,162,021	\$ 477,904,742
Cash equivalents designated for capital activities	13,701,248	112,383,499
Restricted cash and cash equivalents	251,815	314,551
Total cash and cash equivalents	\$ 423,115,084	\$ 590,602,792
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (387,759,955)	\$ (339,012,252)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	231,174,105	223,712,966
Pension expense	229,312,000	189,605,000
OPEB benefit	(61,982,213)	(59,121,586)
Changes in assets and liabilities:		
Accounts receivable, net	(60,285,727)	(46,812,211)
Prepaid expenses and other assets	(32,543,114)	(17,004,560)
Accounts payable and accrued liabilities	39,658,365	58,118,791
Pension obligations	(112,356,135)	(104,935,000)
OPEB obligations	(18,720,910)	(17,932,059)
Unearned Revenue	5,206,667	5,306,674
Net cash used in operating activities	\$ (168,296,917)	\$ (108,074,237)
Supplemental noncash activities information		
Capital assets acquired included in accounts payable	\$ 47,794,884	\$ 23,596,154
Capital assets acquired through new leases	28,965,011	23,626,718
Capital assets acquired through SBITAs	31,124,004	11,997,507
Capital assets acquired with State capital funds	5,211,738	42,769,896
Debt proceeds immediately transferred into escrow	—	78,755,000
Payment of outstanding bonds principal and interest via escrow	—	80,250,000
Reinvested investment distributions	52,812,789	45,932,247
Increase in fair value of investments	498,045,814	236,381,678

See accompanying notes to financial statements.

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Net Position
December 29, 2023 and December 30, 2022

	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and cash equivalents	\$ 48,582,006	\$ 89,840,930
Investments	107,575,971	42,280,379
Restricted cash and investments	12,338,096	11,471,250
Accounts receivable, net	5,104,599	11,099,935
Other receivables	7,626,435	838,735
Materials and supplies, net	128,103	216,277
Prepayments and other current assets	3,600,881	637,733
Total current assets	184,956,091	156,385,239
Noncurrent Assets:		
Net OPEB asset	2,675,506	2,584,048
Investments, long-term	1,888,640	30,074,714
Capital assets:		
Land and improvements	3,612,802	4,037,692
Buildings and major plant equipment	30,723,916	34,602,876
Laboratory equipment and fixtures	36,533,320	40,976,551
Office furniture and equipment	2,122,920	3,058,558
Intangible assets, net	1,905,197	1,808,088
Right of use assets - SBITAs	2,385,532	2,206,277
	<u>77,283,687</u>	<u>86,690,042</u>
Less accumulated depreciation	<u>(59,245,439)</u>	<u>(67,351,207)</u>
	18,038,248	19,338,835
Construction-in-progress	33,985,884	4,532,910
Total capital assets, net	<u>52,024,132</u>	<u>23,871,745</u>
Total noncurrent assets	56,588,278	56,530,507
Total Assets	241,544,369	212,915,746
Deferred Outflows of Resources		
OPEB	565,805	574,750
Total Assets and Deferred Outflows of Resources	\$ 242,110,174	\$ 213,490,496

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Net Position (continued)
December 29, 2023 and December 30, 2022

	<u>2024</u>	<u>2023</u>
Current Liabilities:		
Accounts payable	\$ 10,039,299	\$ 4,615,663
Accrued liabilities	4,277,903	3,431,282
Unearned contract revenue	36,577,141	9,656,534
Current maturities of long-term debt	1,171,168	1,363,205
Note payable	819,625	1,639,864
Total current liabilities	52,885,136	20,706,548
Noncurrent Liabilities:		
Long-term debt	8,715,198	9,735,796
Total noncurrent liabilities	8,715,198	9,735,796
Total Liabilities	61,600,334	30,442,344
Deferred Inflows of Resources		
OPEB	1,638,966	1,824,877
Net Position		
Net investment in capital assets	42,137,766	12,772,744
Restricted		
Expendable	13,940,441	12,805,171
Unrestricted	122,792,667	155,645,360
Total Net Position	178,870,874	181,223,275
Total Liabilities, Deferred Inflows Of Resources, and Net Position	\$ 242,110,174	\$ 213,490,496

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 29, 2023 and December 30, 2022

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Contract revenues	\$ 37,890,045	\$ 51,891,496
Intellectual property revenues, net of direct expenses	926,094	1,055,675
Total operating revenues	38,816,139	52,947,171
Operating Expenses		
Salaries, wages and benefits	28,673,775	28,713,097
Supplies and services	23,385,057	23,758,805
Depreciation and amortization	3,412,849	4,288,775
Total operating expenses	55,471,681	56,760,677
Operating loss	(16,655,542)	(3,813,506)
Nonoperating (Expenses) Revenues		
Contributions	158,198	128,927
Investment income (loss)	10,578,231	(2,887,977)
Interest expense	(320,846)	(263,468)
Loss on disposal of assets	(3,165,344)	—
Income (loss) before capital contributions and special items	(9,405,303)	(6,836,024)
Capital contributions	7,100,000	45,000,000
(Loss) gain on discontinued operations	(47,098)	50,141,782
Adjustment to OPEB calculation (as restated)	—	827,797
Change in net position	(2,352,401)	89,133,555
Net Position, beginning of year	181,223,275	92,089,720
Net Position, end of year	\$ 178,870,874	\$ 181,223,275

See accompanying notes to financial statements.

The University of Alabama at Birmingham

Notes to Financial Statements

Years Ended September 30, 2024 and 2023

(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 the University and 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 \$2.2 million and \$2.7 million for the years ended September 30, 2024 and 2023, respectively. UABEF made contributions to UAB which totaled approximately \$3.5 million and \$3.6 million for the years ended September 30, 2024 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. UAB's discretely presented component unit Southern Research Institute ("SRI") and blended component unit Triton Health Systems, L.L.C. ("Triton") adopted GASB 96 subsequent to September 30, 2023 due to both entities having different fiscal year ends preceding the GASB Statement No. 96 effective date. The adoption of GASB Statement No. 96 has been reflected on a retrospective basis at the beginning of the earliest period presented in the financial statements, or January 1, 2022. The effects of adopting GASB 96 as it relates to Triton in UAB's financial statements for the year ended September 30, 2023 are as follows:

	<u>As Previously Reported</u>	<u>Effect of Adoption of GASB 96</u>	<u>As Restated</u>
Statement of Net Position			
Current assets			
Other Assets	\$ 15,483,989	\$ (712,185)	\$ 14,771,804
Total current assets	2,793,627,321	(712,185)	2,792,915,136
Noncurrent Assets			
Capital assets, net	<u>2,093,265,020</u>	<u>7,025,944</u>	<u>2,100,290,964</u>
Total noncurrent assets	4,174,041,789	7,025,944	4,181,067,733
Total assets	\$ 6,967,669,110	\$ 6,313,759	\$ 6,973,982,869

	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Current Liabilities			
Accounts payable and accrued liabilities	\$ 428,344,125	\$ 75,710	\$ 428,419,835
Long-term debt, current portion	82,313,666	593,663	82,907,329
Total current liabilities	706,074,588	669,373	706,743,961
Noncurrent Liabilities			
Long-term debt, noncurrent portion	1,268,291,772	5,861,334	1,274,153,106
Total noncurrent liabilities	3,115,001,826	5,861,334	3,120,863,160
Total Liabilities	3,821,076,414	6,530,707	3,827,607,121
Total net position	\$ 3,236,080,757	\$ (216,948)	\$ 3,235,863,809

	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Statement of Revenues, Expenses and Changes in Net Position			
Operating Expenses			
Supplies and services	\$ 2,924,694,834	\$ (1,864,788)	\$ 2,922,830,046
Depreciation	221,803,800	1,909,166	223,712,966
Total operating expenses	5,437,025,461	44,378	5,437,069,839
Operating loss	(338,967,874)	(44,378)	(339,012,252)
Nonoperating Revenues (Expenses)			
Interest expense	(42,047,569)	(172,570)	(42,220,139)
Total nonoperating revenues	730,643,563	(172,570)	730,470,993
Income before other changes in net position	391,675,689	(216,948)	391,458,741
Increase in net position	\$ 518,164,386	\$ (216,948)	\$ 517,947,438

	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Statements of Cash Flows			
Cash flows from operating activities			
Payment to suppliers	\$ (2,890,852,665)	\$ 2,037,358	\$ (2,888,815,307)
Net cash used in operating activities	(110,111,595)	2,037,358	(108,074,237)
Cash from capital and related financing activities			
Principal payments on capital debt	(88,021,394)	(1,864,788)	(89,886,182)
Interest payments on capital debt	(48,062,013)	(172,570)	(48,234,583)
Net cash used in capital and related financing activities	\$ (290,525,033)	\$ (2,037,358)	\$ (292,562,391)

	<u>As Previously Reported</u>	<u>Effect of Adoption of GASB 96</u>	<u>As Restated</u>
Statements of Cash Flows			
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (338,967,874)	\$ (44,378)	\$ (339,012,252)
Depreciation	221,803,800	1,909,166	223,712,966
Other assets	(16,292,375)	(712,185)	(17,004,560)
Accounts payable and accrued liabilities	57,234,036	884,755	58,118,791
Net cash used in operating activities	<u>\$ (110,111,595)</u>	<u>\$ 2,037,358</u>	<u>\$ (108,074,237)</u>

*Triton Health Systems, L.L.C. ("Triton") adopted GASB 96 subsequent to September 30, 2023 due to different fiscal year ends preceding the GASB Statement No. 96 effective date. The impact on Triton's financial statements of adopting GASB 96 has been reflected within certain notes to the UAB financial statements for the period ended September 30, 2023.

Certain notes to the financial statements for the period ended September 30, 2023 have been restated due to the adoption of GASB Statement No 96 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. All cash and cash equivalents are considered level 1 investments in the fair value hierarchy. The remaining fair value instruments are included in Note 4. Cash equivalents representing assets of UAB's bond related construction funds, 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 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, 2024 and 2023 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, 2024 and 2023, there was \$0.7 million and \$0.7 million, respectively, payable to the Department of Education for its portion of the excess cash available at June 30, 2024.

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 and Inflows of Resources: Deferred outflows of resources consist of bond deferred refunding amounts, pension obligations, and OPEB obligations (Trust and UAB Plan). Deferred inflows of resources are composed of pension obligations, OPEB obligations (Trust and UAB Plan), and leases. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to increase pension expense and OPEB expense they are labeled deferred outflows. If they reduce pension expense and OPEB expense they are labeled deferred inflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Plan members at the beginning of the fiscal year. Deferred refunding represents gains and losses deferred and amortized using the straight-line method, which approximates the effective interest rate method, over the term of the related bond

issue. Deferred inflows related to leases are arrangements where UAB is the lessor and the initial measurement of the lease receivable is recognized as revenues in a systematic and rational manner over the term of the lease. .

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, Accounting and Financial Reporting for Nonexchange Transactions*, 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 year 2023.

COVID-19: During fiscal year 2023, University Hospital received funding from the Coronavirus State and Local Fiscal Recovery Funds, and Federal Emergency Management Agency's (FEMA) Public Assistance (PA) grants. Revenues associated with these government programs are included in nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Subsequent Event: On October 29, 2024, the UAB St. Vincent's Health System Authority, a newly formed University Authority under the control of the Board, issued Series 2024 A,B, and C revenue bond totaling \$680 million for the purchase of the St. Vincent's Health System from Ascension Health effective November 1, 2024. The Obligated Group has guaranteed the Series 2024 A, B, and C revenue bonds and University Hospital is jointly and severally liable for the debt issuance.

(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, 2023 and 2022 is presented below.

TRITON HEALTH SYSTEMS, L.L.C.	2024	2023
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 304,602,797	\$ 262,338,824
Capital assets, net	16,238,219	20,314,211
Other assets	118,300,928	125,019,951
TOTAL ASSETS	\$ 439,141,944	\$ 407,672,986
Current liabilities	122,332,199	104,190,701
Other noncurrent liabilities	13,673,864	16,269,795
TOTAL LIABILITIES	136,006,063	120,460,496
Net investment in capital assets	713,099	1,517,267
Restricted nonexpendable net position	100,000	100,000
Unrestricted net position	302,322,782	285,595,223
TOTAL NET POSITION	303,135,881	287,212,490
TOTAL LIABILITIES AND NET POSITION	\$ 439,141,944	\$ 407,672,986

TRITON HEALTH SYSTEMS, L.L.C.	2024	2023
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 995,635,627	\$ 939,182,496
Operating expenses	(969,772,222)	(903,089,639)
Depreciation and amortization expense	(4,119,280)	(6,273,836)
OPERATING INCOME	21,744,125	29,819,021
Investment income (loss)	13,697,921	(6,832,702)
Interest expense	(513,805)	(397,362)
Income tax (expense) benefit	(1,448,362)	2,384,064
INCOME BEFORE OTHER CHANGES IN NET POSITION	33,479,879	24,973,021
Distributions to members	(17,773,436)	(17,683,992)
INCREASE IN NET POSITION	15,706,443	7,289,029
Net position, beginning of year	287,212,490	279,923,461
NET POSITION, END OF YEAR	\$ 302,918,933	\$ 287,212,490
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ 53,687,717	\$ 69,391,140
Noncapital financing activities	(17,773,436)	(17,683,992)
Capital and related financing activities	(4,208,751)	(5,888,949)
Investing activities	6,482,833	2,123,833
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,188,363	47,942,032
Cash and cash equivalents, beginning of year	151,181,756	103,239,724
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 189,370,119	\$ 151,181,756

(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, 2024 and 2023, respectively, UAB had cash and cash equivalents totaling \$423.1 million and \$590.6 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, 2024. 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, 2024 and 2023, the fair value of UAB's investments based on the inputs used to value them is summarized as follows:

	2024				
	Level 1	Level 2	Level 3	NAV	Total
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	1,120,806	—	—	—	1,120,806
Fixed Income Securities:					
Corporate bonds	—	159,622,672	—	—	159,622,672
Commingled Funds:					
U.S. equity funds	—	1,266,463	—	—	1,266,463
Non-U.S. equity funds	—	394,441	—	—	394,441
Real Estate	—	—	159,600	—	159,600
	\$ 1,220,806	\$ 161,283,576	\$ 159,600	\$ —	\$ 162,663,982
					Equity investments in partnerships 80,613,902
					UAB Portion of System Pool Investments:
					Pooled Endowment Fund 860,288,333
					Liquidity and Capital Reserve Pool Fund 2,974,075,412
					Total Reported Value with System Pooled Investments \$ 4,077,641,629

	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 Reported Value with System Pooled Investments	\$ 3,377,241,354

At September 30, 2024 and 2023, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

POOLED ENDOWMENT FUND					
	2024				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 1,600,898
Total Receivables	—	—	—	—	1,600,898
Cash Equivalents:					
Money Market Funds	81,233,533	—	—	—	81,233,533
Total Cash Equivalents	81,233,533	—	—	—	81,233,533
Equities:					
U.S. Common Stock	234,136,305	—	—	—	234,136,305
Foreign Stock	84,570,587	—	—	—	84,570,587
Total Equities	318,706,892	—	—	—	318,706,892
Fixed Income Securities:					
U.S. Government Obligations	—	18,270,694	—	—	18,270,694
Mortgage Backed Securities	—	29,101,809	—	—	29,101,809
Corporate Bonds	—	49,944,362	—	—	49,944,362
Non-U.S. Bonds	—	6,326,768	—	—	6,326,768
Total Fixed Income Securities	—	103,643,633	—	—	103,643,633
Commingled Funds:					
U.S. Equity Funds	—	143,552,086	—	—	143,552,086
Non-U.S. Equity Funds	—	211,604,610	—	—	211,604,610
Hedge Funds	—	—	—	833,403,707	833,403,707
Private Equity Funds	—	—	2,018,106	513,428,363	515,446,469
Real Estate Funds	—	—	2,919,494	280,206,064	283,125,558
Total Commingled Funds	—	355,156,696	4,937,600	1,627,038,134	1,987,132,430
Total Fund Investments	399,940,425	458,800,329	4,937,600	1,627,038,134	2,490,716,488
Total Fund Assets	\$ 399,940,425	\$ 458,800,329	\$ 4,937,600	\$ 1,627,038,134	\$ 2,492,317,386
Total Fund Liabilities					(456,466)
Total Net Asset Value					\$ 2,491,860,920

POOLED ENDOWMENT FUND

	2023				Total
	Level 1	Level 2	Level 3	NAV	
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)
Total Net Asset Value					\$ 2,147,034,757

LIQUIDITY AND CAPITAL RESERVE POOL FUND

	2024				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 10,640,366
Total Receivables	—	—	—	—	10,640,366
Cash Equivalents:					
Money Market Funds	105,429,459	—	—	—	105,429,459
Total Cash Equivalents	105,429,459	—	—	—	105,429,459
Equities:					
U.S. Common Stock	537,941,228	—	—	—	537,941,228
Foreign Stock	113,727,734	—	—	—	113,727,734
Total Equities	651,668,962	—	—	—	651,668,962
Fixed Income Securities:					
U.S. Government Obligations	—	380,205,238	—	—	380,205,238
Mortgage Backed Securities	—	353,124,859	—	—	353,124,859
Collateralized Mortgage Obligations	—	17,221,589	—	—	17,221,589
Corporate Bonds	—	275,254,754	—	—	275,254,754
Non-U.S. Bonds	—	95,357,657	—	—	95,357,657
Other Fixed Income Assets	—	9,701,055	—	—	9,701,055
Total Fixed Income Securities	—	1,130,865,152	—	—	1,130,865,152
Commingled Funds:					
U.S. Equity Funds	—	132,811,476	—	—	132,811,476
Non-U.S. Equity Funds	—	195,780,737	—	—	195,780,737
U.S. Bond Funds	—	540,780,028	—	—	540,780,028
Hedge Funds	—	—	—	1,274,176,358	1,274,176,358
Real Asset Funds	—	—	—	171,629,177	171,629,177
Total Commingled Funds	—	869,372,241	—	1,445,805,535	2,315,177,776
Total Fund Investments	757,098,421	2,000,237,393	—	1,445,805,535	4,203,141,349
Total Fund Assets	\$ 757,098,421	\$ 2,000,237,393	\$ —	\$ 1,445,805,535	\$ 4,213,781,715
Total Fund Liabilities					(1,162,661)
Total Net Asset Value					\$ 4,212,619,054

LIQUIDITY AND CAPITAL RESERVE POOL

	2023				
	Level 1	Level 2	Level 3	NAV	Total
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)
Total Net Asset Value					\$ 3,632,240,718

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV for the System Pools at September 30, 2024 and 2023 is as follows:

	2024				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 833,403,707	\$ 18,000,000	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	513,428,363	277,411,372	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	1,278,445	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	278,927,619	103,602,564	1-15 years	Partnerships ineligible for redemption	Not redeemable
	\$ 1,627,038,134	\$ 399,013,936			

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
	<u>\$ 1,534,851,116</u>	<u>\$ 370,878,995</u>			

LIQUIDITY AND CAPITAL RESERVE FUND

	2024				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 1,274,176,358	\$ 36,000,000	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	171,629,177	—	No limit	Monthly and Quarterly	None
	<u>\$ 1,445,805,535</u>	<u>\$ 36,000,000</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>			

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 \$283.6 million and \$190.1 million in the PEF and LCRP, collectively, at September 30, 2024 and 2023, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$727.4 million and \$574.7 million in the PEF and LCRP, collectively, at September 30, 2024 and 2023, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2024 and 2023 is as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2024	2023	2024	2023
Fixed or Variable Income Securities				
U.S. Government Obligations	\$ 18,270,694	\$ 12,068,968	\$ 380,205,238	\$ 289,033,443
Other U.S. Denominated:				
AAA	4,616,030	1,444,806	84,783,139	35,779,230
AA	2,107,235	763,308	47,401,157	38,107,146
A	15,877,316	7,561,794	169,666,401	148,052,814
BBB	28,238,200	10,993,260	166,297,329	129,358,721
BB	8,030,269	3,993,984	10,809,497	6,707,732
B	1,058,908	495,051	11,302,078	8,090,491
C and < C	—	—	2,259,505	3,635,591
Unrated	25,444,981	12,934,720	258,140,808	177,180,955
Commingled Funds:				
U.S. Bond Funds: Unrated	—	—	540,780,028	451,679,478
Non-U.S. Bond Funds: Unrated	—	—	—	—
Money Market Funds: Unrated	81,233,533	82,092,112	105,429,459	40,904,062
TOTAL	\$ 184,877,166	\$ 132,348,003	\$ 1,777,074,639	\$ 1,328,529,663

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, 2024 and 2023 is as follows:

	2024	2023
Fixed or Variable Income Securities		
U.S. Government Obligations	\$ —	\$ —
Other U.S. Denominated:		
AAA	159,622,672	153,240,996
AA	—	—
A	—	—
BBB	—	—
BB	—	—
B	—	—
C and < C	—	—
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	\$ 159,722,672	\$ 153,340,996

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, 2024 and 2023, 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, 2024 and 2023 are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2024	2023	2024	2023
U.S. Government Obligations	12.9	8.3	3.4	3.8
Corporate Bonds	4.6	4.7	2.7	2.2
Non-US Bonds	4.6	4.7	2.7	2.2
Commingled Bond Funds	—	—	2.9	3.4
Other Fixed Income	—	—	0.1	(0.1)

The effective durations for fixed or variable income securities for UAB's separately held investments at September 30, 2024 and 2023 are as follows:

	SEPARATELY HELD	
	2024	2023
Commingled Bond Funds	2.3	2.2

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, 2024 and 2023, the fair market values of these investments in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2024	2023	2024	2023
Mortgage Backed Securities	\$ 29,101,809	\$ 13,998,021	\$ 353,124,859	\$ 220,244,106
Collateralized Mortgage Obligations	—	—	17,221,589	16,737,264
TOTAL FIXED	\$ 29,101,809	\$ 13,998,021	\$ 370,346,448	\$ 236,981,370

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, 2024 and 2023, the effective durations for these securities held in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2024	2023	2024	2023
Mortgage Backed Securities	6.3	6.7	2.7	3.2
Collateralized Mortgage Obligations	—	—	4.7	3.8

There are no mortgage backed securities or CMOs in UAB's separately held investments at September 30, 2024 and 2023.

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, 2024 and 2023, 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, 2024 and 2023, 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 \$80.6 million and \$57.7 million at September 30, 2024 and 2023, 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, 2024 and 2023 is summarized as follows:

	2024	2023
Patient care	\$ 613,883,761	\$ 587,181,339
Receivables from sponsoring agencies	109,675,602	106,307,043
Student accounts	50,457,037	52,102,414
Other	84,511,853	90,549,636
Total accounts receivable	\$ 858,528,253	\$ 836,140,432
Less: Allowances for doubtful accounts from patient care	156,949,145	173,094,155
Less: Allowances for doubtful accounts from student accounts	3,782,905	6,088,010
Less: Allowances for doubtful accounts, other	3,558,244	3,328,121
ACCOUNTS RECEIVABLE, NET	\$ 694,237,959	\$ 653,630,146

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, 2024 and 2023 is summarized in the table as follows:

	<u>2024</u>	<u>2023</u>
Federal loan program	\$ 9,918,674	\$ 9,858,150
University loan funds	2,176,578	2,233,107
Other	113,834	19,860
Total loans receivable	\$ 12,209,086	\$ 12,111,117
Less allowance for doubtful accounts	3,522,742	2,841,694
Total loans receivable, net	\$ 8,686,344	\$ 9,269,423
Less: current portion	1,523,785	1,488,228
TOTAL LOANS RECEIVABLE OUTSTANDING, NONCURRENT	<u>\$ 7,162,559</u>	<u>\$ 7,781,195</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, 2024 and 2023 is summarized in the following table.

	<u>2024</u>	<u>2023</u>
Operations	\$ 32,617,329	\$ 30,775,960
Capital	9,782,555	14,408,617
Total gift pledges	\$ 42,399,884	\$ 45,184,577
Less: current portion	11,851,064	14,496,241
TOTAL GIFT PLEDGES, NONCURRENT	<u>\$ 30,548,820</u>	<u>\$ 30,688,336</u>

(6) Capital Assets

Capital assets as of September 30, 2024 and 2023 are summarized as follows:

	BALANCE			BALANCE
	October 1, 2023	ADDITIONS	RETIREMENTS/ TRANSFERS	September 30, 2024
UNIVERSITY AND BLENDED COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 91,814,195	\$ —	\$ —	\$ 91,814,195
Construction in progress	105,957,679	109,424,389	(53,734,312)	161,647,756
	197,771,874	109,424,389	(53,734,312)	253,461,951
Capital assets being depreciated				
Land Improvements	66,215,052	1,817,511	—	68,032,563
Buildings	1,973,082,236	123,023,238	(5,979,537)	2,090,125,937
Fixed Equipment Systems	90,848,880	728,124	—	91,577,004
Equipment	461,040,354	29,260,228	(14,183,310)	476,117,272
Library Materials	165,511,778	8,410,659	—	173,922,437
Right Of Use Asset - Leases	95,524,032	11,033,027	(2,547,467)	104,009,592
Right Of Use Asset - SBITAs	35,646,540	11,593,486	—	47,240,026
	2,887,868,872	185,866,273	(22,710,314)	3,051,024,831
Total Capital Assets	3,085,640,746	295,290,662	(76,444,626)	3,304,486,782
Less: Accumulated Depreciation	1,702,047,252	118,002,014	(21,210,122)	1,798,839,144
Total Net Capital Assets	\$ 1,383,593,494	\$ 177,288,648	\$ (55,234,504)	\$ 1,505,647,638
UNIVERSITY HOSPITAL				
Capital assets not being depreciated				
Land	\$ 20,813,545	\$ —	\$ —	\$ 20,813,545
Construction in progress	61,520,972	83,388,668	(9,051,820)	135,857,820
	82,334,517	83,388,668	(9,051,820)	156,671,365
Capital assets being depreciated				
Land Improvements	2,380,759	125,037	—	2,505,796
Buildings	1,032,565,904	19,115,140	—	1,051,681,044
Fixed Equipment Systems	10,217,842	—	—	10,217,842
Equipment	693,584,627	62,455,546	(24,917,847)	731,122,326
Right Of Use Asset - Leases	82,986,595	17,931,984	(4,821,070)	96,097,509
Right Of Use Asset - SBITAs	59,067,189	19,530,518	(8,115,409)	70,482,298
	1,880,802,916	119,158,225	(37,854,326)	1,962,106,815
Total Capital Assets	1,963,137,433	202,546,893	(46,906,146)	2,118,778,180
Less: Accumulated Depreciation	1,246,439,963	113,172,091	(37,243,062)	1,322,368,992
Total Net Capital Assets	\$ 716,697,470	\$ 89,374,802	\$ (9,663,084)	\$ 796,409,188

TOTAL UAB

Capital assets not being depreciated				
Land	\$ 112,627,740	\$ —	\$ —	\$ 112,627,740
Construction in progress	167,478,651	192,813,057	(62,786,132)	297,505,576
	280,106,391	192,813,057	(62,786,132)	410,133,316
Capital assets being depreciated				
Land Improvements	68,595,811	1,942,548	—	70,538,359
Buildings	3,005,648,140	142,138,378	(5,979,537)	3,141,806,981
Fixed Equipment Systems	101,066,722	728,124	—	101,794,846
Equipment	1,154,624,981	91,715,774	(39,101,157)	1,207,239,598
Library Materials	165,511,778	8,410,659	—	173,922,437
Right Of Use Asset - Leases	178,510,627	28,965,011	(7,368,537)	200,107,101
Right Of Use Asset - SBITAs	94,713,729	31,124,004	(8,115,409)	117,722,324
	4,768,671,788	305,024,498	(60,564,640)	5,013,131,646
Total Capital Assets	5,048,778,179	497,837,555	(123,350,772)	5,423,264,962
Less: Accumulated Depreciation	2,948,487,215	231,174,105	(58,453,184)	3,121,208,136
TOTAL NET CAPITAL ASSETS	\$ 2,100,290,964	\$ 266,663,450	\$ (64,897,588)	\$ 2,302,056,826

	BALANCE			BALANCE	
	October 1, 2022	ADDITIONS	RETIREMENTS/ TRANSFERS	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	29,615,862	6,030,678	—	35,646,540	
	2,708,308,789	184,300,943	(4,740,860)	2,887,868,872	
Total Capital Assets	2,877,182,639	290,689,881	(82,231,774)	3,085,640,746	
Less: Accumulated Depreciation	1,587,786,265	116,678,127	(2,417,140)	1,702,047,252	
Total Net Capital Assets	\$ 1,289,396,374	\$ 174,011,754	\$ (79,814,634)	\$ 1,383,593,494	

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	78,183,933	16,529,796	—	94,713,729

	4,497,524,745	288,010,951	(16,863,908)	4,768,671,788
Total Capital Assets	4,721,578,041	433,678,538	(106,478,400)	5,048,778,179
Less: Accumulated Depreciation	2,739,144,993	223,712,966	(14,370,744)	2,948,487,215
TOTAL NET CAPITAL ASSETS	\$ 1,982,433,048	\$ 209,965,572	\$ (92,107,656)	\$ 2,100,290,964

A summary of right of use asset, net by major classes as of September 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 541,133	\$ 611,721
Building	93,107,137	96,257,896
Equipment	16,042,473	12,451,974
Vehicle	21,300	1,177
SBITAs	48,335,229	48,845,274
	\$ 158,047,272	\$ 158,168,043

(7)

Long-Term Debt

Long-term debt activity for the years ended September 30, 2024 and 2023 is summarized as follows:

	Balance October 1, 2023	New Debt	Principal Repayment	Balance September 30, 2024	Current Portion
UNIVERSITY AND BLENDED COMPONENT UNITS					
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 4.0% due annually from 2022 through 2025	7,415,000	—	3,635,000	3,780,000	3,780,000
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	17,445,000	—	3,400,000	14,045,000	3,190,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	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	2,470,000
Birmingham General Revenue Bonds Series 2015A, 3.0% to 5.0% due annually through 2028	12,725,000	—	2,635,000	10,090,000	2,765,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	14,400,000	—	3,495,000	10,905,000	3,565,000
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	22,310,000	—	1,510,000	20,800,000	3,120,000
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	35,585,000	—	1,600,000	33,985,000	1,710,000
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	35,115,000	—	220,000	34,895,000	230,000
Birmingham General Revenue Bonds Series 2022A, 3.0% to 5.0% due annually from 2023 through 2052	161,220,000	—	2,895,000	158,325,000	3,040,000
Birmingham General Revenue Bonds Series 2022B, 5.0% due annually from 2023 through 2025	6,025,000	—	3,395,000	2,630,000	2,630,000
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	—	385,000	78,370,000	755,000
Other Obligations					
Lease Obligations, 0.70% to 5.28% due annually through 2045	61,236,754	11,667,747	11,479,026	61,425,475	9,334,011
SBITA Obligations, 0.70% to 4.59% due annually through 2029	18,006,127	10,811,288	12,985,026	15,832,389	4,537,863
	\$ 775,617,881	\$ 22,479,035	\$ 50,059,052	\$ 748,037,864	\$ 41,126,874
Plus unamortized bond premium				26,491,539	—
TOTAL UNIVERSITY DEBT				\$ 774,529,403	\$ 41,126,874

	Balance October 1, 2023	New Debt	Principal Repayment	Balance September 30, 2024	Current Portion
UNIVERSITY HOSPITAL					
Direct Borrowings					
Note payable UAB Medical Enterprise, 3.0% to 5.0% due annually through 2048	89,069,054	—	1,530,199	\$ 87,538,855	1,641,755
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	6,313,000	—	1,516,000	\$ 4,797,000	1,557,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	293,730,000	—	9,195,000	\$ 284,535,000	4,685,000
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385,000	—	—	\$ 18,385,000	5,105,000
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, 1.90% to 4.00% due monthly through 2047	51,678,958	17,855,317	16,034,447	53,499,828	15,735,686
SBITA Obligations, 0.25% to 3.40% due monthly through 2029	29,490,658	19,530,459	20,508,052	28,513,065	16,065,455
	\$ 533,476,670	\$ 37,385,776	\$ 48,783,698	\$ 522,078,748	\$ 44,789,896
Plus unamortized bond premium				17,455,197	—
TOTAL UNIVERSITY HOSPITAL DEBT				\$ 539,533,945	\$ 44,789,896
TOTAL UAB	\$ 1,309,094,551	\$ 59,864,811	\$ 98,842,750	\$ 1,270,116,612	\$ 85,916,770
Plus unamortized bond premium				43,946,736	—
TOTAL UAB DEBT				\$ 1,314,063,348	\$ 85,916,770

	Balance October 1, 2022	New Debt	Principal Repayment	Balance September 30, 2023	Current 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 5.0% 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, 0.70% to 4.47% due annually through 2045	\$ 61,154,741	\$ 13,208,910	\$ 13,126,897	\$ 61,236,754	\$ 10,110,289
SBITA Obligations, 0.70% to 4.59% due annually through 2029	\$ 22,532,737	\$ 5,817,466	\$ 10,344,076	\$ 18,006,127	\$ 8,222,246
	\$ 805,407,478	\$ 97,781,376	\$ 127,570,973	\$ 775,617,881	\$ 43,927,535
Plus unamortized bond premium				29,051,232	—
TOTAL UNIVERSITY DEBT				\$ 804,669,113	\$ 43,927,535

	Balance October 1, 2022	New Debt	Principal Repayment	Balance September 30, 2023	Current Portion
UNIVERSITY HOSPITAL					
Direct Borrowings					
Note payable UAB Medicine 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, 1.90% to 4.00% 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	\$ 1,359,651,337	\$ 118,698,302	\$ 169,255,088	\$ 1,309,094,551	\$ 82,907,329
Plus unamortized bond premium				47,965,884	—
TOTAL UAB DEBT				\$ 1,357,060,435	\$ 82,907,329

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
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	—	—	—	2,883,620	2,560,525	5,444,145	2,883,620	2,560,525	5,444,145
2030-2034	—	—	—	15,539,079	11,664,385	27,203,464	15,539,079	11,664,385	27,203,464
2035-2039	—	—	—	18,073,168	9,121,378	27,194,546	18,073,168	9,121,378	27,194,546
2040-2044	—	—	—	21,365,780	5,815,412	27,181,192	21,365,780	5,815,412	27,181,192
2045-2049	—	—	—	20,263,501	1,759,003	22,022,504	20,263,501	1,759,003	22,022,504
TOTAL	\$ —	\$ —	\$ —	\$ 87,538,855	\$ 41,705,819	\$ 129,244,674	\$ 87,538,855	\$ 41,705,819	\$ 129,244,674

General Receipts Bonds

Year	UNIVERSITY			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
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	13,801,197	28,582,197	42,871,000	34,339,761	77,210,761
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	26,155,000	18,699,123	44,854,123	15,755,000	12,537,519	28,292,519	41,910,000	31,236,642	73,146,642
2030-2034	133,305,000	78,665,195	211,970,195	93,105,000	52,014,780	145,119,780	226,410,000	130,679,975	357,089,975
2035-2039	138,720,000	53,533,034	192,253,034	119,080,000	29,672,925	148,752,925	257,800,000	83,205,959	341,005,959
2040-2044	145,605,000	30,450,110	176,055,110	69,950,000	5,237,313	75,187,313	215,555,000	35,687,423	251,242,423
2045-2049	91,965,000	11,260,581	103,225,581	—	—	—	91,965,000	11,260,581	103,225,581
2050-2051	24,795,000	1,130,475	25,925,475	—	—	—	24,795,000	1,130,475	25,925,475
TOTAL	\$ 670,780,000	\$ 277,632,731	\$ 948,412,731	\$ 352,527,000	\$ 155,415,841	\$ 507,942,841	\$ 1,023,307,000	\$ 433,048,572	\$ 1,456,355,572

Lease Obligations

Year	UNIVERSITY AND BLENDED COMPONENT UNITS			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 9,334,011	\$ 1,601,713	\$ 10,935,724	\$ 15,735,685	\$ 1,436,440	\$ 17,172,125	\$ 25,069,696	\$ 3,038,153	\$ 28,107,849
2026	8,365,841	1,348,758	9,714,599	12,228,364	1,002,044	13,230,408	20,594,205	2,350,802	22,945,007
2027	8,004,151	1,123,187	9,127,338	10,149,014	653,411	10,802,425	18,153,165	1,776,598	19,929,763
2028	6,182,172	941,946	7,124,118	9,448,909	350,254	9,799,163	15,631,081	1,292,200	16,923,281
2029	4,343,128	819,571	5,162,699	4,561,863	101,392	4,663,255	8,904,991	920,963	9,825,954
2030-2034	7,240,811	3,329,251	10,570,062	1,250,344	92,013	1,342,357	8,491,155	3,421,264	11,912,419
2035-2039	6,977,210	2,211,860	9,189,070	125,641	2,946	128,587	7,102,851	2,214,806	9,317,657
2040-2044	8,904,534	1,019,170	9,923,704	5	—	5	8,904,539	1,019,170	9,923,709
2045-2047	2,073,617	31,550	2,105,167	3	—	3	2,073,620	31,550	2,105,170
TOTAL	\$ 61,425,475	\$ 12,427,006	\$ 73,852,481	\$ 53,499,828	\$ 3,638,500	\$ 57,138,328	\$ 114,925,303	\$ 16,065,506	\$ 130,990,809

SBITA Obligations

Year	UNIVERSITY AND BLENDED COMPONENT UNITS			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 4,537,863	\$ 285,930	\$ 4,823,793	\$ 16,065,455	\$ 426,113	\$ 16,491,568	\$ 20,603,318	\$ 712,043	\$ 21,315,361
2026	7,018,877	156,867	7,175,744	9,237,001	185,582	9,422,583	16,255,878	342,449	16,598,327
2027	2,439,543	77,538	2,517,081	2,049,954	59,451	2,109,405	4,489,497	136,989	4,626,486
2028	1,595,594	31,012	1,626,606	667,724	26,815	694,539	2,263,318	57,827	2,321,145
2029	240,512	1,050	241,562	492,931	7,422	500,353	733,443	8,472	741,915
2030-2034	—	—	—	—	—	—	—	—	—
TOTAL	\$ 15,832,389	\$ 552,397	\$ 16,384,786	\$ 28,513,065	\$ 705,383	\$ 29,218,448	\$ 44,345,454	\$ 1,257,780	\$ 45,603,234

Pledged revenues for 2024 and 2023, as defined by the Series 2012A Hospital Revenue Trust Indenture, are as follows:

UNIVERSITY HOSPITAL BONDS	<u>2024</u>	<u>2023</u>
Total pledged revenues	\$ 3,558,970,851	\$ 3,148,992,506

Pledged revenues for 2024 and 2023, 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	<u>2024</u>	<u>2023</u>
Tuition and fees	\$ 346,352,859	\$ 346,837,471
Indirect cost recovery	144,185,043	157,548,135
Sales and service of educational activities	75,850,347	72,309,309
Auxiliary sales and service	59,447,367	51,761,067
Investment Income	46,242,922	38,270,127
Other sources	25,075,021	39,218,319
TOTAL PLEDGED REVENUES	<u>\$ 697,153,559</u>	<u>\$ 705,944,428</u>

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 principal 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. 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 of approximately \$77.2 million was repaid with the funds deposited in the escrow trust account during 2024.

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 offering 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.

In June 2019, the UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.4 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 \$77.0 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, \$77.2 million of the loan amount was distributed to University Hospital for capital improvement project spending and the remaining \$17.7 million was held in a trust for future projects. As of September 30, 2024, \$94.7 million of the loan amount was distributed to University Hospital for capital improvement project spending, and no remaining amounts are held in a trust for future projects. As University Hospital is 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.

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, 2024.

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, 2024.

UAB has leases for land, buildings, vehicles, and equipment under agreements that extend through 2046. 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 2024 and 2023. 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 System.

The PLTF agreement requires a flat \$15 million of all PLTF assets to be held in liquid assets. At September 30, 2024 and 2023, 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 2024 and 2023. Changes in the total self-insured liabilities for the years ended September 30, 2024 and 2023 are presented as follows for UAB:

SELF INSURED LIABILITIES	2024	2023
Balance, beginning of year	\$ 5,450,146	\$ 6,943,664
Claims incurred and changes in estimates	121,778,158	104,701,491
Claim payments	(120,656,417)	(106,195,009)
BALANCE, END OF YEAR	\$ 6,571,887	\$ 5,450,146

(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, 2024 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members. 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.

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 2024, 2023 and 2022 is as follows:

	2024	2023	2022
Employer Contributions	\$ 112,356,135	\$ 104,935,405	\$ 101,166,000
Employee Contributions	64,437,948	60,763,285	59,625,000
TOTAL CONTRIBUTIONS	\$ 176,794,083	\$ 165,698,690	\$ 160,791,000

Pensionable salaries and wages for covered employees participating in TRS were approximately \$1.08 billion during fiscal year 2024 and \$1.03 billion during fiscal year 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2024 and September 30, 2023, the financial statements of UAB reflected a liability of \$1.67 billion and \$1.69 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, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022. 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, 2023, UAB's proportion was 10.49%, which was a decrease of 0.42% from its proportion measured as of September 30, 2022. 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.

For the years ended September 30, 2024 and September 30, 2023, UAB recognized pension expense of \$229.3 million and \$189.6 million, respectively. At September 30, 2024 and 2023, UAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,617,000	\$ 22,591,000
Changes of assumptions	47,074,000	—
Net difference between projected and actual earnings on pension plan investments	114,758,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	3,475,000	66,497,000
Employer contributions subsequent to the measurement date	112,357,000	—
TOTAL	\$ 427,281,000	\$ 89,088,000

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

\$112.4 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, 2025. 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:		
2025	\$	73,441,000
2026		45,214,000
2027		118,816,000
2028		(11,635,000)
2029		—
Thereafter		—

Actuarial assumptions. The total pension liability as of September 30, 2023 was determined by an actuarial valuation as of September 30, 2022 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, 2022, 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	\$ 2,185,985,000	\$ 1,673,311,000	\$ 1,242,115,000

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, 2023. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2023. 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 2024 and 2023, excluding employee amounts not eligible for matching, were approximately \$88.3 million and \$80.8 million, respectively. This includes employee contributions eligible for matching of \$44.1 million and \$40.4 million, and UAB contributions of \$44.1 million and \$40.4 million, in 2024 and 2023, 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 2024 and 2023 were approximately \$1.79 billion and \$1.68 billion, respectively. Total salaries and wages during fiscal years 2024 and 2023 for covered employees participating in TRS were approximately \$926.1 million and \$884.9 million, respectively. Total salaries and wages during fiscal years 2024 and 2023 for covered employees participating in the 403(b) Plan were approximately \$1.02 billion and \$931.6 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 \$86.5 million and \$87.2 million as of September 30, 2024 and 2023, 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 to enroll in the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. 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, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug Plan (MAPDP) 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, 2024 and 2023, the financial statements of UAB reflected a liability of \$211.2 million and \$142.1 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, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022. 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, 2023, UAB's proportion was 10.99%, which was an increase of 2.83% from its proportion measured as of September 30, 2022.

For the years ended September 30, 2024 and 2023, UAB recognized an OPEB benefit of \$61.0 million and \$57.9 million, respectively with no special funding situations. At September 30, 2024 and 2023, UAB reported deferred outflows of resources and deferred inflows of resources related to the PEEHIP plan from the following sources:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,129,740	\$ 333,274,528
Changes of assumptions	177,932,548	208,938,355
Net difference between projected and actual earnings on OPEB plan investments	7,214,356	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	255,297,966	140,060,229
Employer contributions subsequent to the measurement date	16,675,976	—
TOTAL	\$ 461,250,586	\$ 682,273,112

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

\$16.7 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, 2025. 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:		
2025	\$	(92,127,395)
2026		(10,040,585)
2027		(27,089,721)
2028		(77,561,886)
2029		(39,217,532)
Thereafter		8,338,617

Actuarial assumptions. The total OPEB liability for the PEEHIP was determined by an actuarial valuation as of September 30, 2022, 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	4.53%
Municipal Bond Index Rate at the Prior Measurement Date	4.40%
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	7.00%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	7.00%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033
Medicare Eligible	4.50% in 2033

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, 2022 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, 2023 was 7.00%. The discount rate used to measure the total OPEB liability at the prior measurement date was 7.00%. 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, 11.051% of the employer contributions were used to assist in funding retiree benefit payments in 2023 and it is assumed that the 11.051% 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 remain flat until, based on budget projections, it increases to \$940 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. 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 2121.

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 7.00% to 6.00%, 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 7.00% to 8.00%, 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	\$ 160,090,771	\$ 211,204,535	\$ 273,266,973

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	\$ 260,731,563	\$ 211,204,535	\$ 169,050,581

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2023. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2023. 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 condition 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, 2023, the Valuation Date.

Membership:	2024
Inactive Employees or Beneficiaries Currently Receiving Benefits	146
Inactive Members Entitled To But Not Yet Receiving Benefits	—
Active Employees	10,704
TOTAL MEMBERSHIP	10,850

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, 2024 and 2023, UAB reported a total OPEB liability ("TOL") of \$6.2 million and \$6.1 million, respectively. The TOL is based upon an Entry Age Normal ("EAN") actuarial funding method as of the valuation date, September 30, 2023. If 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, 2024 and 2023, UAB recognized an OPEB benefit of \$1.0 million and \$1.2 million, respectively with no special funding situations. At September 30, 2024 and 2023, UAB reported deferred outflows of resources and deferred inflows of resources related to the UAB plan from the following sources:

	2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	1,751,497	\$ 3,559,744
Changes of assumptions		1,347,307	2,974,236
Employer contributions subsequent to the measurement period		2,044,934	—
TOTAL	\$	5,143,738	\$ 6,533,980

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

\$2.0 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, 2025. 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:	
2025	\$ (1,273,524)
2026	(1,260,527)
2027	(1,144,224)
2028	(667,816)
2029	260,099
Thereafter	650,816

Actuarial assumptions. The total OPEB liability for the UAB Plan was determined by an actuarial valuation as of September 30, 2023, 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	4.53 %
Municipal Bond Index Rate at the Prior Measurement Date	4.40 %
Healthcare Cost Trend Rate	
Pre-Medicare Medical and Prescription Drug (decreasing to an ultimate rate of 4.50% by 2032)	6.75 %

¹Includes 2.75% 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 (f)	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, 2023 valuation were 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.) used in the September 30, 2023 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2023 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, 2023 were 4.09%, 4.63%, and 4.87% for the Bond Buyer, Fidelity, and S&P Municipal Bond Indices respectively. These three rates resulted in an averaged Municipal Bond Index Rate of 4.53%. This is a change from the Municipal Bond Index Rate of 4.40% 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 6.75% to 5.75% and pre-Medicare from 4.50% to 3.50%. A 1-percent-point increase would change the current healthcare trend rate from 6.75% to 7.75% and the pre-Medicare from 4.50% to 5.50%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's total OPEB liability	\$ 6,025,047	\$ 6,200,222	\$ 6,388,112

The following table presents the total OPEB Liability of the UAB Plan, calculated using the discount rate of 4.53%, 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:

	3.53%	4.53%	5.53%
UAB's total OPEB liability	\$ 6,487,141	\$ 6,200,222	\$ 5,934,913

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>2024</u>
Total OPEB Liability as of September 30, 2023	\$ 6,143,526
Changes for the year:	
Service cost	65,909
Interest on TOL and cash flows	233,446
Changes in benefit terms	—
Difference between expected and actual experience	1,372,759
Changes of assumptions or other inputs	78,685
Benefit payments	(1,694,103)
Net changes	<u>\$ 56,696</u>
Total OPEB Liability as of September 30, 2024	<u><u>\$ 6,200,222</u></u>

*The service cost include interest for the year.

(11) Federal Direct Student Loan Program

The Federal Direct Student Loan Program ("FDSLPL") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLPL 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 FDSLPL 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, 2024 and 2023, UAB disbursed approximately \$157.7 million and \$160.5 million, respectively, under the FDSLPL.

(12) Grants and Contracts

At September 30, 2024 and 2023, UAB had been awarded approximately \$1.05 billion and \$923.5 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, 2024 and 2023 are as follows for UAB:

2024 Operating Expenses

(by functional classification)

	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 299,077,634	\$ 45,813,422	\$ —	\$ —	\$ 344,891,056
Research	249,034,537	169,161,286	—	—	418,195,823
Public service	124,592,531	57,617,992	—	—	182,210,523
Academic support	243,200,965	25,003,934	—	—	268,204,899
Student services	32,547,520	20,630,026	—	—	53,177,546
Institutional support	139,711,836	173,614,060	—	—	313,325,896
Operations and maintenance of plant	48,331,556	46,814,571	—	—	95,146,127
Scholarships and fellowships	—	—	—	36,092,687	36,092,687
University Hospital	1,224,026,637	1,785,012,845	—	—	3,009,039,482
Auxiliary	85,025,015	829,830,870	—	—	914,855,885
Depreciation	—	—	231,174,105	—	231,174,105
TOTAL OPERATING EXPENSES	\$ 2,445,548,231	\$ 3,153,499,006	\$ 231,174,105	\$ 36,092,687	\$ 5,866,314,029

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	772,883,496	—	—	854,364,030
Depreciation	—	—	223,712,966	—	223,712,966
TOTAL OPERATING EXPENSES	\$ 2,262,252,884	\$ 2,922,830,046	\$ 223,712,966	\$ 28,273,943	\$ 5,437,069,839

(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, 2024 and 2023, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$464 million and \$477 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, 2024 and 2023 is as follows:

UNIVERSITY	2024	2023
CONDENSED STATEMENTS OF NET POSITION		
Current assets	\$ 1,122,667,025	\$ 1,001,934,290
Capital assets, net	1,489,317,394	1,363,187,251
Other assets	1,310,064,148	1,263,241,796
TOTAL ASSETS	\$ 3,922,048,567	\$ 3,628,363,337
DEFERRED OUTFLOW OF RESOURCES	\$ 619,127,185	\$ 635,612,600
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,541,175,752	\$ 4,263,975,937
Current liabilities	375,611,624	385,520,423
Long-term debt	719,788,713	744,501,647
Other noncurrent liabilities	1,298,011,171	1,274,903,902
TOTAL LIABILITIES	\$ 2,393,411,508	\$ 2,404,925,972
DEFERRED INFLOW OF RESOURCES	\$ 476,069,992	\$ 478,848,564
Net investment in capital assets	737,214,034	681,521,955
Restricted nonexpendable	488,925,564	458,739,048
Restricted expendable	582,966,935	469,085,968
Unrestricted	(137,412,281)	(229,145,570)
TOTAL NET POSITION	\$ 1,671,694,252	\$ 1,380,201,401
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 4,541,175,752	\$ 4,263,975,937

UNIVERSITY**2024****2023****CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Tuition and fees, net	\$ 245,453,396	\$ 245,459,954
Grant and contract revenue	657,700,320	724,904,351
Sales and services, educational	75,850,347	72,309,309
Other operating revenues	84,522,388	90,979,385
Salaries, wages, and benefits	(1,153,830,767)	(1,069,370,579)
Supplies and services	(576,532,229)	(587,294,560)
Depreciation	(113,882,734)	(110,404,292)
Scholarships and fellowships	(36,092,687)	(28,273,943)
OPERATING LOSS	(816,811,966)	(661,690,375)
State appropriations	328,912,180	325,654,068
Investment income	306,344,678	169,556,367
Interest expense	(21,441,405)	(22,500,506)
Gifts	31,055,976	22,854,495
Other nonoperating revenues	47,314,246	44,780,864
(LOSS) BEFORE OTHER CHANGES IN NET POSITION	(124,626,291)	(121,345,087)
Capital gifts and grants	5,211,738	42,769,897
State capital funds	18,114,353	10,888,528
Endowment gifts	30,430,045	22,830,072
Intergovernmental transfers	362,363,006	270,554,248
INCREASE IN NET POSITION	291,492,851	225,697,658
Net position, beginning of year	1,380,201,401	1,154,503,743
NET POSITION, END OF YEAR	\$ 1,671,694,252	\$ 1,380,201,401

UNIVERSITY**2024****2023****CONDENSED STATEMENTS OF CASH FLOWS**

Net cash provided by (used in):		
Operating activities	\$ (693,346,182)	\$ (515,103,439)
Noncapital financing activities	801,632,702	709,108,329
Investing activities	(25,755,589)	(43,681,976)
Capital and related financing activities	(251,014,094)	(200,687,163)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(168,483,163)	(50,364,249)
Cash and cash equivalents, beginning of year	286,085,312	336,449,561
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 117,602,149	\$ 286,085,312

UNIVERSITY HOSPITAL**CONDENSED STATEMENTS OF NET POSITION**

	2024	2023
Current assets	\$ 1,649,467,046	\$ 1,474,315,869
Capital assets, net	796,409,188	716,697,472
Other assets	884,034,515	687,500,629
TOTAL ASSETS	\$ 3,329,910,749	\$ 2,878,513,970
DEFERRED OUTFLOW OF RESOURCES	\$ 287,140,315	\$ 261,785,150
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,617,051,064	\$ 3,140,299,120
Current liabilities	313,107,470	258,730,068
Long-term debt	494,744,050	513,411,528
Other noncurrent liabilities	595,215,461	571,806,152
TOTAL LIABILITIES	\$ 1,403,066,981	\$ 1,343,947,748
DEFERRED INFLOW OF RESOURCES	\$ 329,043,769	\$ 329,061,126
Net investment in capital assets	249,478,035	176,345,220
Restricted nonexpendable	128,099	128,099
Restricted expendable	19,863,511	19,374,361
Unrestricted	1,615,470,669	1,271,442,566
TOTAL NET POSITION	\$ 1,884,940,314	\$ 1,467,290,246
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 3,617,051,064	\$ 3,140,299,120

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

	2024	2023
Operating revenues	\$ 3,539,728,352	\$ 3,152,902,811
Operating expenses	(3,021,475,943)	(2,753,158,437)
Depreciation expense	(113,172,091)	(107,034,839)
OPERATING INCOME	405,080,318	292,709,535
Economic relief funds	—	10,863,331
State appropriations	46,287,463	43,515,766
Investment income	282,442,779	156,875,136
Interest expense	(19,338,755)	(19,547,063)
Gifts	122,716	126,495
Other nonoperating expenses	(534,371)	(169,443)
INCOME BEFORE OTHER CHANGES IN NET POSITION	308,979,832	191,664,222
State capital appropriations	—	50,000,000
Intergovernmental transfers	(296,410,082)	(246,922,788)
INCREASE IN NET POSITION	417,650,068	287,450,969
Net position, beginning of year	1,467,290,246	1,179,839,277
NET POSITION, END OF YEAR	\$ 1,884,940,314	\$ 1,467,290,246

CONDENSED STATEMENTS OF CASH FLOWS

	2024	2023
Net cash provided by (used in):		
Operating activities	464,034,632	342,373,499
Noncapital financing activities	(239,315,327)	(192,417,896)
Investing activities	(78,404,920)	3,662,876
Capital and related financing activities	(189,556,663)	(85,986,282)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,242,278)	67,632,197
Cash and cash equivalents, beginning of year	100,539,920	32,907,723
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 57,297,642	\$ 100,539,920

(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 2017. Revenue from the Medicare program accounted for approximately 16% of the University Hospital's net patient service revenue for the years ended September 30, 2024 and 2023.

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, 2024, 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 35% and 36% of the University Hospital's net patient service revenue for each of the years ended September 30, 2024 and 2023, respectively.

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 \$174.1 million and \$176.0 million in 2024 and 2023, 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 14% and 15% of the University Hospital's net patient service revenue for each of the years ended September 30, 2024 and 2023, respectively.

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:

	2024	2023
Gross Patient Service Revenue	\$ 12,583,199,890	\$ 11,404,036,548
Less Provision for Contractual and Other Adjustments	(9,655,382,461)	(8,697,217,288)
Less Provision for Uncollectible Accounts	(218,986,245)	(253,823,386)
Net Patient Service Revenue	\$ 2,708,831,184	\$ 2,452,995,873
Capitation Revenue	82,459,297	81,357,575
Other Operating Revenue	748,437,871	618,549,364
TOTAL UNIVERSITY HOSPITAL SALES REVENUE	\$ 3,539,728,352	\$ 3,152,902,812

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, 2024 and 2023 was approximately \$55.3 million and \$45.3 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.

	2024	2023
Approximate charges foregone, based on established rates	\$ 201,955,485	\$ 165,019,403
Percentage of charity charges to total charges	1.6%	1.4%

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, 2024 and 2023 follows:

	2024	2023
Blue Cross	35%	37%
Medicare	10%	9%
Medicaid	4%	6%
Other	51%	48%
	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, 2024 and 2023 were approximately \$43.2 million and \$40.4 million, respectively. In addition, during the years ended September 30, 2024 and 2023, the University Hospital transferred approximately \$296.4 million and \$246.9 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, \$77.2 million of the loan amount was distributed to University Hospital for capital improvement project spending and the remaining \$17.7 million was held in a trust for future projects. As of September 30, 2024, \$94.7 million of the loan amount was distributed to University Hospital for capital improvement project spending, and no remaining amounts are held in a 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, of which approximately \$12.1 million and \$12.3 million respectively, is included in the accompanying statement of net position as lease related deferred inflows for the years ended September 30, 2024 and 2023, respectively.

In the normal course of business, HSF purchases various services from University Hospital, which aggregated to approximately \$72.8 million and \$63.0 million for the years ended September 30, 2024 and 2023, respectively, and University Hospital purchased various services from HSF, which aggregated to approximately \$96.6 million and \$88.7 million for the years ended September 30, 2024 and 2023, respectively. University Hospital had a net receivable from HSF of approximately \$1.6 million at September 30, 2024, and a net payable to HSF of \$1.9 million at September 30, 2023, 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 \$18.5 million and \$18.7 million to other operating expense in fiscal year 2024 and 2023, respectively. University Hospital made equity transfers of approximately \$147.7 million and \$119.6 million to UAB Medicine Enterprise during fiscal year 2024 and 2023, 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 \$6.4 million and \$5.7 million at September 30, 2024 and 2023, 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 two automatic five-year renewals thereafter. The lease agreement was renewed effective March 2019 for the first five-year period and March 2024 for the second five-year period. The expenses related to this agreement for year ending September 30, 2024 and 2023 is \$17.0 million and \$9.6 million, respectively.

During the years ended September 30, 2024 and 2023, University Hospital received approximately \$82.5 million and \$81.4 million, respectively, in capitation fees from Triton Health Systems, LLC ("Triton"), a Health Insurance Plan sponsored by UAB.

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 TIAA 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, 2024 and 2023, respectively, University Hospital purchased \$824.6 million and \$732.6 million in contract labor from the LLC. There were approximately 10,595 employees of the LLC at September 30, 2024 and approximately 9,829 employees at September 30, 2023. In addition to the LLC contract labor, for the years ended September 30, 2024 and 2023, respectively, the University Hospital purchased \$27.6 million and \$26.7 million of contract labor from HSF related to provider based clinics.

(17) Recently Issued Pronouncements

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 GASB Statement No. 99.

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. UAB has determined there was no material impact from its adoption of GASB Statement No. 100.

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 Statement No. 102.

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. UAB is evaluating whether there will be any material impact from its adoption of GASB Statement No. 103.

The GASB issued Statement No. 104 *Disclosure of Certain Capital Assets*, in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets to be disclosed separately in the capital assets note disclosures, as well as additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. UAB is evaluating whether there will be any material impact from its adoption of GASB Statement No. 104.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	10.4858%	10.9060 %	11.1350 %	11.4256 %	11.2607 %	11.7505 %	11.8143 %	11.8640 %	11.9164 %	12.1885 %
Employer's proportionate share of the collective net pension liability	\$1,673,311	\$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	\$1,034,632	\$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	161.73 %	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	63.57 %	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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 112,357	\$ 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	\$ 112,357	\$ 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	\$1,083,158	\$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	10.37%	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 2024, the measurement period is October 1, 2022 – September 30, 2023

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>2024</u>	<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	10.9879 %	8.1579 %	10.5784 %	10.4845 %	7.0288 %	8.0294 %	8.6707%
Employer's proportionate share of the net OPEB liability	\$ 211,205	\$ 142,147	\$ 546,566	\$ 680,432	\$ 265,181	\$ 659,913	\$ 644,008
Employer's covered payroll during the measurement period	\$ 1,034,632	\$ 1,018,754	\$ 955,043	\$ 951,988	\$ 911,574	\$ 922,919	\$ 908,353
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	20.41%	13.95%	57.23%	71.47%	29.09%	71.50%	70.90%
Plan fiduciary net position as a percentage of the total OPEB liability	49.42%	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)

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 16,676	\$ 17,100	\$ 15,600	\$ 18,240	\$ 20,775	\$ 19,976	\$ 19,714
Contributions in relation to the contractually required contribution	\$ 16,676	\$ 17,100	\$ 15,600	\$ 18,240	\$ 20,775	\$ 19,976	\$ 19,714
Contribution deficiency (excess)	—	—	—	—	—	—	—
Employer's covered payroll	\$ 1,083,158	\$ 1,034,632	\$ 1,018,754	\$ 955,043	\$ 951,988	\$ 911,574	\$ 922,919
Contributions as a percentage of covered payroll	1.54%	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 2024, the measurement period is October 1, 2022 – September 30, 2023

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost*	65,909	76,146	176,656	168,931	169,614	168,312	6,230,996
Interest on TOL and cash flows	233,446	163,858	108,805	153,833	708,983	691,351	690,596
Changes in benefit terms	—	—	250	—	—	—	(6,710,449)
Difference between expected and actual experience	1,372,759	(536,196)	756,169	(436,896)	(6,173,296)	(787,087)	—
Changes of assumptions or other inputs	78,685	(662,855)	1,779,639	85,758	(4,662,781)	(767,436)	(961,631)
Benefit payments	(1,694,103)	(104,980)	(894,479)	(942,445)	(1,489,763)	(1,927,388)	(4,961,185)
Net changes in Total OPEB Liability	56,696	(1,064,027)	1,927,040	(970,819)	\$(11,447,243)	\$(2,622,248)	\$ (5,711,673)
Total OPEB Liability - Beginning	<u>\$ 6,143,526</u>	<u>\$ 7,207,553</u>	<u>\$ 5,280,513</u>	<u>\$ 6,251,332</u>	<u>\$ 17,698,575</u>	<u>\$ 20,320,823</u>	<u>\$ 26,032,496</u>
Total OPEB Liability - Ending	<u>\$ 6,200,222</u>	<u>\$ 6,143,526</u>	<u>\$ 7,207,553</u>	<u>\$ 5,280,513</u>	<u>\$ 6,251,332</u>	<u>\$ 17,698,575</u>	<u>\$ 20,320,823</u>
Covered payroll (Dollars in thousands)	\$ 1,034,632	\$ 1,018,754	\$ 955,043	\$ 951,987.983	\$ 911,573.992	\$ 922,919	\$ 908,353
Total OPEB Liability as a percentage of covered payroll	0.60 %	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 2024, the measurement period is October 1, 2022 – September 30, 2023

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 University of Alabama at Birmingham Administration (Unaudited)

As of September 30, 2024

Ray L. Watts, M.D.
President



Janet Woodruff-Borden, Ph.D.
Senior Vice President for Academic Affairs and
Provost

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

Thomas I. Brannan
Vice President for Advancement and Strategic
Initiatives

Christopher S. Brown, Ph.D.
Vice President for Research

Curtis A. Carver, Jr., Ph.D.
Vice President for Information Technology and
Chief Information Officer

Paulette Patterson Dilworth, Ph.D.
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