



2021 Financial Report
University of Alabama at Birmingham



UAB is an equal education opportunity institution,
and an equal employment opportunity employer.

This report is published by the UAB Senior Vice President
for Finance and Administration. Obtain additional copies
by writing:

Senior Vice President for Finance and Administration
The University of Alabama at Birmingham
Birmingham, Alabama 35294

University of Alabama at Birmingham

2020-2021 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)	5
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	29
Notes to Financial Statements	
Note 1 Organization and Summary of Significant Accounting Policies	30
Note 2 Component Units	34
Note 3 Cash and Cash Equivalents	37
Note 4 Investments	37
Note 5 Receivables	47
Note 6 Capital Assets	49
Note 7 Long-term Debt	51
Note 8 Self-insurance	54
Note 9 Employee Benefits	55
Note 10 Post-Employment Benefits	59
Note 11 Federal Direct Student Loan Program	66
Note 12 Grants and Contracts	66
Note 13 Operating Expenses by Function	67
Note 14 Contingencies and Commitments	68
Note 15 Segment Reporting	68
Note 16 Health Care Services	71
Note 17 Recently Issued Pronouncements	73
Required Supplementary Information (Unaudited)	75
UAB Administration	78
The Board of Trustees of The University of Alabama	79

Management's Responsibility for Financial Reporting

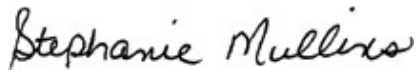
The accompanying financial statements of the University of Alabama at Birmingham (UAB) for the years ended September 30, 2021 and 2020 were prepared by UAB's management in conformity with accounting principles generally accepted in the United States of America.

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

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



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



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



Report of Independent Auditors

To the Board of Trustees of The University of Alabama:

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, which is a component unit of the State of Alabama, which comprise the statements of net position as of September 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and of cash flows (where applicable) for the years then ended, and the related notes to the financial statements, which collectively comprise UAB’s basic financial statements.

Management’s Responsibility 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; this includes 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’ Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We did not audit the financial statements of Southern Research Institute (“SRI”), UAB’s discretely presented component unit, as of January 1, 2021 and December 28, 2019 and for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for SRI, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to UAB’s preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the



business-type activities and the discretely presented component unit of The University of Alabama at Birmingham as of September 30, 2021 and 2020 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.

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 of the financial reporting entity of The University of Alabama System that is 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, 2021 and 2020, 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 opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 5 through 22 and the accompanying supplementary information for the pension plan and postemployment benefits on pages 75 through 77 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 24, 2022

The University of Alabama at Birmingham

Management's Discussion and Analysis (Unaudited)

The objective of management's discussion and analysis 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, 2021 and 2020. 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. In January 2020, the World Health Organization declared the novel Coronavirus ("COVID-19") a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and healthcare organizations and has impacted several areas of UAB and University Hospital's financial statements as further discussed within the MD&A and Note 1.

History, Mission and Governance

The University of Alabama at Birmingham ("UAB") became an autonomous campus within The University of Alabama System in 1969 and, in the five decades since, has grown into a world-renowned research university and medical center, occupying more than 100 city blocks in Alabama's largest metropolitan area. UAB is the state's largest single-site employer with more than 23,000 employees. *Forbes* recently ranked UAB the number one Best Large Employer in America (above the likes of Mayo Clinic, NASA and Google) and the number one best employer for diversity among colleges and universities.

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

UAB has an economic impact on Alabama that exceeds \$7.15 billion annually and is key in growing a robust tech and knowledge-based economy for the Birmingham region and Alabama. The UAB Harbert Institute for Innovation and Entrepreneurship generated 127 intellectual property disclosures (up 50 percent in FY2021), 19 U.S. patents and three start-up companies in FY2021 alone—the Institute's seventh straight year to achieve a positive bottom line, among only 20 percent of university tech transfer offices nationally to do so. Innovation Depot, a high-tech business incubator in which UAB is a founding partner, is home to 110 start-up companies and more than 1,500 employees, and has a five-year economic impact exceeding \$3 billion

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

UAB is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award baccalaureate, masters, doctorate, and professional degrees. UAB's accreditation was reaffirmed during the 2015 cycle. UAB's next reaffirmation will occur in the 2025 cycle. UAB offers Baccalaureate, Master's, Specialist, Doctoral, D.M.D, M.D, and O.D degrees. At the same time, UAB continues to offer students unrivaled research opportunities and novel academic programs, such as a new BS in Entrepreneurialism that enrolled more than 90 students in its first year and PhD in neuro-engineering that is the first program of its kind in the nation. UAB graduate programs continue to rank highly in US News & World Report, with 16 programs in the top 25, including a Master's in Health Administration that is number one nationally.

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

UAB Awards, Accomplishments and Accolades

University:

UAB received the Higher Education Excellence in Diversity Award from INSIGHT into Diversity Magazine for a fifth straight year and remains one of only 14 universities nationally named a Diversity Champion. In addition, in February 2021 *Forbes* recently ranked UAB the number one Best Large Employer in America. UAB has been a leader in combating the COVID-19 pandemic through frontline patient care, research and shared expertise. Through November 2021, UAB administered 267,000 vaccines in Birmingham and in all 67 counties of Alabama, and treated over 5,650 COVID-positive patients, offering many of them the opportunity to take part in studies of new treatments available at only a handful of medical centers worldwide, including the first clinical trials of the antiviral drug Remdesivir. UAB Infectious disease experts conducted more than 125 interviews on major media outlets such as CNN, FOX News, and NBC with an estimated audience of 3.8 billion around the U.S. and the globe.

UAB's research enterprise is more competitive than ever. In FY2021, research awards reached a record \$648 million marking a 43 percent increase since FY2016 and continuing the most successful era of research funding in the university's history. Among public universities, UAB ranks 15th (top 3 percent) in federal research funding and 8th (top 2 percent) in NIH funding, with all six of its health-related schools (Health Professions, Optometry, Nursing, Dentistry, Public Health, and Medicine) ranked in the top ten. *U.S. News & World Report* recently ranked UAB among the top 10 percent of higher education institutions globally for academic research and reputation.

As a globally respected academic medical center, UAB excels at translating research into leading-edge patient care. UAB is home to the 8th largest hospital in the U.S. (1,207 beds), the state's only Level 1 Adult Trauma Center, the only National Cancer Institute-designated comprehensive cancer center in Alabama and a four-state region, and a Level 4 Regional Neonatal Intensive Care Unit that in 2020 delivered the youngest premature infant ever to survive worldwide (per the *Guinness Book of World Records* 2021). UAB Hospital recently earned the coveted Magnet Designation for Nursing Excellence for the fifth straight time (among only 21 hospitals worldwide to do so) and UAB Highlands was designated a Level 1 Geriatric ED, the only one in Alabama, the first in the Southeast, and only the 17th globally.

University Hospital:

This year's *U.S. News and World Report's* "Best Hospitals" special edition issue ranked eight UAB Medicine specialties among the nation's top 50 and ranked UAB Hospital as the top hospital in Alabama. *U.S. News and World Report* also ranked hospitals in adult procedures and conditions. University Hospital is ranked high performing, which is the highest ranking conferred, in 14 out of 17 adult procedures and conditions. Becker's Hospital Review named University Hospital on its most recent list of the "100 Great Hospitals in America," a compilation of hospitals that are considered industry innovators and known nationally for excellence in clinical care. University Hospital has been named a Magnet-designated organization for the fifth consecutive time by the American Nurses Credentialing Center Magnet Recognition Program®. UAB Hospital is only the 21st hospital worldwide to receive this designation five consecutive times. Magnet hospitals are recognized for excellence in nursing care and patient outcomes. UAB Medicine also ranked in the top ten in the nation on the Consumer Loyalty list, based on results from NRC Health's Market Insights survey, the largest database of health care consumer responses in the country. UAB Medicine's eMedicine program was recognized with Hicuity Health's 2021 WE SEE YOU CARE Award for its innovation, leadership, and partnership in implementing a shared services model of tele-ICU care. For the fourth time since 2016, UAB Medicine has received the LGBTQ Healthcare Equality Leader designation from the Human Rights Campaign Foundation, scoring a perfect 100 in the organization's five criteria.

Overview of Financial Statements

UAB's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles, which establish standards for external financial reporting for public colleges and universities. The financial statements present comparative financial information of the University, the University of Alabama Hospital ("University Hospital"), and UAB's blended component units. The University Hospital's condensed financial information is presented at Note 15. The blended component units included within the financial information of UAB are UAB Research Foundation ("UABRF"), UAB Athletics Foundation ("UABAF"), Hospital Management L.L.C. ("LLC"), and Triton Health Systems, L.L.C. ("Triton"). In addition to the blended component unit, 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 27-28.

UAB's overall financial position remained strong, as assets totaled \$6.76, \$5.93, and \$5.53 billion at September 30, 2021, 2020, and 2019, respectively. Increases of \$831.8 million or 14.0% from September 30, 2020 to September 30, 2021 were primarily due to increases in the fair market value of the investments held. Increases of \$399.6 million or 7.2% from September 30, 2019 to September 30, 2020 were primarily due to increases in cash and cash equivalents, investments, and capital assets.

Total liabilities increased \$540.0 million or 15.7% from September 30, 2020 to September 30, 2021. The increase results primarily from pension and OPEB liability growth due to changes in actuarial evaluations. Total liabilities decreased \$101.4 million or 2.9% from September 30, 2019 to September 30, 2020. The decrease results primarily from a decrease in the OPEB liability.

The change in net position reflects the operating, nonoperating and other activity of UAB, which results from revenues, expenses, and gains and losses, and is summarized for the years ended September 30, 2021, 2020, and 2019, as follows:

	2021	2020	2019
TOTAL OPERATING REVENUES	\$ 4,133,307,349	\$ 3,712,470,836	\$ 3,602,383,812
TOTAL OPERATING EXPENSES	4,349,258,810	3,953,876,475	3,772,700,839
NET OPERATING LOSS	(215,951,461)	(241,405,639)	(170,317,027)
TOTAL NONOPERATING INCOME, CAPITAL, ENDOWMENT AND OTHER ACTIVITIES	1,048,006,244	450,349,699	403,275,983
INCREASE IN NET POSITION	\$ 832,054,783	\$ 208,944,060	\$ 232,958,956

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, 2021, 2020, and 2019, is as follows:

	2021	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 2,854,225,459	\$ 2,502,144,919	\$ 2,071,860,183
Capital assets, net	1,788,161,516	1,784,230,411	1,723,027,158
Other assets	2,120,979,244	1,645,174,783	1,737,076,833
TOTAL ASSETS	6,763,366,219	5,931,550,113	5,531,964,174
Deferred outflows from debt refundings	12,081,090	13,336,713	12,305,553
Deferred outflows pension and OPEB related	850,533,926	305,494,017	301,435,989
TOTAL DEFERRED OUTFLOWS OF RESOURCES	862,615,016	318,830,730	313,741,542
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 7,625,981,235	\$ 6,250,380,843	\$ 5,845,705,716
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	785,042,866	800,205,475	544,331,398
Noncurrent liabilities	3,196,098,532	2,640,898,752	2,998,164,006
TOTAL LIABILITIES	3,981,141,397	3,441,104,227	3,542,495,404
Deferred inflows from debt refundings	—	—	40,878
Deferred inflows pension and OPEB related	525,445,555	521,937,116	224,773,994
TOTAL DEFERRED INFLOWS OF RESOURCES	525,445,555	521,937,116	224,814,872
Net position	3,119,394,283	2,287,339,500	2,078,395,440
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 7,625,981,235	\$ 6,250,380,843	\$ 5,845,705,716

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, 2021, the major categories totaled \$2.71 billion of the \$2.85 billion. Total current assets increased \$352.1 million or 14.1% from 2020. This increase resulted from the contributions made to the Liquidity and Capital Reserve Pool ("LCRP") throughout the year, reinvesting gains

during a period of poor market performance at the start of the year, followed by growth in unrealized gains due to improved investment performance during the middle and later part of 2021. The increase was offset by a decrease in both cash and cash equivalents and net receivables. At September 30, 2020, the major categories totaled \$2.37 billion of the \$2.50 billion and increased \$430.3 million or 20.8% from 2019. The increase is a result of more cash held on hand, some growth in short term investments due to an increase in earnings reinvested, temporary cost cutting measures out of precaution of the pandemic impact, and deferred payments of the employer share of Social Security taxes allowable under the CARES Act.

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, 2021, deferred outflows from debt refundings decreased \$1.3 million to \$12.1 million due to the annual amortization of the refundings. Deferred outflows related to the pension obligations increased \$101.7 million to \$300.3 million. The increase in deferred outflows related to the pension obligations is a result of the net difference between projected and actual earnings on pension plan investments and difference between expected and actual experience offset by a decrease in changes in actuarial assumptions. Deferred outflows related to the OPEB obligations increased \$443.3 million to \$550.2 million. The increase in the deferred outflows related to the OPEB obligations is a result of changes in actuarial assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions. At September 30, 2020, deferred outflows from refundings increased \$1.0 million to 13.3 million due to a new debt issuances during the year. Deferred outflows related to the pension obligations increased \$13.6 million to \$198.6 million a result of an increase in differences between expected and actual experience. Deferred outflows related to the OPEB obligations decreased \$9.5 million to \$106.9 million as a result of a changes in proportion and differences between employer contributions and proportionate share of contributions.

Current liabilities consist primarily of accounts payable, accrued payroll and related benefits, unearned revenue, and current portion of long-term debt. At September 30, 2021, current liabilities decreased \$15.2 million to \$785.0 million. The decrease is due to University Hospital's Due to third-party payors and advances payable related to repayment of advance payments received in fiscal year 2020 from the Centers for Medicare and Medicaid Services ("CMS") Accelerated and Advance Payments Program. At September 30, 2020, current liabilities increased \$255.9 million to \$800.2 million. The increase is primarily due to the University Hospital's receipt of \$180.2 million from the Centers for Medicare and Medicaid Services ("CMS") Accelerated and Advanced Payments Program in 2020.

Deferred inflows represent the acquisition of net assets attributable to a future period and are associated with pension obligations (Note 9) and other post-employment benefits ("OPEB") obligations (Note 10). At September 30, 2021, deferred inflows related to the pension obligations decreased \$30.9 million to \$59.3 million. The decrease in deferred inflows related to the pension obligations is the result of a decrease in differences between expected and actual experiences and changes in proportion and differences between employer contributions and proportionate share of contributions. Deferred inflows related to the OPEB obligations increased \$34.4 million to \$466.1 million. The increase in deferred inflows related to the OPEB obligations is a result of differences between expected and actual experiences, a change in proportion, and differences between employer contributions and proportionate share of total contributions. At September 30, 2020 deferred inflows related to the pension obligations decreased \$52.5 million to \$90.2 million. The decrease in deferred inflows related to the pension obligations is the result of a decrease in differences between expected and actual experience, changes in proportion, and differences between employer contributions and proportionate share of total contributions. Deferred inflows related to the OPEB obligations increased \$349.7 million to \$431.8 million. The increase in deferred inflows related to the OPEB obligation is a result of a difference between expected and actual experience.

Endowment, Life Income and Other Investments

The composition of the UAB's endowment, life income and other investments at September 30, 2021, 2020, and 2019, is summarized as follows:

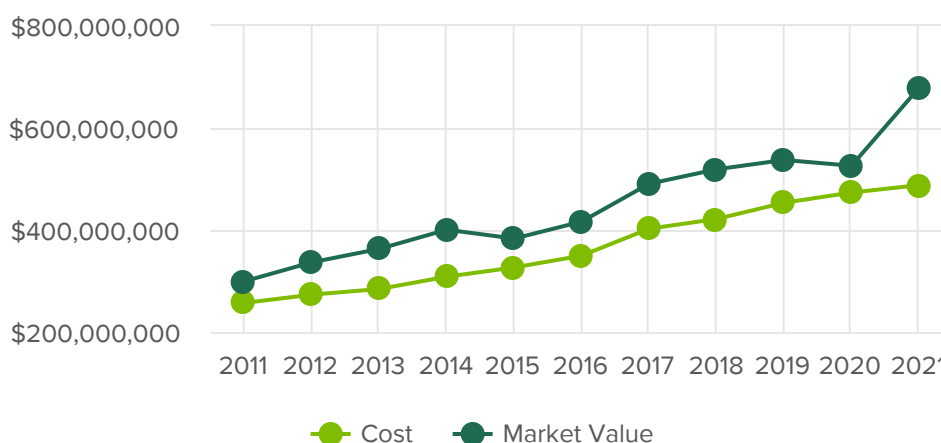
	2021	2020	2019
Endowment and Life income investments	\$ 711,622,472	\$ 539,974,716	\$ 537,457,828
Investment in Professional Liability Trust Fund	69,880,913	59,920,845	60,291,989
Other long-term investments	117,568,898	107,735,412	115,426,770
TOTAL ENDOWMENT, LIFE INCOME AND OTHER INVESTMENTS	\$ 899,072,283	\$ 707,630,973	\$ 713,176,587

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 until the time the Board reverses 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 1,884, 1,790, and 1,705 individual endowment funds within the pool at September 30, 2021, 2020, and 2019, respectively, the majority of which are restricted for specific purposes. UAB's contributions to the endowment funds through donor gifts were \$22.7, \$20.0, and \$32.5 million for the years ended September 30, 2021, 2020, and 2019, respectively.

The Board-approved spending rule provides for distributions from the pool to UAB. The annual distribution rate is 4.5 percent and is based on a moving five-year average of the market (unit) value. This spending rule is one element of an ongoing financial management strategy that has allowed UAB to effectively weather the uncertainties of challenging economic environments. Endowment spending rate distributions totaled \$26.0, \$24.9, and \$23.5 million for the years ended September 30, 2021, 2020, and 2019, respectively.

**Endowment Cost and Market Value
Fiscal Years Ending September 30**



UAB's endowment and life income investments increased \$171.6 million to \$711.6 million from September 30, 2020 to September 30, 2021. This increase resulted from the establishment of new endowment funds through gifts and the creation of Board-designated quasi-endowments throughout the year, reinvesting of underwater endowment gains during a period of poor market performance at the start of the year, followed by growth in unrealized gains due to improved investment performance during the middle and later part of 2021. UAB's endowment and life income investments increased \$2.5 million to \$540.0 million from September 30, 2019 to September 30, 2020. This increase resulted from the establishment of new endowment funds through gifts and the creation of Board-designated quasi-endowments throughout the year, offset by weak investment performance.

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, 2021, 2020, and 2019, University Hospital's investment in the PLTF totaled approximately \$69.9, \$59.9, and \$60.3 million, respectively.

At September 30, 2021, 2020, and 2019, UAB's other investments totaled \$117.6, \$107.7, and \$115.4 million, respectively. Other investment primarily consisted of investments held by UAB's blended component unit Triton Health Systems, L.L.C. ("Triton"), which totaled \$117.0, \$107.2, and \$114.9 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 primarily include land, buildings, fixed equipment systems, and inventoried equipment.

Construction in progress additions totaled \$32.9 million and \$33.5 million at September 30, 2021 and 2020, respectively. Capital projects in process at September 30, 2021 include Altec/Styslinger Genomic Medicine & Data Sciences, Central Utilities, McCallum Building renovations, and Science and Engineering Building. Capital projects in process at September 30, 2020 include Central Utilities, McCallum Building renovations, Science and Engineering Building, Honors College, and Information and Technology Center.

Capital asset additions totaled \$165.9 million in 2021 as compared to \$242.0 million in 2020. 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. Current year capital asset additions were funded with debt proceeds designated for capital purchases of \$35.2 million and \$63.1 million, and capital funds, grants, gifts totaling \$5.3 million and \$1.9 million, in 2021 and 2020, respectively.

During fiscal year 2021, Standard & Poor's Ratings Services reaffirmed its AA rating on UAB's general revenue bonds and revised from stable to positive outlook. Long-term debt activity for the years ended September 30, 2021 and September 30, 2020 is summarized as follows:

2021

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Direct borrowing and direct placement	79,022,387	17,754,257	3,045,677	93,730,967
General receipt bonds	998,471,000	—	35,990,000	962,481,000
	<u>\$ 1,077,493,387</u>	<u>\$ 17,754,257</u>	<u>\$ 39,035,677</u>	<u>\$ 1,056,211,967</u>

2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>
Direct borrowing and direct placement	81,770,699	109,947	2,858,259	79,022,387
General receipt bonds	1,033,639,000	75,545,000	110,713,000	998,471,000
	<u>\$ 1,115,409,699</u>	<u>\$ 75,654,947</u>	<u>\$ 113,571,259</u>	<u>\$ 1,077,493,387</u>

UAB's long-term debt consists of capital leases, a note payable, and general revenue bonds. Long-term debt decreased \$21.3 million to \$1.06 billion from September 30, 2020 to September 30, 2021. Long-term debt decreased \$37.9 million to \$1.08 billion from September 30, 2019 to September 30, 2020. The decrease in debt is the result of principal payments made in accordance with the debt instruments.

During 2020, the University issued \$75.5 million of general revenue bonds with a net original issue premium of \$5.8 million. Total bond proceeds of \$81.4 million were utilized to refund existing bonds of \$26 million and \$2 million for debt issuance costs. The University deposited the funds received in an escrow trust for the purpose of making subsequent payment of principal and interest on the defeased indebtedness. Under the trust agreements, funds deposited in the trust accounts were invested in obligations of the U.S. Government. The University estimates that the amounts on deposit will be sufficient to satisfy the debt service requirements on the defeased indebtedness and that the defeasance will result in lower overall debt service payments. The University remains legally obligated for the repayment of the defeased indebtedness. Neither the assets of the trust accounts nor the defeased indebtedness are included in the accompanying statements of net position. The principal outstanding on defeased indebtedness at September 30, 2021 and 2020 is approximately \$0 and \$75.5 million, respectively.

Effective interest rates on the University general revenue bonds averaged 3.02% percent and 3.09% percent in 2021 and 2020, respectively. Interest expense on general revenue bonds totaled \$18.8 million and \$21.4 million in 2021 and 2020, respectively.

Obligations For Pension and Post-employment Benefits

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

The employer contribution rates for both plans are established annually by TRS and PEEHIP, and adopted by the Alabama Legislature. Both the TRS employer contribution rate and the employer's PEEHIP cost for retiree coverage are based upon the actuarial valuations performed by TRS and PEEHIP, respectively. Although the liabilities recognized under GASB 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 68 totaled \$1.41 billion at September 30, 2021, as compared to \$1.25 billion and \$1.17 billion at September 30, 2020 and 2019, respectively. The increase in the reported liability at September 30, 2021 was driven by an increase in UAB's proportionate share of a larger collective net pension liability compared to September 30, 2020. The increase in the reported liability at September 30, 2020 was driven primarily by a decrease in the discount rate and changes to mortality tables used to derive UAB's proportionate share of the plan's net pension liability.

Using current actuarial assumptions, and presuming a continuation of the current level of benefits, UAB's obligations for postemployment benefits as prescribed by GASB 75 totaled \$680.4 million at September 30, 2021, as compared to \$265.2 million and \$659.9 million at September 30, 2020 and 2019, respectively. The increase in the reported liability at September 30, 2021 was driven primarily by a decrease in the discount rate and an increase in UAB's proportionate share of the collective net OPEB liability. The decrease in the reported liability at September 30, 2020 was driven primarily by an increase in the discount rate, as well as adjustments made to the anticipated rates of participation, spouse coverage, and tobacco use to more closely reflect actual experience.

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 totaled \$5.3 million at September 30, 2021, as compared to \$6.3 million and \$17.7 million at September 30, 2020 and 2019, respectively. The decrease in the reported liability at September 30, 2021 was driven primarily by differences between expected and actual experience and benefit payments. The decrease in the reported liability at September 30, 2020 was driven primarily by differences between expected and actual experience, changes in actuarial assumptions and benefit payments.

Net Position

Net position represents the residual interest in UAB's assets and deferred outflows after liabilities and deferred inflows are deducted. The UAB's net position increased \$832.1 million during fiscal year 2021, reaching \$3.12 billion. This increase reflects the UAB's current year operations including an increase in net patient revenue, nonoperating grants and contracts revenue and investment income. During fiscal year 2020 net position increased \$208.9 million, totaling \$2.29 billion, which reflects growth in net tuition and fees, net patient revenues, and an increase in State educational appropriations in that year. UAB's net position at September 30, 2021, 2020, and 2019, is summarized as follows:

	2021	2020	2019
NET INVESTMENT IN CAPITAL ASSETS	\$ 786,585,310	\$ 769,281,767	\$ 759,496,749
RESTRICTED			
Nonexpendable	390,793,182	405,615,948	401,733,396
Expendable	600,618,098	353,055,159	377,422,933
UNRESTRICTED	1,341,397,693	759,386,626	539,742,362
TOTAL NET POSITION	\$ 3,119,394,283	\$ 2,287,339,500	\$ 2,078,395,440

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 \$17.3 million and \$9.8 million increase in 2021 and 2020 respectively, reflects the growth in capital assets net of annual depreciation expense, along with the decrease in total debt related to the annual principal payments.

Restricted nonexpendable net position includes UAB's permanent endowment funds, annuity and life income assets that will ultimately become pure endowment funds. The changes relates primarily to contributions 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 \$247.6 million increase in 2021 is the result of the investment growth in market value and an increase in new gifts during the year. The \$24.4 million decrease in 2020 is the result of fewer new gifts received during the year and market performance of investments.

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 \$582.0 million in 2021, primarily due to an increase in net patient revenues. Unrestricted net position increased by \$219.6 million in 2020, primarily due to an increase in Federal and State appropriations as well as a decrease in operating expenses resulting from the suspension of non-essential spending to help alleviate the financial impact of the COVID-19 pandemic.

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position ("SRECNP") presents UAB's results of operations, as well as the nonoperating revenues and expenses. Primary components of UAB's operating revenue sources are tuition and fees, grants and contracts, and sales and services. Sales and services revenues is comprised of revenues from University Hospital operations (Hospital sales and services), revenues generated from both self-supporting departments (including intercollegiate Athletics, residence halls, food service operations) and Triton Health Systems, L.L.C., revenues a blended component unit (Auxiliary sales and services). Other significant revenue sources, which are considered nonoperating as defined by the GASB, include State educational appropriations, private gifts, and investment income.

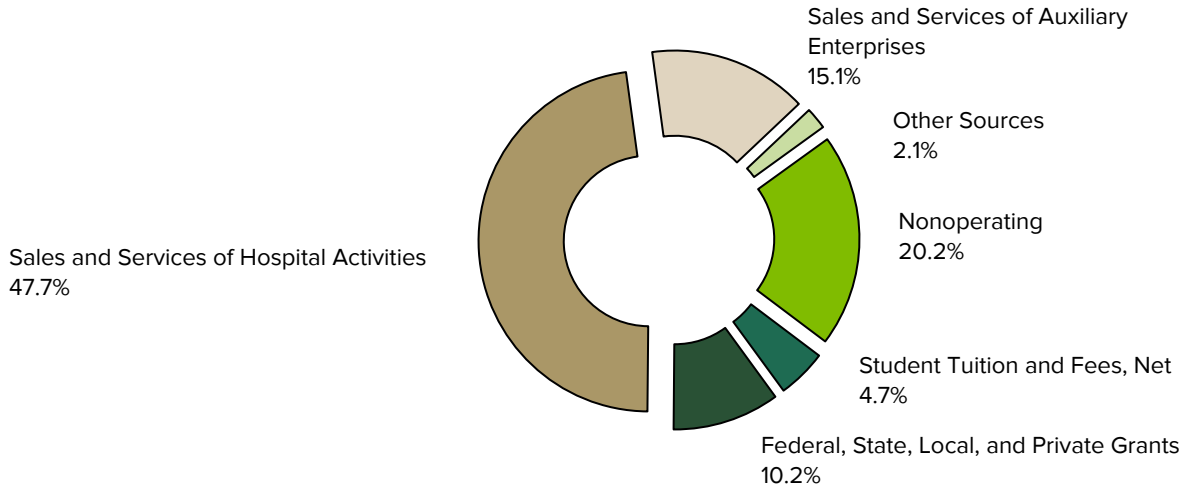
Operating expenses are those incurred in conjunction with the fulfillment of the UAB's mission and include salaries, wages and benefits; supplies and services; depreciation; and scholarships and fellowships. The SRECNP also includes other changes affecting its net position including capital gifts and grants, additions to permanent endowments, and intragovernmental transfers between the University, University Hospital, and UAB Athletics Foundation.

Annual state 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, 2021, 2020, and 2019 is presented below:

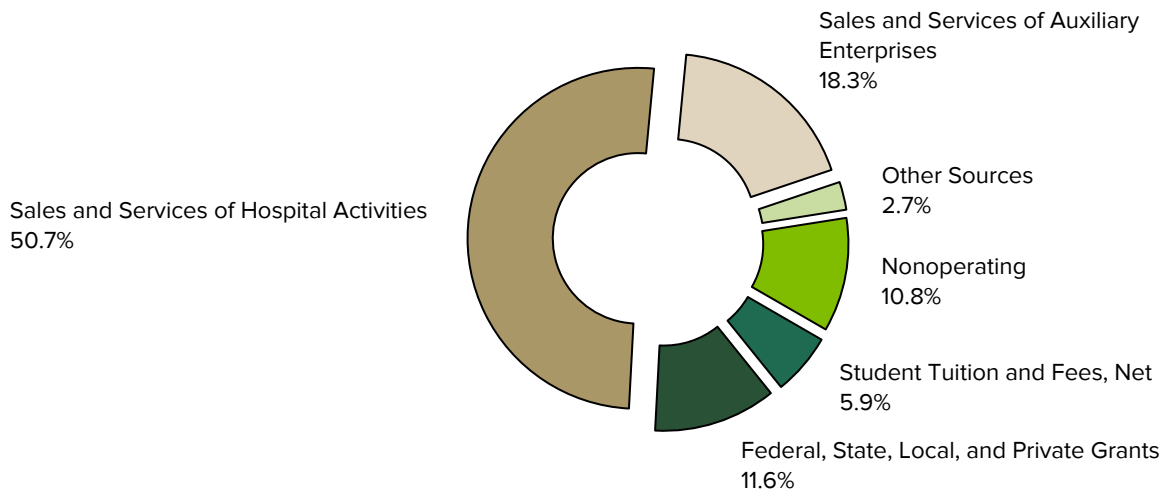
	<u>2021</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES			
Student tuition and fees, net	\$ 243,476,387	\$ 244,929,737	\$ 239,912,344
Grants and contracts	526,727,011	483,921,582	494,047,342
Sales and services	3,322,823,875	2,931,632,967	2,791,635,652
Other revenues	40,280,076	51,986,550	76,788,474
TOTAL OPERATING REVENUES	4,133,307,349	3,712,470,836	3,602,383,812
OPERATING EXPENSES			
Operating expenses	4,349,258,810	3,953,876,475	3,772,700,839
OPERATING LOSS	(215,951,461)	(241,405,639)	(170,317,027)
NONOPERATING REVENUES (EXPENSES)			
Economic relief funds	412,719	71,281,070	—
State educational appropriations	314,953,056	306,964,712	287,691,735
Grants and contracts	105,093,454	57,856,589	35,451,482
Private gifts	61,112,310	18,705,016	48,327,432
Investment income	555,919,121	15,735,962	32,247,107
Interest expense	(35,280,621)	(40,126,392)	(29,755,042)
Net other nonoperating revenue	7,377,048	322,621	419,384
NET NONOPERATING REVENUES	1,009,587,087	430,739,578	374,382,098
OTHER CHANGES IN NET POSITION	38,419,157	19,610,121	28,893,885
INCREASE IN NET POSITION	832,054,783	208,944,060	232,958,956
Net Position, beginning of year	2,287,339,500	2,078,395,440	1,845,436,484
NET POSITION, END OF YEAR	<u>\$ 3,119,394,283</u>	<u>\$ 2,287,339,500</u>	<u>\$ 2,078,395,440</u>

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, 2021 and September 30, 2020, respectively. Certain recurring sources of the University's revenues are considered nonoperating, as defined by Governmental Accounting Standards Board ("GASB"), such as state appropriations, distributions from investments, private gifts and federal Pell grants.

Revenue Streams 2021



Revenue Streams 2020



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 2020-2021 school year is outlined in the following table.

	Fall 2020			TOTAL
	UNDERGRADUATE	GRADUATE	FIRST PROFESSIONAL/ ADVANCED PROFESSIONAL *	
SCHOOL OF ARTS AND SCIENCES	6,672	661	260	7,593
SCHOOL OF BUSINESS	2,621	795	—	3,416
SCHOOL OF EDUCATION	1,129	623	106	1,858
SCHOOL OF ENGINEERING	890	458	105	1,453
UNCLASSIFIED	—	148	3	151
SUBTOTAL	11,312	2,685	474	14,471
ACADEMIC HEALTH CENTER:				
SCHOOL OF MEDICINE	—	—	1,915	1,915
SCHOOL OF DENTISTRY	23	—	380	403
SCHOOL OF OPTOMETRY	—	—	232	232
SCHOOL OF NURSING	1,036	1,396	538	2,970
SCHOOL OF HEALTH PROFESSIONS	1,156	1,064	373	2,593
SCHOOL OF PUBLIC HEALTH	351	491	99	941
JOINT HEALTH SCIENCES	—	87	417	504
SUBTOTAL, ACADEMIC HEALTH CENTER	2,566	3,038	3,954	9,558
TOTAL ENROLLMENT	13,878	5,723	4,428	24,029

* Includes 1,146 first professionals and 1,466 advanced professionals.

In fall 2020 UAB continued its record enrollment trend with 22,563 students, of which 2,154 students were first-time freshman. Underrepresented students make up 43 percent of the enrollment and 47 percent of first-time freshman. Full-time students make up 66 percent of the enrolled students. For the years ended September 30, 2021, 2020, and 2019, net student tuition and fees revenue consisted of the following components:

	2021	2020	2019
Student tuition and fees, gross	\$ 335,202,452	\$ 330,385,766	\$ 320,141,055
Less: scholarship allowances	(91,726,065)	(85,456,029)	(80,228,711)
STUDENT TUITION AND FEES, NET	\$ 243,476,387	\$ 244,929,737	\$ 239,912,344

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 hold all undergraduate/graduate rates for both resident and non-resident students consistent with the prior year for the 2020-2021 academic year. However, rate increases for First Professional programs were proposed and received Board approval in April 2020 as follows: School of Medicine, 2.5% residents only (no increase for non-residents); School of Dentistry, 3.2% for residents and 3.8% for non-residents; and School of Optometry, 2% for residents only (no increase for non-residents). Fall 2020 in-state enrollment increased by 1.4% to 17,034 students and out-of-state enrollment increased by 4.7% to 5,529 students. The rate increases and enrollment growth contributed to the increase in gross tuition revenue of \$4.8 million. The increase in gross tuition and fees was offset by an increase of 7.3% or \$6.3 million in scholarship allowances. Net tuition and fees revenue decreased \$1.5 million, to \$243.5 million in 2021.

The 2019-2020 academic year rates were approved at the June 2019 board meeting, undergraduate and graduate out-of-state rates saw an increase of 3.5%. First professional schools received rate approvals as follows: School of Medicine, 2% residents only (no increase for non-residents), School of Dentistry, 3% for residents and non-residents and School of Optometry, 1.5% for residents only (no increase for non-residents). Fall 2019 in-state enrollment decreased by 0.5% to 16,797 students and out-of-state enrollment increased by 4.7% to 5,283 students. The rate increases and enrollment growth contributed to the increase in gross tuition revenue of \$10.2 million. The increase in gross tuition and

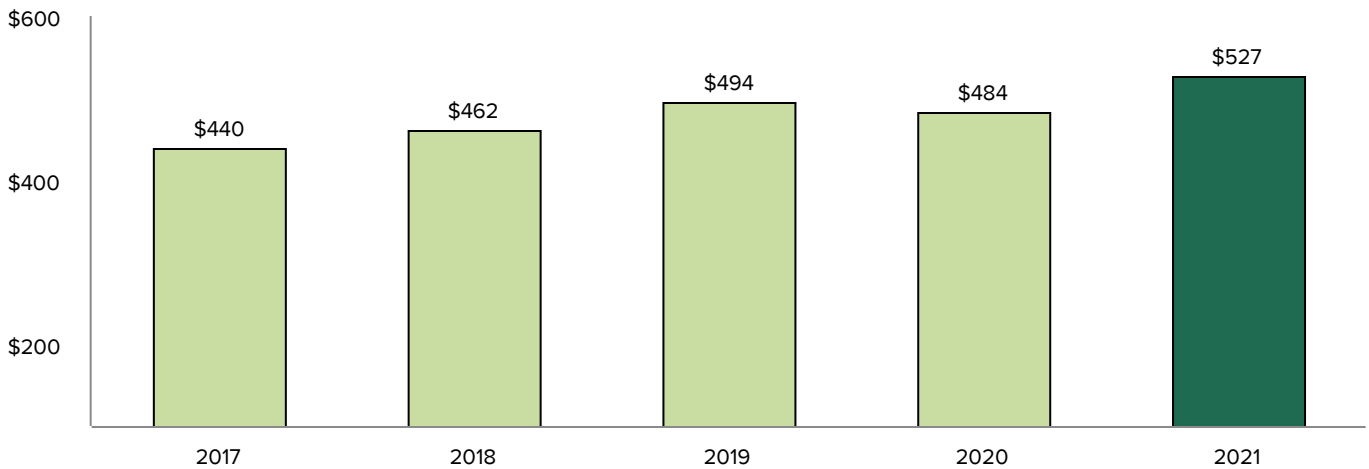
fees was offset by an increase of 6.5% or \$5.2 million in scholarship allowances. Net tuition and fees revenue increase \$5.0 million, to \$244.9 million in 2020.

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 2021, UAB recognized \$631.8 million in sponsored grants and contracts revenues. Various federal agencies provided support for these projects, with the National Institutes of Health ("NIH") being the primary sponsor. Non-federal funding sources include state agencies, local governmental agencies, and a wide variety of private sponsors. Operating revenues from grants and contracts increased \$42.8 million in 2021, as compared to an decrease of 2.0%, or \$10.1 million, to \$483.9 million in 2020. The increase in 2021 was driven primarily by an increase in federally sponsored activity. The decrease in 2020 was primarily impacted by the temporary suspension of nonessential laboratory research in response to the COVID-19 pandemic.

**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, 2021 and 2020, respectively. These funds are used to further the mission of UAB: research, education, and public service.

Figure B: Grants and Contract Revenues 2021

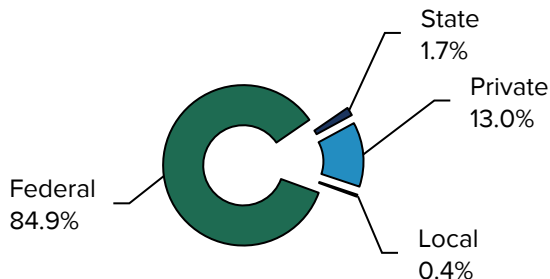
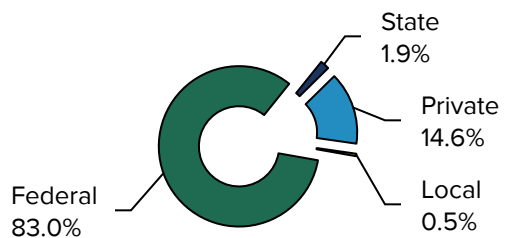


Figure B1: Grants and Contract Revenues 2020



Sales and services revenue of hospital activities

University Hospital is a fund of UAB and a member of the UAB Health System. For the fiscal year 2021, inpatient discharges increased 8.8% and adjusted patient discharges increased 9.9%. Operating room cases increased 9.1% over fiscal year 2020. Also emergency room visits increased 8.3% during fiscal year 2021. University Hospital had an increase in net position of \$365.3 million in fiscal year 2021. For the fiscal year 2020, inpatient discharges decreased 3.8% and adjusted patient discharges decreased 6.6%. Operating room cases decreased 7.2% over fiscal year 2019. Also emergency room visits decreased 5.0% during fiscal year 2020. The Hospital had an increase in net position of \$137.6 million in fiscal year 2020. Selected University Hospital operating statistics are outlined below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Beds in service	1,172	1,126	1,128
Patient discharges	55,005	50,579	52,602
Adjusted patient discharges	90,594	82,418	88,273
Patient days	409,203	363,854	378,744
Adjusted patient days	673,966	592,899	635,578
Operating room cases	37,973	34,811	37,529
Emergency department visits	128,718	118,839	125,065
Patient origin:			
Jefferson County	48.2%	47.2%	46.6%
Other Alabama counties	46.5%	47.2%	47.3%
Out of state	5.3%	5.6%	6.1%

For the years ended September 30, 2021, 2020, and 2019, University Hospital revenues by source is summarized as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net patient service revenue	\$ 2,198,201,564	\$ 1,866,934,345	\$ 1,785,283,429
Other operating revenue	274,428,638	242,909,060	223,049,942
TOTAL UNIVERSITY HOSPITAL OPERATING REVENUE	<u>\$ 2,472,630,202</u>	<u>\$ 2,109,843,405</u>	<u>\$ 2,008,333,371</u>

Patient service revenue, net of allowances for contractual discounts, charity care and bad debt expense, was \$2.2 billion, an increase of \$331.3 million, or 18%, over fiscal year 2020. The increase was related to increased volume and contract improvements. The increase from 2019 to 2020 was \$81.7 million, or 4.6%. Contributing factors to this included increased reimbursement related to higher patient acuity and contract improvements.

Other operating revenues primarily consists of pharmacy related sales. The increase in other operating revenues from September 30, 2021 to 2020 was \$31.5 million or 13% compared to \$19.9 million in 2019 or an 8.9% increase. Both 2021 and 2020 had increases related to increases in volumes associated with retail pharmacy.

Sales and services revenue of auxiliary enterprises

Auxiliary enterprise revenue primarily includes revenue from UAB's blended component unit, Triton Health Systems, L.L.C. Refer to Note 2 for additional information on blended component units. Net auxiliary sales and service revenue totaled \$782.4, \$762.4, and \$715.7 million, an increase of 2.6% and 6.5% from 2020 to 2021 and 2019 to 2020, respectively. These increases resulted from Triton's premium revenue growth.

Other sources

Other sources consist of sales and service educational activities and other operating revenues. Net educational sales and service revenue totaled \$67.7, \$59.4, and \$67.6 million, an increase of 14.0% from 2020 to 2021 and a decrease of 12.2% from 2019 to 2020, respectively. The current year increase is due to miscellaneous external service revenue activity. Other operating revenue totaled \$40.3, \$52.0, and \$76.8 million, a decrease of 22.5% from 2020 to 2021 and a decrease of 32.3% from 2019 to 2020, respectively. The current year decrease is due to a decline in UAB Heersink School of Medicine Academic Enrichment Fund activity revenues.

Nonoperating revenues

Due to the required classification of key revenue sources such as State educational appropriations, financial aid grants, and private gifts as nonoperating revenues, UAB's operating expenses will typically exceed operating revenues, resulting in an operating loss. These nonoperating revenues are essential in offsetting the operating loss. For the years ended September 30, 2021, 2020, and 2019, UAB's nonoperating revenue is summarized as follows:

	2021	2020	2019
Economic relief funds	\$ 412,719	\$ 71,281,070	\$ —
State educational appropriation	314,953,056	306,964,712	287,691,735
Grants and contracts	105,093,454	57,856,589	35,451,482
Gifts	61,112,310	18,705,016	48,327,432
Investment income	555,919,121	15,735,962	32,247,107
Capital gifts and grants	1,645,260	1,854,223	789,319
Endowment gifts	33,163,130	17,755,898	28,104,566
TOTAL UAB NONOPERATING REVENUES	\$ 1,072,299,050	\$ 490,153,470	\$ 432,611,641

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. During 2020, University Hospital received CARES Act payments primarily from the Provider Relief Fund. 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 due to the COVID-19 pandemic. Economic Relief Funds received and recognized by University Hospital totaled \$240 thousand and \$67.3 million in federal CARES Act provider relief funding and \$172 thousand and \$3.2 million State CARES Act funding through September 30, 2021 and 2020, respectively.

State Appropriations for UAB are made by the Alabama State Legislature based upon a process which involves requests from the Board of Trustees of The University of Alabama, and budget recommendations by the Alabama Commission on Higher Education and the Governor. State funds are appropriated annually from the Educational Trust Fund ("ETF") to UAB. In 2021, State educational appropriations from the ETF increased \$8.2 million from the prior year, reaching a total of \$305.9 million. In 2020, State educational appropriations from the ETF increased \$24.2 million over 2019 for a total received of \$297.7 million. State educational appropriations also include supplemental appropriations received from the Mental Health Trust Fund and Advancement and Technology Fund which totaled \$9.1 million and \$9.3 million in fiscal years 2021 and 2020, respectively. UAB also received Public School and College Authority funds and other state capital funds in 2021 totaling \$3.6 million.

Nonoperating grants historically consist primarily of Federal Pell grant awards. This program provides financial assistance grants to qualifying undergraduate students to promote access to postsecondary education. During fiscal years 2021 and 2020, the University received COVID-19 emergency grant funding, primarily through Higher Education Emergency Relief Funds ("HEERF") I, II, and III, and the Coronavirus Relief Fund ("CRF"). Total HEERF funds of \$57.5 million and \$12.7 million were received in fiscal years 2021 and 2020, respectively, to be distributed as emergency financial aid grants directly to students, as well as to provide funding for areas of the University negatively impacted by the COVID-19 pandemic. CRF funds of \$0 million and \$49.6 million were received during fiscal years 2021 and 2020, respectively, to offset necessary expenses incurred due to the public health emergency with respect to COVID-19. These amounts were recorded in nonoperating grants revenue. As a result, nonoperating grant revenue increased to \$105.1 million from \$57.9 million in 2021, and to \$57.9 million from \$35.5 million in 2020. Further information on COVID-19 emergency grant funding can be found in note 1.

The University Hospital recognized \$3.2 million as nonoperating revenue from CARES funds allocated from the State of Alabama in 2020 and recognized an additional \$172 thousand as nonoperating revenue in 2021. Alabama State Cares funds were required to be expended by December 30, 2020 and used to cover expenses necessary to prevent, prepare for, and respond to COVID-19.

In addition, University Hospital received \$180.2 million during 2020 in advance payments from the Centers for Medicare and Medicaid Services (CMS) Accelerated and Advance Payments Program reported as due to third party payors and advances payable, net on the Statements of Net Position. The Medicare advance payment amount was classified as a current liability in 2020 based on guidance that existed as of September 30, 2020; however, guidance issued subsequent to September 30, 2020 provided for the advance payments to be repaid over a period extending beyond twelve months after the September 30, 2020 balance sheet date. Based on current guidance, however, the

remaining Medicare advance payments are required to be paid by September 30, 2022 and are recorded as a current liability as of September 30, 2021. As of September 30, 2021, \$131.4 million remains outstanding to CMS and is recorded in due to third party payors and advances payable related to the Medicare advance payments on the Statements of Net Position.

Gift revenue consists of gifts, pledges, endowment gifts and capital gifts. UAB's gift revenue totaled \$95.9 million at September 30, 2021, which was a increase of \$57.6 million from the prior year. The change in gift revenue is primarily due to the generous Heersink pledge made to the UAB School of Medicine in 2021. In 2020 UAB gift revenues decreased \$38.9 million to \$38.3 million, primarily due to a decline in new pledges and endowment gifts during 2020.

Both investment and endowment income are combined as investment income on the SRECNP. Net investment income increased \$540.2 million from 2020 to 2021 and decreased \$16.5 million from 2019 to 2020. The increase in 2021 was the result of a much improved performance of the investments held in the UA Investment Pools, which strengthened the fair value of the investments at September 30, 2021. The decrease in 2020 was largely the result of poor performance of the investments held in the UA Investment Pools, which eroded the fair value of investments at September 30, 2020.

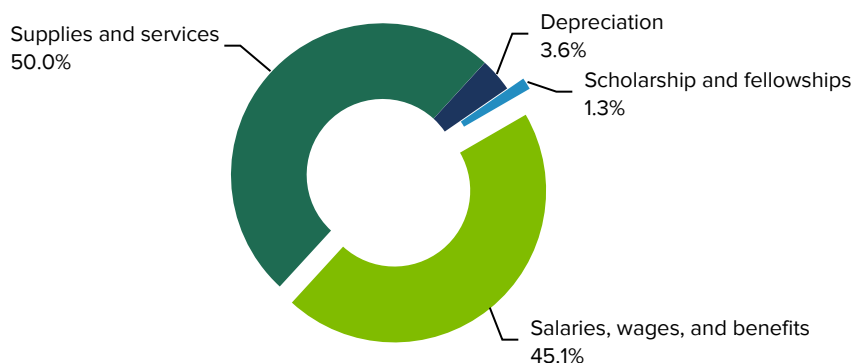
Operating Expenses

A comparative summary of UAB's operating expenses by natural classification for the years ended September 30, 2021, 2020, and 2019, is as follows:

	2021	2020	2019
Salaries, wages, and benefits	\$ 1,963,628,897	\$ 1,766,044,825	\$ 1,749,060,938
Supplies and services	2,174,043,204	2,001,552,207	1,846,254,490
Depreciation	156,533,614	150,994,130	148,344,143
Scholarships and fellowships	55,053,095	35,285,313	29,041,268
TOTAL OPERATING EXPENSES	\$ 4,349,258,810	\$ 3,953,876,475	\$ 3,772,700,839

Graphic illustrations of UAB's operating expenses by natural classification for the year ended September 30, 2021 is presented as below:

2021 Operating Expenses by Natural Classification



UAB is one of the largest employers in the state with a total workforce of 23,609, 23,791, and 22,704 in 2021, 2020, and 2019, respectively. The workforce consisted of 17,674 full-time and 5,935 part-time employees, of which underrepresented employees making up approximately 40% in 2021. UAB employed 2,572 faculty of which 905 or 35% were tenured in 2021. UAB's salaries, wages, and benefits totaled \$1.96, 1.77 billion, \$1.75 billion and makes up 45.1%, 44.7%, and 46.4% of total operating expenses in 2021, 2020, and 2019, respectively. Salaries, wages, and benefits increased \$197.6 million or 11.2% to \$1.96 billion during 2021. Salaries, wages, and benefits increased \$17.0 million or 1.0% to \$1.77 billion and \$74.1 million or 4.4% to \$1.75 billion during 2020 and 2019, respectively. The increases in both years are primarily due to the growth of UAB's salary base and rising benefit costs related to growth in salary base.

Supplies and services totaled \$2.17, \$2.00, and \$1.85 billion and makes up the largest portion of total operating expenses at 50.0%, 50.6%, and 48.9% in 2021, 2020, and 2019, respectively. During 2021, Supplies and services increased \$172.5 million to \$2.17 billion due to increases in patient volume and inflationary increases in supplies and service costs and an 6% increase in Triton's medical and hospital expenses per member. Supplies and services increased \$155.3 million or 8.4% to \$2.00 billion during 2020. This increase is due to costs incurred to prevent, prepare for, and respond to the COVID-19 pandemic and inflationary increases in supplies and service costs. Supplies and services increased \$111.8 million or 6.4% to \$1.85 billion during 2019. This increase was primarily driven by increases in patient volume and inflationary increases in supplies and service costs.

Depreciation expense increased 3.7%, or \$5.5 million to \$156.5 million in 2021, as compared to an increase of 1.8%, or \$2.6 million, to \$151.0 million in 2020. This increase is due to the 3% or \$135.1 million growth in total assets in 2021. Capital assets placed in service during 2021 include the addition of an Magnetic Resonance Imaging ("MRI") on the 5th floor of the UAB Women and Infant Center and the Information and Technology Center. Depreciation expense increased, 1.8% or \$2.6 million, to \$151.0 million in 2020, as compared to an increase, of 1.1% or \$1.7 million, to \$148.3 million in 2019. This increase is due to the 5% or \$184.3 million growth in total assets in 2020. Capital assets placed in service during 2020 include the Green Hall (a new residence hall).

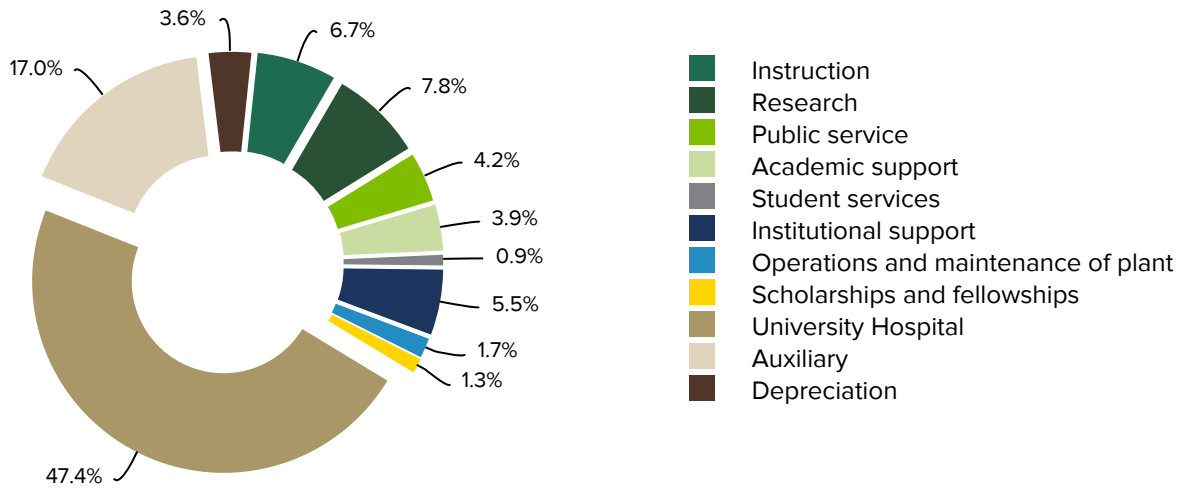
Scholarships and fellowships expense is reported net of scholarship allowances. The net expenses of \$55.1, \$35.3, and \$29.0 million for fiscal years 2021, 2020, and 2019, respectively, represent payments made directly to students after awards have been applied against tuition and fees and auxiliary housing charged to student accounts. Gross scholarship expenses, including allowances, totaled \$146.8, \$120.7, and \$109.3 million for the years ended September 30, 2021, 2020, and 2019, respectively. As mentioned previously, during fiscal year 2020 the University received CARES Act - HEERF funding to assist students negatively impacted by the COVID-19 pandemic. Student aid of \$6.1 million and \$6.1 million is included in scholarships and fellowships expense at September 30, 2021 and 2020, 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, 2021, 2020, and 2019, are summarized as follows:

	2021	2020	2019
Instruction	\$ 293,021,318	\$ 283,997,293	\$ 287,227,119
Research	338,353,105	294,178,648	303,143,578
Public service	182,472,393	167,182,949	164,457,460
Academic support	169,903,914	172,297,940	180,576,986
Student services	39,587,573	38,807,497	42,454,858
Institutional support	240,585,350	218,209,882	156,689,652
Operations and maintenance of plant	73,252,765	68,708,171	70,747,504
Scholarships and fellowships	55,053,095	35,285,313	29,041,268
University Hospital	2,060,650,890	1,800,120,115	1,713,060,350
Auxiliary	739,844,793	724,094,537	676,957,921
Depreciation	156,533,614	150,994,130	148,344,143
TOTAL OPERATING EXPENSES	<u>\$ 4,349,258,810</u>	<u>\$ 3,953,876,475</u>	<u>\$ 3,772,700,839</u>

Graphic illustrations of UAB's operating expenses by functional classification for the year ending September 30, 2021 is presented as follows:

2021 Operating Expenses by Functional Classification



The instruction category includes expenses for all activities that are part of an UAB's instruction programs. Instruction expenses increased \$9.0 million in 2021, and decreased \$3.2 million in 2020. 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 \$44.2 million in 2021, and decreased \$9.0 million in 2020. The institutional support category includes expenses for central, executive-level activities concerned with management of UAB. Institutional expenses increased \$22.4 million in 2021, and increased \$61.5 million in 2020. University Hospital expenses increased 14.5%, or \$260.5 million, in 2021, and increased 5.1%, or \$87.1 million, in 2020, and reflect the impact of additional patient activity and capacity expansion. Increased compensation expense related to patient care includes both growth in staff levels and wage increases. Increased medical supplies expense results from higher patient activity levels and the rising cost of pharmaceuticals. During 2020, the increase in medical supplies expense also included the additional cost of personal protective equipment acquired in response to the COVID-19 pandemic. An auxiliary enterprise exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The auxiliary enterprise category includes all expenses relating to the operation of auxiliary enterprises, and increased 2.2% or \$15.8 million in 2021, and increased 7.0% or \$47.1 million in 2020.

Economic Factors That Will Affect The Future

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

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

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

During fiscal year 2021, 66.0% of UAB students received financial aid, including \$193.5 million of Federal Financial Aid. In recent years, financial aid reform and reauthorization of existing aid programs have been topics in legislative sessions. Management is monitoring proposed future legislation in order to respond in a manner to assist current and future students.

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

In January 2020, the World Health Organization declared the novel Coronavirus (“COVID-19”) a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and healthcare organizations and has impacted several areas of UAB and the University Hospital's financial statements as further discussed within Note 1.

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

The University of Alabama at Birmingham
Statements of Net Position
September 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 473,086,415	\$ 641,920,794
Short term investments	1,626,016,694	1,196,891,055
Accounts receivable, net	608,413,710	530,828,890
Loans receivable, current portion	1,824,938	1,994,471
Pledges receivable, current portion	8,610,396	10,732,083
Inventories	41,477,751	35,827,726
Prepaid expenses and unearned scholarships	81,226,121	71,948,834
Other current assets	13,569,435	12,001,066
Total current assets	2,854,225,459	2,502,144,919
Noncurrent Assets:		
Cash designated for capital activities	35,225,414	63,098,686
Restricted cash and cash equivalents	12,304,675	269,648
Investments for capital activities	1,079,385,621	797,791,901
Endowment and life income investments	711,622,472	539,974,716
Investment in Professional Liability Trust Fund	69,880,913	59,920,845
Other long-term investments	117,568,898	107,735,412
Loans receivable, net	8,555,102	8,347,250
Pledges receivable	34,104,960	29,408,901
Due from affiliates	52,206,128	34,552,128
Capital assets, net	1,788,161,516	1,784,230,411
Other noncurrent assets	125,061	4,075,296
Total noncurrent assets	3,909,140,760	3,429,405,194
Total Assets	6,763,366,219	5,931,550,113
DEFERRED OUTFLOWS OF RESOURCES		
Bond deferred refundings	12,081,090	13,336,713
Pension and OPEB related obligations	850,533,926	305,494,017
Total Deferred Outflows of Resources	862,615,016	318,830,730
Total Assets and Deferred Outflows of Resources	\$ 7,625,981,235	\$ 6,250,380,843

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Net Position (continued)
September 30, 2021 and 2020

	2021	2020
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 565,985,667	\$ 596,371,343
Deposits	17,439,588	15,078,378
Unearned revenue-grants	57,039,007	50,928,154
Unearned revenue-other	107,134,621	99,077,929
Long-term debt, current portion	37,443,982	38,749,671
Total current liabilities	785,042,866	800,205,475
Noncurrent Liabilities:		
Federal advances-loan funds	6,780,063	8,483,518
Long-term debt, noncurrent portion	1,063,644,857	1,087,186,699
Pension liability	1,413,306,000	1,245,083,000
OPEB liability	685,712,303	271,431,941
Other noncurrent liabilities	26,655,309	28,713,594
Total noncurrent liabilities	3,196,098,532	2,640,898,752
Total Liabilities	3,981,141,397	3,441,104,227
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB related obligations	525,445,555	521,937,116
Total Deferred Inflows Of Resources	525,445,555	521,937,116
NET POSITION		
Net investment in capital assets	786,585,310	769,281,767
Restricted		
Nonexpendable	390,793,182	405,615,948
Expendable	600,618,098	353,055,159
Unrestricted	1,341,397,693	759,386,626
Total Net Position	3,119,394,283	2,287,339,500
Total Liabilities, Deferred Inflows and Net Position	\$ 7,625,981,235	\$ 6,250,380,843

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Tuition and fees	\$ 335,202,452	\$ 330,385,766
Less: scholarship allowance	(91,726,065)	(85,456,029)
Tuition and fees, net	243,476,387	244,929,737
Grants and contracts:		
Federal	431,152,917	392,328,131
State	10,601,841	9,637,192
Local	2,733,401	2,743,274
Private	82,238,852	79,212,985
Sales and services:		
Educational activities	67,666,602	59,351,275
University Hospital, net of bad debt expense of \$248.6 million in 2021 and \$187.9 million in 2020	2,472,801,416	2,109,833,577
Other auxiliary enterprises, net of scholarship allowance of \$1.8 million in 2021 and \$2.4 million in 2020	782,355,857	762,448,115
Other operating revenues	40,280,076	51,986,550
Total operating revenues	4,133,307,349	3,712,470,836
Operating Expenses		
Salaries, wages and benefits	1,963,628,897	1,766,044,825
Supplies and services	2,174,043,204	2,001,552,207
Depreciation	156,533,614	150,994,130
Scholarships and fellowships	55,053,095	35,285,313
Total operating expenses	4,349,258,810	3,953,876,475
Operating loss	(215,951,461)	(241,405,639)
Nonoperating Revenues (Expenses)		
Economic Relief Funds	412,719	71,281,070
State educational appropriations	314,953,056	306,964,712
Grants and contracts	105,093,454	57,856,589
Gifts	61,112,310	18,705,016
Investment income	555,919,121	15,735,962
Interest expense	(35,280,621)	(40,126,392)
Loss on asset dispositions, net	(1,907,293)	(567,152)
Other nonoperating income, net	9,284,341	889,773
Net nonoperating revenues	1,009,587,087	430,739,578
Income before other changes in net position	793,635,626	189,333,939
Other Changes in Net Position		
State capital gifts	3,610,767	—
Capital gifts and grants	1,645,260	1,854,223
Endowment gifts	33,163,130	17,755,898
Total other changes in net position	38,419,157	19,610,121
Increase in net position	832,054,783	208,944,060
Net Position, beginning of year	2,287,339,500	2,078,395,440
Net Position, end of year	\$ 3,119,394,283	\$ 2,287,339,500

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Student tuition and fees	\$ 249,506,292	\$ 246,333,703
Grants and contracts:		
Federal	422,804,721	398,734,987
State	10,194,733	12,733,355
Local	4,307,528	1,981,861
Private	81,575,192	82,655,623
Receipts from sales and services of:		
Educational activities	66,724,028	59,175,998
Patient services	2,361,333,048	2,058,613,804
Auxiliary enterprises, net	46,375,753	35,084,704
Premium and administrative fees collected	750,236,493	716,906,063
Payment to employees and related benefits	(1,364,877,617)	(1,311,156,619)
Payment for contract labor	(536,408,405)	(448,114,236)
Payment to suppliers	(2,215,523,953)	(1,835,715,862)
Payment for scholarships and fellowships	(55,053,096)	(35,285,313)
Other receipts	33,671,715	50,574,552
Net cash (used in) provided by operating activities	<u>(145,133,568)</u>	<u>32,522,620</u>
Cash flows from noncapital financing activities		
Economic relief funds	3,368,856	67,325,616
State educational appropriations	314,953,056	306,964,712
Private gifts	89,185,963	59,428,944
Student direct lending receipts	163,479,335	167,856,685
Student direct lending disbursements	(163,230,477)	(166,625,040)
Other deposits	141,166,406	60,226,262
Deposits from affiliates	(2,736,808)	(5,468,313)
Net cash provided by noncapital financing activities	<u>546,186,331</u>	<u>489,708,866</u>
Cash flows from investing activities		
Interest and dividends from investments, net	62,043,622	96,970,912
Proceeds from notes receivable	137,233	85,697
Proceeds from sales and maturities of investments	10,279,096	8,342,944
Purchases of investments	(418,466,261)	(167,556,803)
Net cash used in investing activities	<u>(346,006,310)</u>	<u>(62,157,250)</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt	758,968	11,037,858
State capital appropriations	3,610,767	—
Capital gifts, grants and contracts	4,433,541	2,591,924
Proceeds from sale of capital assets	4,985,095	380,128
Purchases of capital assets	(176,474,734)	(220,801,455)
Principal payments on capital debt	(38,935,420)	(35,296,312)
Interest payments on capital debt	(38,097,294)	(35,155,526)
Net cash used in capital and related financing activities	<u>(239,719,077)</u>	<u>(277,243,383)</u>
Net (decrease) increase in cash and cash equivalents	<u>(184,672,624)</u>	<u>182,830,853</u>
Cash and cash equivalents, beginning of year	<u>705,289,128</u>	<u>522,458,275</u>
Cash and cash equivalents, end of year	<u>\$ 520,616,504</u>	<u>\$ 705,289,128</u>

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows (continued)
Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 473,086,415	\$ 641,920,794
Cash designated for capital activities	35,225,414	63,098,686
Restricted cash and cash equivalents	12,304,675	269,648
Total cash and cash equivalents	<u>520,616,504</u>	<u>\$ 705,289,128</u>
Reconciliation of operating loss to net cash (used in) provided by operating activities		
Operating loss	\$ (215,984,292)	\$ (241,405,639)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities		
Depreciation expense	156,533,614	150,994,130
Pension expense	132,530,000	112,188,000
OPEB expense (benefit)	24,990,489	(25,185,389)
Changes in assets and liabilities:		
Accounts receivable, net	(121,792,057)	165,975,517
Prepaid expenses and other assets	(16,738,475)	(17,806,662)
Accounts payable and accrued liabilities	(2,296,355)	9,577,611
Pension obligations	(96,839,000)	(98,485,000)
OPEB obligations	(20,135,246)	(22,187,000)
Unearned Revenue	14,597,754	(1,142,948)
Net cash (used in) provided by operating activities	<u>\$ (145,133,568)</u>	<u>\$ 32,522,620</u>
Supplemental noncash activities information		
Capital assets acquired included in accounts payable	\$ 14,017,484	\$ 22,430,684
Capital assets acquired through capital lease	100,257	109,947
Non-cash transfer of funds from the STLP to the LCRP	—	547,946,709
Debt proceeds immediately transferred into escrow	—	81,890,469
Payment of outstanding bonds principal and interest via escrow	—	80,027,733

See accompanying notes to financial statements.

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Net Position
January 1, 2021 and December 28, 2019

	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 15,846,028	\$ 470,327
Investments	26,287,986	15,321,444
Restricted cash and investments	12,226,041	11,933,466
Accounts receivable, net	17,227,864	17,182,332
Other receivables	577,048	1,411,383
Materials and supplies, net	974,676	986,730
Prepayments and other current assets	2,749,927	756,048
Total current assets	75,889,570	48,061,730
Noncurrent Assets:		
Net OPEB asset	1,565,283	1,187,434
Capital assets:		
Land and improvements	5,122,675	6,274,425
Buildings and major plant equipment	66,665,302	67,746,523
Laboratory equipment and fixtures	57,654,248	64,804,143
Office furniture and equipment	3,522,256	3,622,526
Intangible assets, net	1,906,909	1,707,790
	<u>134,871,390</u>	<u>144,155,407</u>
Less accumulated depreciation	(88,209,821)	(91,792,022)
	<u>46,661,569</u>	<u>52,363,385</u>
Construction-in-progress	1,341,134	667,583
Total capital assets, net	<u>48,002,703</u>	<u>53,030,968</u>
Total noncurrent assets	49,567,986	54,218,402
Total Assets	125,457,556	102,280,132
Deferred Outflows of Resources		
OPEB	280,742	319,792
Total Assets and Deferred Outflows of Resources	\$ 125,738,298	\$ 102,599,924
Current Liabilities:		
Accounts payable	\$ 3,841,344	\$ 4,400,559
Accrued liabilities	5,769,660	6,038,919
Unearned contract revenue	9,491,157	5,192,267
Current maturities of long-term debt and capital lease obligations	8,985,991	987,380
Note payable	—	172,370
Total current liabilities	28,088,152	16,791,495
Noncurrent Liabilities:		
Long-term debt and capital lease obligations	13,634,937	14,063,162
Total noncurrent liabilities	13,634,937	14,063,162
Total Liabilities	41,723,089	30,854,657
Deferred Inflows of Resources		
OPEB	1,670,887	1,472,708
Net Position		
Net investment in capital assets	33,108,475	37,980,426
Restricted		
Expendable	12,401,179	12,462,984
Unrestricted	36,834,668	19,829,149
Total Net Position	82,344,322	70,272,559
Total Liabilities, Deferred Inflows Of Resources, and Net Position	\$ 125,738,298	\$ 102,599,924

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 January 1, 2021 and December 28, 2019

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Contract revenues	\$ 80,481,381	\$ 76,296,491
Intellectual property revenues, net of direct expenses	1,669,020	1,748,981
Total operating revenues	82,150,401	78,045,472
Operating Expenses		
Salaries, wages and benefits	42,197,364	46,123,903
Supplies and services	31,769,278	30,641,540
Depreciation and amortization	6,170,775	6,563,411
Total operating expenses	80,137,417	83,328,854
Operating income (loss)	2,012,984	(5,283,382)
Nonoperating Revenues (Expenses)		
Contributions	270,253	312,507
Investment income	916,130	3,258,840
Interest expense	(457,436)	(384,463)
Gain (loss) on disposal of assets	9,329,832	(1,711,609)
Net nonoperating revenues	10,058,779	1,475,275
Change in net position	12,071,763	(3,808,107)
Net Position, beginning of year	70,272,559	74,080,666
Net Position, end of year	\$ 82,344,322	\$ 70,272,559

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Notes to Financial Statements
Years Ended September 30, 2021 and 2020

(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).

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

- **Net Investment in Capital Assets:**

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

- **Restricted:**

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

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

- **Unrestricted:**

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The estimates susceptible to significant changes include those used in determining the allowance for contractual adjustments and uncollectible accounts, valuation of investments, accruals related to compensated absences, allowance for self-insurance, estimated amounts due to or from third-party payors, and reserves for general and professional liability claims. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate.

Scope of Statements

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

UAB is affiliated with the UAB Educational Foundation ("UABEF"), the University of Alabama Health Services Foundation, P.C. ("HSF"), UAB Health System ("UABHS"), Medical West, Cooper Green Mercy Health Services Authority, and the Valley Foundation ("VF"). UAB is not financially accountable for UABEF, HSF, UABHS 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, UABHS 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 seven outside members not affiliated with UAB. The UABEF Board approved to modify the fiscal year from June 30 to September 30 effective as of September 30, 2021. The current balance reflected below is for the fifteen months ended September 30, 2021. UABEF leases certain facilities to UAB, with rental expense of approximately \$3.3 million for the year ended September 30, 2021 and \$2.2 million for the year ended September 30, 2020. UABEF made contributions to UAB which totaled approximately \$3.0 million for the year ended September 30, 2021 and approximately \$4.2 million for the year ended June 30, 2020.

Implementation of new standards: During 2021, UAB adopted GASB Statement No. 84, *Fiduciary Activities*, which aims to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The impact from its adoption of GASB 84 was not material to the financial statements.

Other significant accounting policies are as follows:

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

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

Investments are reported in four categories in the statement of net position. Investments recorded as endowment and life income investments are those invested funds that cannot be used to fund current operations and thus are included in noncurrent assets. Investments held for future capital projects are included in noncurrent assets. Other long-term investments include amounts resulting from UAB's equity investment in other entities, as discussed in Note 4 and Note 8. All other investments are included as short-term investments.

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), less accumulated depreciation (or in the case of assets leased under capital leases, net of accumulated amortization). 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), and inventoried equipment (3-20 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.

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

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

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

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

UAB's policy is to retain the endowment realized and unrealized appreciation within an endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board approved a spending rate for fiscal years September 30, 2021 and 2020 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, 2021, \$1.3 million is payable to the Department of Education for its portion of the excess cash available at June 30, 2020.

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

Deferred Outflows of Resources: Deferred outflows of resources consist of bond deferred refunding amounts, pension obligations, and OPEB obligations (Trust and UAB Plan). Pension obligations include employer contributions to the Teachers' Retirement System subsequent to the Plan's measurement date, differences between expected and actual

experience, and changes in actuarial and other assumptions. The Trust's obligations include employer contributions to the Alabama Retired Education Employees' Health Care Trust subsequent to the Trust's measurement date, differences between expected and actual experience, and changes in proportion and differences between employer contributions and proportionate share of contributions. The UAB Plan's obligations include employer contributions to the UAB Health Care Plan subsequent to the Plan's measurement date for eligible disabled retirees.

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

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

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

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

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

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

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

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

Nonoperating Revenues (Expenses): Nonoperating revenues and expenses include State educational appropriations, federal appropriations, Federal Pell grants, private gifts for other than capital purposes, investment income, net unrealized appreciation or depreciation in the fair value of investments, interest expense, loss on asset dispositions, and CARES Act funds for fiscal years 2021 and 2020.

COVID-19 Pandemic: In January 2020, the World Health Organization declared the novel Coronavirus ("COVID-19") a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and healthcare organizations. The outbreak has also negatively impacted both the global financial markets and UAB's investments, including the investments held within the System Pools, and may continue to do so. Other adverse consequences of COVID-19 in the future may include, but are not limited to, decline in enrollment, decline in demand for University housing, decline in demand for University programs that involve travel, and additional volatility within UAB's investments. UAB believes it has sufficient liquidity to meet its operating and financing needs; however, given the difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on UAB, the economy and the financial markets, the ultimate impact is unknown and cannot be reasonably quantified at this time.

Coronavirus (COVID-19) Emergency Grants for Higher Education: The Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law in March 2020 to provide economic assistance for businesses and individuals that have been negatively impacted by the COVID-19 pandemic. The Higher Education Emergency Relief Fund ("HEERF I"), the Coronavirus Relief Fund ("CRF"), and Provider Relief Fund ("PRF") are authorized by the CARES Act.

The Higher Education Emergency Relief Fund II (“HEERF II”) is authorized by the Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”), which was signed into law in December 2020. The CRRSAA funds support education in addition to the HEERF I CARES Act funding.

The Higher Education Emergency Relief Fund III (“HEERF III”) is authorized by the American Rescue Plan (“ARP”), which was signed into law in March 2021 to provide support to institutions of higher education to serve students and ensure learning continues during the COVID-19 pandemic. ARP funds are in addition to funds authorized by the CRRSAA and CARES Act.

The HEERF funds are administered through the U.S. Department of Education and are designed to facilitate the distribution of emergency financial aid grants directly to students, as well as to provide funding for institutions negatively impacted by the COVID-19 pandemic. Under the terms of the student portion of this program, revenue is recognized once eligible expenditures associated with the distribution of aid to students have been incurred. For the institutional portions of this program, revenue is recognized as the University identifies eligible expenditures or lost revenues which qualify for reimbursement.

The Coronavirus Relief Fund is administered through the State of Alabama Department of Finance. The purpose of the Coronavirus Relief Fund appropriation is for the funds to be used to prevent, prepare for, and respond to coronavirus only. The CRF covers only those costs that are necessary expenditures incurred due to the public health emergency with respect to COVID-19. Eligibility to receive payment from the State’s portion of funds from the CRF is contingent upon certifying that the University will: (1) use the funds in a lawful manner consistent with Section 601(d) of the Coronavirus Relief Fund and (2) will comply with any and all policies and directives issued by the Alabama Department of Finance related to the Coronavirus Relief Funds.

The Provider Relief Fund (“PRF”) is administered through the U.S. Department of Health and Human Services (“HHS”). PRF payments may be used to cover lost revenue attributable to COVID-19 or health-related expenses purchased to prevent, prepare for, and respond to COVID-19. Providers are required to report the use of funds expended through June 30, 2021 by September 30, 2021 and funds expended through December 31, 2021 by March 31, 2022. Based on the most recent guidance, providers may be reimbursed for healthcare-related expenses attributable to coronavirus that another source has not reimbursed, as well as lost revenues as measured by one of three options, which include a) calculating based on the negative change in calendar year 2020 and 2021 patient care revenues compared to calendar year 2019 patient care revenues, b) calculating based on the negative change in calendar year 2020 and 2021 patient revenue compared to budgeted 2020 and 2021 patient care revenues, respectively, provided the budget had been established and approved prior to March 27, 2020, and c) calculating by another reasonable method of estimating revenues.

All COVID-19 emergency grants received during fiscal years 2021 and 2020 are included in nonoperating grants in the accompanying statements of revenues, expenses, and changes in net position.

(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, 2020 and 2019 is presented below.

TRITON HEALTH SYSTEMS, L.L.C.
CONDENSED STATEMENT OF NET POSITION

	2021	2020
Current assets	\$ 264,795,047	\$ 261,535,804
Capital assets, net	2,727,482	3,946,551
Other assets	117,099,813	107,264,624
TOTAL ASSETS	\$ 384,622,342	\$ 372,746,979
Current liabilities	97,434,894	100,010,425
Other noncurrent liabilities	633,846	899,448
TOTAL LIABILITIES	98,068,740	100,909,873
Net investment in capital assets	2,727,482	3,946,551
Restricted nonexpendable net position	100,000	100,000
Unrestricted net position	283,726,120	267,790,555
TOTAL NET POSITION	286,553,602	271,837,106
TOTAL LIABILITIES AND NET POSITION	\$ 384,622,342	\$ 372,746,979

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Operating revenues	\$ 845,745,980	\$ 810,684,944
Operating expenses	(799,945,072)	(766,075,475)
Depreciation and amortization expense	(1,282,472)	(1,286,839)
OPERATING INCOME	44,518,436	43,322,630
Investment income	7,737,096	10,568,127
Interest expense	—	(1,394)
Income tax expense	(2,266,772)	(2,800,679)
INCOME BEFORE OTHER CHANGES IN NET POSITION	49,988,760	51,088,684
Distributions to members	(35,272,264)	(34,197,554)
INCREASE IN NET POSITION	14,716,496	16,891,130
Net position, beginning of year	271,837,106	254,945,976
NET POSITION, END OF YEAR	\$ 286,553,602	\$ 271,837,106

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used in):		
Operating activities	\$ 37,114,595	\$ 833,764
Noncapital financing activities	(35,272,264)	(34,197,554)
Capital and related financing activities	(63,402)	(990,546)
Investing activities	(1,540,132)	7,670,724
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	238,797	(26,683,612)
Cash and cash equivalents, beginning of year	144,343,287	171,026,899
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 144,582,084	\$ 144,343,287

(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, 2021 and 2020, respectively, UAB had cash and cash equivalents totaling \$520.6 million and \$705.3 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 previously established three distinct investment pools based primarily on the projected investment time-horizons for System funds: the Pooled Endowment Fund ("PEF"), Long Term Reserve Pool Fund ("LTRP") and the Short Term Liquidity Pool Fund ("STLP"); collectively, the "System Pools". In April 2020, the Board approved a merger of the STLP and the LTRP into one pool, the Liquidity and Capital Reserve Pool ("LCRP"). In July 2020, the Board closed the STLP and transferred the assets to the LTRP to create the new merged pool, with a new asset allocation. 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. UAB applies the same investment policies for separately held investments as those of the System Pools.

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.

Long Term Reserve Pool Fund (effective July 1, 2020, merger with the STLP to form the LCRP)

The LTRP was a longer-term pool used as an investment vehicle to manage operating reserves with a time horizon of three to seven years. This fund had an investment objective of growth and income and was invested in a diversified asset mix of liquid, semi-liquid and illiquid securities. This fund can invest no more than 10% in illiquid assets.

Short Term Liquidity Pool Fund (effective July 1, 2020, merger with the LTRP to form the LCRP)

The STLP served as an investment vehicle to manage operating reserves with a time horizon of one to three years. This fund was also used to balance the other funds when looking at the System's entire asset allocation of operating reserves relative to its investment objectives. The STLP had an investment objective of income with preservation of capital and is invested in intermediate term fixed income securities. The fund held at least one large mutual fund to provide daily liquidity.

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 investment that do not have readily determinable fair value. 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, 2021. 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, 2021 and 2020, the fair value of UAB's investments based on the inputs used to value them is summarized as follows:

	2021				Total
	Level 1	Level 2	Level 3	NAV	
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	420,806	—	—	—	420,806
Fixed Income Securities:					
Corporate bonds	—	148,895,846	—	—	148,895,846
Commingled Funds:					
U.S. equity funds	—	1,057,467	—	—	1,057,467
Non-U.S. equity funds	—	411,206	—	—	411,206
Real Estate	—	—	159,600	—	159,600
	\$ 520,806	\$ 150,364,519	\$ 159,600	\$ —	\$ 151,044,925
					Equity investments in partnerships 69,880,913
					UAB Portion of System Pool Investments:
					Pooled Endowment Fund 712,833,170
					Liquidity and Capital Reserve Pool Fund 2,670,715,589
					Total Net Asset Value with System Pooled Investments \$ 3,604,474,598

	2020				Total
	Level 1	Level 2	Level 3	NAV	
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	422,310	—	—	—	422,310
Fixed Income Securities:					
Corporate bonds	—	139,341,911	—	—	139,341,911
Commingled Funds:					
U.S. equity funds	—	1,478,656	—	—	1,478,656
Non-U.S. equity funds	—	15,625	—	—	15,625
Real Estate	—	—	159,600	—	159,600
	\$ 522,310.25	\$ 140,836,192	\$ 159,600	\$ —	\$ 141,518,102.25
					Equity investments in partnerships 59,920,845
					UAB Portion of System Pool Investments:
					Pooled Endowment Fund 541,012,824
					Liquidity and Capital Reserve Pool Fund 1,959,862,158
					Total Net Asset Value with System Pooled Investments \$ 2,702,313,929

At September 30, 2021 and 2020, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

POOLED ENDOWMENT FUND					
	2021				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 515,924
Total Receivables	—	—	—	—	515,924
Cash Equivalents:					
Money Market Funds	45,941,864	—	—	—	45,941,864
Total Cash Equivalents	45,941,864	—	—	—	45,941,864
Equities:					
U.S. Common Stock	175,095,293	—	—	—	175,095,293
Foreign Stock	52,258,192	—	—	—	52,258,192
Total Equities	227,353,485	—	—	—	227,353,485
Fixed Income Securities:					
U.S. Government Obligations	—	13,246,381	—	—	13,246,381
Mortgage Backed Securities	—	14,281,482	—	—	14,281,482
Corporate Bonds	—	33,019,460	—	—	33,019,460
Non-U.S. Bonds	—	6,034,696	—	—	6,034,696
Total Fixed Income Securities	—	66,582,019	—	—	66,582,019
Commingled Funds:					
Non-U.S. Equity Funds	—	134,788,898	—	—	134,788,898
Hedge Funds	—	—	—	785,762,770	785,762,770
Private Equity Funds	—	—	3,673,786	415,061,514	418,735,300
Real Estate Funds	—	—	7,610,408	314,943,245	322,553,653
Total Commingled Funds	—	134,788,898	11,284,194	1,515,767,529	1,661,840,621
Total Fund Investments	273,295,349	201,370,917	11,284,194	1,515,767,529	2,001,717,989
Total Fund Assets	\$ 273,295,349	\$ 201,370,917	\$ 11,284,194	\$ 1,515,767,529	\$ 2,002,233,913
Total Fund Liabilities					(463,514)
Affiliated Entity Investments					(313,952,384)
Total Net Asset Value					\$ 1,687,818,015

POOLED ENDOWMENT FUND

	2020				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 588,314
Total Receivables	—	—	—	—	588,314
Cash Equivalents:					
Money Market Funds	42,770,410	—	—	—	42,770,410
Total Cash Equivalents	42,770,410	—	—	—	42,770,410
Equities:					
U.S. Common Stock	114,821,118	—	—	—	114,821,118
U.S. Preferred Stock	—	—	—	—	—
Foreign Stock	38,691,556	—	—	—	38,691,556
Total Equities	153,512,674	—	—	—	153,512,674
Fixed Income Securities:					
U.S. Government Obligations	—	6,061,927	—	—	6,061,927
Mortgage Backed Securities	—	13,435,270	—	—	13,435,270
Corporate Bonds	—	19,124,922	—	—	19,124,922
Non-U.S. Bonds	—	3,975,272	—	—	3,975,272
Total Fixed Income Securities	—	42,597,391	—	—	42,597,391
Commingled Funds:					
U.S. Bond Funds	—	212,441,977	—	—	212,441,977
Non-U.S. Bond Funds	—	38,073,557	—	—	38,073,557
Hedge Funds	—	—	—	508,475,822	508,475,822
Private Equity Funds	—	—	2,297,985	256,095,913	258,393,898
Real Estate Funds	—	—	36,566,136	207,118,536	243,684,672
Total Commingled Funds	—	250,515,534	38,864,121	971,690,271	1,261,069,926
Total Fund Investments	196,283,084	293,112,925	38,864,121	971,690,271	1,499,950,401
Total Fund Assets	\$ 196,283,084	\$ 293,112,925	\$ 38,864,121	\$ 971,690,271	\$ 1,500,538,715
Total Fund Liabilities					(337,805)
Affiliated Entity Investments					(237,483,192)
Total Net Asset Value					\$ 1,262,717,718

LIQUIDITY AND CAPITAL RESERVE POOL FUND

	2021				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 3,879,956
LOC - Crimson Tide Foundation	—	—	—	—	13,464,676
Total Receivables	—	—	—	—	17,344,632
Cash Equivalents:					
Money Market Funds	101,990,000	—	—	—	101,990,000
Total Cash Equivalents	101,990,000	—	—	—	101,990,000
Equities:					
U.S. Common Stock	470,698,065	—	—	—	470,698,065
Foreign Stock	116,375,236	—	—	—	116,375,236
Total Equities	587,073,301	—	—	—	587,073,301
Fixed Income Securities:					
U.S. Government Obligations	—	250,565,337	—	—	250,565,337
Mortgage Backed Securities	—	239,316,613	—	—	239,316,613
Collateralized Mortgage Obligations	—	21,324,002	—	—	21,324,002
Corporate Bonds	—	204,635,474	—	—	204,635,474
Non-U.S. Bonds	—	91,866,955	—	—	91,866,955
Other Fixed Income Assets	—	10,780,861	—	—	10,780,861
Total Fixed Income Securities	—	818,489,242	—	—	818,489,242
Commingled Funds:					
U.S. Equity Funds	—	165,108,021	—	—	165,108,021
Non-U.S. Equity Funds	—	334,327,898	—	—	334,327,898
U.S. Bond Funds	—	495,084,539	—	—	495,084,539
Hedge Funds	—	—	—	1,253,780,387	1,253,780,387
Real Asset Funds	—	—	—	253,017,907	253,017,907
Total Commingled Funds	—	994,520,458	—	1,506,798,294	2,501,318,752
Total Fund Investments	689,063,301	1,813,009,700	—	1,506,798,294	4,008,871,295
Total Fund Assets	\$ 689,063,301	\$ 1,813,009,700	\$ —	\$ 1,506,798,294	\$ 4,026,215,927
Total Fund Liabilities					(3,334,581)
Affiliated Entity Investments					(259,048,937)
Total Net Asset Value					\$ 3,763,832,409

LIQUIDITY AND CAPITAL RESERVE POOL

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 3,681,520
Total Receivables	—	—	—	—	3,681,520
Cash Equivalents:					
Money Market Funds	122,282,756	—	—	—	122,282,756
Total Cash Equivalents	122,282,756	—	—	—	122,282,756
Equities:					
U.S. Common Stock	210,853,767	—	—	—	210,853,767
Foreign Stock	76,692,824	—	—	—	76,692,824
Total Equities	287,546,591	—	—	—	287,546,591
Fixed Income Securities:					
U.S. Government Obligations	—	74,438,886	—	—	74,438,886
Mortgage Backed Securities	—	253,871,960	—	—	253,871,960
Collateralized Mortgage Obligations	—	22,981,714	—	—	22,981,714
Corporate Bonds	—	169,834,304	—	—	169,834,304
Non-U.S. Bonds	—	85,166,218	—	—	85,166,218
Total Fixed Income Securities	—	606,293,082	—	—	606,293,082
Commingled Funds:					
U.S. Equity Funds	—	145,228,505	—	—	145,228,505
Non-U.S. Equity Funds	—	356,462,581	—	—	356,462,581
U.S. Bond Funds	—	306,086,677	—	—	306,086,677
Hedge Funds	—	—	—	916,173,748	916,173,748
Real Asset Funds	—	—	—	131,654,699	131,654,699
Total Commingled Funds	—	807,777,763	—	1,047,828,447	1,855,606,210
Total Fund Investments	409,829,347	1,414,070,845	—	1,047,828,447	2,871,728,639
Total Fund Assets	\$ 409,829,347	\$ 1,414,070,845	\$ —	\$ 1,047,828,447	\$ 2,875,410,159
Total Fund Liabilities					(791,152)
Affiliated Entity Investments					(214,311,956)
Total Net Asset Value					\$ 2,660,307,051

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV for the System Pools at September 30, 2021 and 2020 is as follows:

POOLED ENDOWMENT FUND

	2021				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 785,762,770	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	415,061,514	174,482,041	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	86,098,351	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	228,844,894	131,972,561	1-15 years	Partnerships ineligible for redemption	Not redeemable
	\$ 1,515,767,529	\$ 306,454,602			

POOLED ENDOWMENT FUND

	2020				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 508,475,822	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	256,095,913	185,895,557	1-10 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	44,328,885	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	162,789,651	92,293,798	1-15 years	Partnerships ineligible for redemption	Not redeemable
	\$ 971,690,271	\$ 278,189,355			

LIQUIDITY AND CAPITAL RESERVE FUND

	2021				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 1,253,780,387	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	253,017,907	—	No limit	Monthly and Quarterly	None
	\$ 1,506,798,294	\$ —			

LIQUIDITY AND CAPITAL RESERVE FUND

	2020				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 916,173,748	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	131,654,699	—	No limit	Monthly and Quarterly	None
	\$ 1,047,828,447	\$ —			

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 \$208.9 million and \$202.6 million in the PEF and LCRP, collectively, at September 30, 2021 and 2020, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$643.0 million and \$509.2 million in the PEF and LCRP, collectively, at September 30, 2021 and 2020, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2021 and 2020 is as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2021	2020	2021	2020
Fixed or Variable Income Securities				
U.S. Government Obligations	\$ 13,246,381	\$ 6,061,927	\$ 250,565,337	\$ 74,438,886
Other U.S. Denominated:				
AAA	751,743	1,759,641	33,536,982	68,457,473
AA	1,691,717	2,522,307	49,370,980	36,093,014
A	12,042,928	6,820,070	135,358,729	113,181,471
BBB	18,930,562	9,988,712	128,995,396	110,647,518
BB	5,670,545	4,393,666	7,716,916	11,683,200
B	242,759	—	12,510,612	150,423
C and < C	—	—	5,566,724	46,695
Unrated	14,005,384	11,051,069	194,867,566	191,594,402
Commingled Funds:				
U.S. Bond Funds: Unrated	—	38,073,557	495,084,539	306,086,677
Non-U.S. Bond Funds: Unrated	—	—	—	—
Money Market Funds: Unrated	45,941,864	42,770,410	101,990,000	122,282,756
TOTAL	\$ 112,523,883	\$ 123,441,359	\$ 1,415,563,781	\$ 1,034,662,515

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, 2021 and 2020 is as follows:

	2021	2020
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ —	\$ —
Other U.S. and Non U.S. Denominated:		
AAA	148,895,846	139,341,911
AA	—	—
A	—	—
BBB	—	—
BB	—	—
B	—	—
CCC	—	—
CC	—	—
Unrated	—	—
Commingled Funds:		
U.S. Bond Funds: Unrated	—	—
Non-U.S. Bond Funds: Unrated	—	—
Money Market Funds: Unrated	—	—
Commercial Paper: Unrated	100,000	100,000
TOTAL	\$ 148,995,846	\$ 139,441,911

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, 2021 and 2020, 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, 2021 and 2020 are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2021	2020	2021	2020
U.S. Government Obligations	9.8	11.9	3.2	3.4
Corporate Bonds	6.1	7.3	2.5	3.0
Non-US Bonds	6.1	7.3	2.5	3.0
Commingled Bond Funds	0.0	3.3	2.5	2.9
Other Fixed Income	0.0	0.0	1.9	0.0

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.

The effective durations for fixed or variable income securities for UAB's separately held investments at September 30, 2021 and 2020 are as follows:

	SEPARATELY HELD	
	2021	2020
Commingled Bond Funds	3.4	2.7

At September 30, 2021 and 2020, the fair market values of these investments in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2021	2020	2021	2020
Mortgage Backed Securities	\$ 14,281,482	\$ 13,435,270	\$ 239,316,613	\$ 253,871,960
Collateralized Mortgage Obligations	—	—	21,324,002	22,981,714
TOTAL FIXED	\$ 14,281,482	\$ 13,435,270	\$ 260,640,615	\$ 276,853,674

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, 2021 and 2020, the effective durations for these securities held in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	
	2021	2020	2021	2020
Mortgage Backed Securities	3.6	2.9	2.6	2.0
Collateralized Mortgage Obligations	—	—	6.6	2.6

There are no mortgage backed securities or CMOs in UAB's separately held investments at September 30, 2021 and 2020.

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, 2021 and 2020, 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 three 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, 2021 and 2020, 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 \$69.9 million and \$59.9 million at September 30, 2021 and 2020, 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, 2021 and 2020 is summarized as follows:

	2021	2020
Patient care	\$ 579,841,693	\$ 473,302,106
Receivables from sponsoring agencies	93,499,257	89,713,630
Student accounts	47,080,570	56,979,455
Other	92,237,896	89,398,007
Total accounts receivable	\$ 812,659,416	\$ 709,393,198
Less: Allowances for doubtful accounts from patient care	199,997,424	172,792,838
Less: Allowances for doubtful accounts from student accounts	1,157,044	2,819,990
Less: Allowances for doubtful accounts, other	3,091,238	2,951,480
ACCOUNTS RECEIVABLE, NET	\$ 608,413,710	\$ 530,828,890

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, 2021 and 2020 is summarized in the table as follows:

	<u>2021</u>	<u>2020</u>
Federal loan program	\$ 11,172,570	\$ 12,307,521
University loan funds	2,338,606	2,306,822
Other	116,795	139,751
Total loans receivable	\$ 13,627,971	\$ 14,754,094
Less allowance for doubtful accounts	3,247,931	4,412,373
Total loans receivable, net	\$ 10,380,040	\$ 10,341,721
Less: current portion	1,824,938	1,994,471
TOTAL LOANS RECEIVABLE OUTSTANDING, NONCURRENT	\$ 8,555,102	\$ 8,347,250

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, 2021 and 2020 is summarized in the following table.

	<u>2021</u>	<u>2020</u>
Operations	\$ 35,236,666	\$ 29,874,012
Capital	7,478,690	10,266,972
Total gift pledges	\$ 42,715,356	\$ 40,140,984
Less: current portion	8,610,396	10,732,083
TOTAL GIFT PLEDGES, NONCURRENT	\$ 34,104,960	\$ 29,408,901

(6) Capital Assets

Capital assets as of September 30, 2021 and 2020 are summarized as follows:

	BEGINNING BALANCE	ADDITIONS	SALES/ RETIREMENTS/ TRANSFERS	ENDING BALANCE
	October 1, 2020			September 30, 2021
UNIVERSITY AND BLENDED COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 87,075,170	\$ —	\$ (13,750)	\$ 87,061,420
Construction in progress	30,327,101	21,054,256	(22,536,537)	28,844,820
	117,402,271	21,054,256	(22,550,287)	115,906,240
Capital assets being depreciated				
Land Improvements	61,582,591	1,078,357	—	62,660,948
Buildings	1,802,926,979	49,165,597	(10,342,532)	1,841,750,044
Fixed Equipment Systems	89,398,977	527,645	—	89,926,622
Equipment	393,974,359	26,710,865	(6,469,668)	414,215,556
Library Materials	133,503,852	8,892,105	—	142,395,957
	2,481,386,758	86,374,569	(16,812,200)	2,550,949,127
Total Capital Assets	2,598,789,029	107,428,825	(39,362,487)	2,666,855,367
Less: Accumulated Depreciation	1,425,716,710	81,504,308	(14,041,057)	1,493,179,961
Total Net Capital Assets	\$ 1,173,072,319	\$ 25,924,517	\$ (25,321,430)	\$ 1,173,675,406
UNIVERSITY HOSPITAL				
Capital assets not being depreciated				
Land	\$ 20,813,545	\$ —	\$ —	\$ 20,813,545
Construction in progress	14,170,963	11,883,702	(8,220,316)	17,834,349
	34,984,508	11,883,702	(8,220,316)	38,647,894
Capital assets being depreciated				
Land Improvements	656,874	48,565	—	705,439
Buildings	982,792,320	14,314,104	(4,064,905)	993,041,519
Fixed Equipment Systems	10,217,842	—	—	10,217,842
Equipment	576,012,153	65,143,192	(12,118,538)	629,036,807
	1,569,679,189	79,505,861	(16,183,443)	1,633,001,607
Total Capital Assets	1,604,663,697	91,389,563	(24,403,759)	1,671,649,501
Less: Accumulated Depreciation	993,505,603	75,029,307	(11,371,521)	1,057,163,389
Total Net Capital Assets	\$ 611,158,094	\$ 16,360,256	\$ (13,032,238)	\$ 614,486,112
TOTAL UAB				
Capital assets not being depreciated				
Land	\$ 107,888,715	\$ —	\$ (13,750)	\$ 107,874,965
Construction in progress	44,498,064	32,937,958	(30,756,853)	46,679,169
	152,386,779	32,937,958	(30,770,603)	154,554,134
Capital assets being depreciated				
Land Improvements	62,239,465	1,126,922	—	63,366,387
Buildings	2,785,719,299	63,479,701	(14,407,437)	2,834,791,563
Fixed Equipment Systems	99,616,819	527,645	—	100,144,464
Equipment	969,986,512	91,854,057	(18,588,206)	1,043,252,363
Library Materials	133,503,852	8,892,105	—	142,395,957
	4,051,065,947	165,880,430	(32,995,643)	4,183,950,734
Total Capital Assets	4,203,452,726	198,818,388	(63,766,246)	4,338,504,868
Less: Accumulated Depreciation	2,419,222,315	156,533,615	(25,412,578)	2,550,343,352
TOTAL NET CAPITAL ASSETS	\$ 1,784,230,411	\$ 42,284,773	\$ (38,353,668)	\$ 1,788,161,516

	BEGINNING BALANCE	ADDITIONS	SALES/ RETIREMENTS/ TRANSFERS	ENDING BALANCE
	October 1, 2019			September 30, 2020
UNIVERSITY AND BLENDED COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 86,066,970	\$ 1,048,200	\$ (40,000)	\$ 87,075,170
Construction in progress	52,312,275	25,490,404	(47,475,578)	30,327,101
	138,379,245	26,538,604	(47,515,578)	117,402,271
Capital assets being depreciated				
Land Improvements	52,732,629	8,849,962	—	61,582,591
Buildings	1,694,240,428	111,536,098	(2,849,547)	1,802,926,979
Fixed Equipment Systems	88,599,723	799,254	—	89,398,977
Equipment	384,302,938	17,248,606	(7,577,185)	393,974,359
Library Materials	126,377,432	7,126,420	—	133,503,852
	2,346,253,150	145,560,340	(10,426,732)	2,481,386,758
Total Capital Assets	2,484,632,395	172,098,944	(57,942,310)	2,598,789,029
Less: Accumulated Depreciation	1,356,183,436	78,035,445	(8,502,169)	1,425,716,710
Total Net Capital Assets	\$ 1,128,448,959	\$ 94,063,499	\$ (49,440,141)	\$ 1,173,072,319
UNIVERSITY HOSPITAL				
Capital assets not being depreciated				
Land	\$ 20,813,545	\$ —	\$ —	\$ 20,813,545
Construction in progress	19,849,958	8,050,915	(13,729,910)	14,170,963
	40,663,503	8,050,915	(13,729,910)	34,984,508
Capital assets being depreciated				
Land Improvements	656,874	—	—	656,874
Buildings	953,749,732	29,042,588	—	982,792,320
Fixed Equipment Systems	10,217,842	—	—	10,217,842
Equipment	529,229,236	66,364,704	(19,581,787)	576,012,153
	1,493,853,684	95,407,292	(19,581,787)	1,569,679,189
Total Capital Assets	1,534,517,187	103,458,207	(33,311,697)	1,604,663,697
Less: Accumulated Depreciation	939,938,988	72,958,684	(19,392,069)	993,505,603
Total Net Capital Assets	\$ 594,578,199	\$ 30,499,523	\$ (13,919,628)	\$ 611,158,094
TOTAL UAB				
Capital assets not being depreciated				
Land	\$ 106,880,515	\$ 1,048,200	\$ (40,000)	\$ 107,888,715
Construction in progress	72,162,233	33,541,319	(61,205,488)	44,498,064
	179,042,748	34,589,519	(61,245,488)	152,386,779
Capital assets being depreciated				
Land Improvements	53,389,503	8,849,962	—	62,239,465
Buildings	2,647,990,160	140,578,686	(2,849,547)	2,785,719,299
Fixed Equipment Systems	98,817,565	799,254	—	99,616,819
Equipment	913,532,174	83,613,310	(27,158,972)	969,986,512
Library Materials	126,377,432	7,126,420	—	133,503,852
	3,840,106,834	240,967,632	(30,008,519)	4,051,065,947
Total Capital Assets	4,019,149,582	275,557,151	(91,254,007)	4,203,452,726
Less: Accumulated Depreciation	2,296,122,424	150,994,129	(27,894,238)	2,419,222,315
TOTAL NET CAPITAL ASSETS	\$ 1,723,027,158	\$ 124,563,022	\$ (63,359,769)	\$ 1,784,230,411

(7) Long-Term Debt

Long-term debt activity for the years ended September 30, 2021 and 2020 is summarized as follows:

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE	CURRENT PORTION
	October 1, 2020			September 30, 2021	
UNIVERSITY					
Direct Borrowings and Direct Placement Other					
Leases Payable, 2.25% to 3.99% due annually through 2024 and 4.47% due monthly through 2022	\$ 294,333	\$ 100,257	\$ 119,706	\$ 274,884	\$ 125,889
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2005A, 3.0% to 5.0% due annually through 2021	3,390,000	—	3,390,000	—	—
Birmingham General Revenue Bonds Series 2010A, 2.0% to 5.0% due annually through 2025	10,080,000	—	1,895,000	8,185,000	1,950,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 5.0% due annually through 2025	7,150,000	—	1,645,000	5,505,000	1,700,000
Birmingham General Revenue Bonds Series 2013A-1, 1.1.% due annually through 2021	3,280,000	—	3,280,000	—	—
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2044	72,595,000	—	—	72,595,000	3,320,000
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	27,245,000	—	3,205,000	24,040,000	3,270,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	9,415,000	—	2,285,000	7,130,000	2,330,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually from 2025 through 2044	78,325,000	—	—	78,325,000	—
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028	21,755,000	—	2,865,000	18,890,000	3,005,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	24,495,000	—	3,300,000	21,195,000	3,365,000
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	24,775,000	—	—	24,775,000	1,135,000
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	39,820,000	—	1,325,000	38,495,000	1,410,000
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	35,725,000	—	195,000	35,530,000	205,000
	\$ 599,869,333	\$ 100,257	\$ 23,504,706	\$ 576,464,884	\$ 21,815,889
Less (Plus): unamortized bond discount (premium)				(23,014,875)	—
TOTAL UNIVERSITY DEBT				\$ 599,479,759	\$ 21,815,889
UNIVERSITY HOSPITAL					
Direct Borrowings and Direct Placement Other					
Lease Payable, 2.0% to 3.5% due monthly through 2023	\$ 2,973,634	\$ —	\$ 1,512,694	\$ 1,460,940	\$ 1,386,568
Note payable UAB Health System, 3.0% to 5.0% due annually through 2048	75,754,420	17,654,000	1,413,277	91,995,143	1,464,525
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	10,626,000	—	1,400,000	9,226,000	1,437,000
UAB Medicine Financing Authority Revenue Bonds Series 2016A, 1.2% due annually through 2022	22,545,000	—	11,205,000	11,340,000	11,340,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	—	302,530,000	—
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	—
	\$ 477,624,054	\$ 17,654,000	\$ 15,530,971	\$ 479,747,083	\$ 15,628,093
Less (Plus): unamortized bond discount (premium)				(21,861,997)	—
TOTAL UNIVERSITY HOSPITAL DEBT				\$ 501,609,080	\$ 15,628,093
TOTAL UAB	\$1,077,493,387	\$ 17,754,257	\$ 39,035,677	\$ 1,056,211,967	\$ 37,443,982
Less (Plus): unamortized bond discount (premium)				(44,876,872)	—
TOTAL UAB DEBT				\$ 1,101,088,839	\$ 37,443,982

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE	CURRENT PORTION
	October 1, 2019			September 30, 2020	
UNIVERSITY					
Direct Borrowings and Direct Placement Other					
Leases Payable, 3.19% due annually through 2019 and 4.47% due monthly through 2021	\$ 345,339	\$ 109,947	\$ 160,953	\$ 294,333	\$ 97,295
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2005A, 3.0% to 5.0% due annually through 2021	6,620,000	—	3,230,000	3,390,000	3,390,000
Birmingham General Revenue Bonds Series 2010A, 2.0% to 5.0% due annually through 2025	44,715,000	—	34,635,000	10,080,000	1,895,000
Birmingham General Revenue Bonds Series 2010B, 1.0% to 5.8% due annually through 2020	45,040,000	—	45,040,000	—	—
Birmingham General Revenue Bonds Series 2010C, 2.0% to 5.0% due annually through 2025	10,645,000	—	3,495,000	7,150,000	1,645,000
Birmingham General Revenue Bonds Series 2013A-1, 1.1% due annually through 2021	6,525,000	—	3,245,000	3,280,000	3,280,000
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2044	72,595,000	—	—	72,595,000	—
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	30,380,000	—	3,135,000	27,245,000	3,205,000
Birmingham General Revenue Bonds Series 2013C, 1.0% to 1.45% due annually through 2020	525,000	—	525,000	—	—
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	11,655,000	—	2,240,000	9,415,000	2,285,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually from 2025 through 2044	78,325,000	—	—	78,325,000	—
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028	24,485,000	—	2,730,000	21,755,000	2,865,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	24,495,000	—	—	24,495,000	3,300,000
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	24,775,000	—	—	24,775,000	—
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	—	39,820,000	—	39,820,000	1,325,000
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	—	35,725,000	—	35,725,000	195,000
	\$ 622,650,339	\$ 75,654,947	\$ 98,435,953	\$ 599,869,333	\$ 23,482,295
Less (Plus): unamortized bond discount (premium)				(25,215,240)	—
TOTAL UNIVERSITY DEBT				\$ 625,084,573	\$ 23,482,295
UNIVERSITY HOSPITAL					
Direct Borrowings and Direct Placement Other					
Lease Payable, 2.0% to 3.75% due monthly through 2020	\$ 4,564,178	\$ —	\$ 1,590,544	\$ 2,973,634	\$ 1,512,694
Note payable UAB Health System, 3.0% to 5.0% due annually through 2048	76,861,182	—	1,106,762	75,754,420	1,149,682
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	11,989,000	—	1,363,000	10,626,000	1,400,000
UAB Medicine Financing Authority Revenue Bonds Series 2016A, 1.2% due annually through 2022	33,620,000	—	11,075,000	22,545,000	11,205,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	—	302,530,000	—
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	—
	\$ 492,759,360	\$ —	\$ 15,135,306	\$ 477,624,054	\$ 15,267,376
Less (Plus): unamortized bond discount (premium)				(23,227,743)	—
TOTAL UNIVERSITY HOSPITAL DEBT				\$ 500,851,797	\$ 15,267,376
TOTAL UAB	\$1,115,409,699	\$ 75,654,947	\$ 113,571,259	\$1,077,493,387	\$ 38,749,671
Less (Plus): unamortized bond discount (premium)				(48,442,983)	—
TOTAL UAB DEBT				\$1,125,936,370	\$ 38,749,671

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
2022	\$ 125,889	\$ 16,492	\$ 142,381	\$ 2,851,093	\$ 2,875,003	\$ 5,726,096	\$ 2,976,982	\$ 2,891,495	\$ 5,868,477
2023	97,879	8,858	106,737	1,535,936	2,824,803	4,360,739	1,633,815	2,833,661	4,467,476
2024	51,116	4,051	55,167	1,530,199	2,793,471	4,323,670	1,581,315	2,797,522	4,378,837
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
2027-2031	—	—	—	14,437,126	12,777,166	27,214,292	14,437,126	12,777,166	27,214,292
2032-2036	—	—	—	16,455,435	10,744,160	27,199,595	16,455,435	10,744,160	27,199,595
2037-2041	—	—	—	19,293,977	7,891,969	27,185,946	19,293,977	7,891,969	27,185,946
2042-2046	—	—	—	22,899,729	4,279,747	27,179,476	22,899,729	4,279,747	27,179,476
2047-2048	—	—	—	10,625,100	527,363	11,152,463	10,625,100	527,363	11,152,463
TOTAL	\$ 274,884	\$ 29,401	\$ 304,285	\$ 93,456,083	\$ 50,199,096	\$ 143,655,179	\$ 93,730,967	\$ 50,228,497	\$ 143,959,464

General Receipts Bonds

Year	UNIVERSITY			UNIVERSITY HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 21,690,000	\$ 21,259,481	\$ 42,949,481	\$ 12,777,000	\$ 15,796,814	\$ 28,573,814	\$ 34,467,000	\$ 37,056,295	\$ 71,523,295
2023	22,575,000	20,504,443	43,079,443	10,276,000	15,623,289	25,899,289	32,851,000	36,127,732	68,978,732
2024	22,460,000	19,750,277	42,210,277	10,711,000	15,145,280	25,856,280	33,171,000	34,895,557	68,066,557
2025	23,565,000	19,013,850	42,578,850	11,347,000	14,636,516	25,983,516	34,912,000	33,650,366	68,562,366
2026	23,200,000	18,235,862	41,435,862	13,739,000	14,250,402	27,989,402	36,939,000	32,486,264	69,425,264
2027-2031	112,655,000	78,790,988	191,445,988	79,661,000	62,553,309	142,214,309	192,316,000	141,344,297	333,660,297
2032-2036	110,040,000	56,533,757	166,573,757	103,135,000	43,844,525	146,979,525	213,175,000	100,378,282	313,553,282
2037-2041	116,740,000	34,032,264	150,772,264	130,505,000	19,645,025	150,150,025	247,245,000	53,677,289	300,922,289
2042-2046	87,975,000	12,952,775	100,927,775	14,140,000	486,063	14,626,063	102,115,000	13,438,838	115,553,838
2047-2049	35,290,000	1,671,406	36,961,406	—	—	—	35,290,000	1,671,406	36,961,406
TOTAL	\$ 576,190,000	\$ 282,745,103	\$ 858,935,103	\$ 386,291,000	\$ 201,981,223	\$ 588,272,223	\$ 962,481,000	\$ 484,726,326	\$ 1,447,207,326

Pledged revenues for 2021 and 2020, as defined by the Series 2012A Hospital Revenue Trust Indenture, are as follows:

UNIVERSITY HOSPITAL BONDS

	2021	2020
Total pledged revenues	\$ 2,490,817,657	\$ 2,147,652,347

Pledged revenues for 2021 and 2020, as defined by the Series 2005A, 2010A, 2010B, 2010C, 2013A, 2013B, 2013C, 2013D, 2015A, 2016A, 2016B, 2019A and 2019B General Revenue Trust Indentures, are as follows:

UNIVERSITY BONDS

	2021	2020
Tuition fees	\$ 336,412,781	\$ 330,385,766
Indirect cost recovery	112,448,434	100,590,292
Sales and service of educational activities	67,666,602	59,351,275
Auxiliary sales and service	36,611,584	40,269,522
Endowment and investment income	33,944,327	36,426,430
Other sources	35,235,066	46,928,047
TOTAL PLEDGED REVENUES	\$ 622,318,794	\$ 613,951,332

The University defeased certain indebtedness during fiscal year 2020 with the 2019 Series C and D bond issuance. For this defeasance, funds were deposited in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Under the trust agreements, funds deposited in the trust accounts were invested in obligations of the U.S. Government. The University estimates that the amounts on deposit will be sufficient to satisfy the debt service requirements on the defeased indebtedness and that the defeasance will result in lower overall debt service payments to the University. Should the amounts on deposit not be sufficient to retire the defeased indebtedness upon maturity, the University would be responsible to satisfy the shortfall. The University

remains legally obligated for the repayment of the defeased indebtedness. Neither the assets of the trust accounts nor the defeased indebtedness are included in the accompanying statements of net position. There was no principal outstanding on the 2019 defeased indebtedness at September 30, 2021. The principal outstanding on the 2019 defeased indebtedness at September 30, 2020 was approximately \$75.5 million.

The undiscounted cash flows required to service principal and interest under the old bonds as of September 30, 2020, would have been \$115.7 million compared to undiscounted cash flow requirements of \$105.1 million under the new bonds. The economic gain to the University of the bond refinancing in fiscal year 2020 was calculated to be approximately \$8.3 million using an effective interest rate of approximately 2.4% applied to the old and new bond cash flow requirements.

In November 2019, the University issued \$39.8 million and \$35.7 million in Series 2019C and Series 2019D General Revenue Bonds, respectively. The bonds pay interest at varying rates of 3.0% to 5.0% and 2.15% to 4.0%, respectively, with principal due annually through October 1, 2041. The proceeds of these offering are being used for the purposes of advance refunding Series 2010A, 2010B, and 2010C General Revenue Bonds; and paying costs and expenses associated with this issue. These bonds were issued at a premium of \$5.8 million resulting in total proceeds of \$81.4 million.

In June 2019, the University issued \$24.8 million in Series 2019A General Revenue Bonds. The bonds pay interest at a rate of 4.00% with principal due annually through October 1, 2029. In June 2019, the University issued \$145.9 million in Series 2019B General Revenue Bonds, \$75.1 million of which was in the form of Serial Bonds and \$71.9 million of which was in the form of Term Bonds. The bonds pay interest at varying rates of 3.0% to 5.0% with principal due annually through October 1, 2041 and October 1, 2048, respectively. The proceeds of both the Series 2019A and 2019B bonds will be used for the purposes of financing a portion of the cost of certain capital improvements to the UAB campus, as well as paying costs and expenses associated with this issue. These bonds were issued at a premium of \$16.4 million resulting in total cash received of \$187.1 million.

In June 2019, the UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.3 million in Series 2019B Revenue Bonds, the proceeds of which were loaned to UAB Health System pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, University Hospital entered into a loan agreement with UAB Health System for \$77 million of the 2019A and 2019B bond proceeds for the purpose of financing capital improvement projects. In January 2021, University Hospital borrowed an additional \$17.7 million of the 2019A and 2019B bond proceeds from UAB Health System. Of the total amount borrowed, \$42.5 million was distributed to University Hospital as of September 30, 2020 and September 30, 2021. As University Hospital is legally obligated to repay \$94.7 million and is currently paying principal and interest on this full amount, University Hospital has reflected the full \$94.7 million on its statement of net position as long-term debt and \$52.2 million as Due from affiliate on the statement of net position. University Hospital pays interest to UAB Health System on the entire amount, regardless of the amount outstanding. There are no financial covenants related to the loan between University Hospital and UAB Health System.

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, 2021.

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, 2021

(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 4% in 2021 and 2020. The associated risks of claims are subject to aggregate limits, with excess liability coverage provided by independent insurers to protect participants against losses should a claim arise that exceeds PLTF coverage limits. Although UAB is the sponsor of PLTF, it is not the predominant participant in the fund.

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

The PLTF agreement requires a flat \$15 million of all PLTF assets to be held in liquid assets. At September 30, 2021 and 2020, 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 2021 and 2020. Changes in the total self-insured liabilities for the years ended September 30, 2021 and 2020 are presented as follows for UAB:

SELF INSURED LIABILITIES	2021	2020
Balance, beginning of year	\$ 7,765,761	\$ 7,669,735
Claims incurred and changes in estimates	\$ 78,523,589	\$ 62,939,205
Claim payments	\$ (82,741,166)	\$ (62,843,179)
BALANCE, END OF YEAR	\$ 3,548,184	\$ 7,765,761

(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. Prior to fiscal year 2020, the plan offered to eligible employees a choice between two recordkeepers, Teachers Insurance and Annuity Association ("TIAA") and the Variable Annuity Life Insurance Company ("VALIC"). Effective in fiscal year 2020, the System, in conjunction with its participating universities and with the Board's approval, transitioned to a single recordkeeper with TIAA serving as 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. Benefits for TRS members vest after 10 years of creditable service. TRS 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. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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

a 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. Members are eligible for disability retirement if they have 10 years of credible 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 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

UAB's contractually required contribution rate for the year ended September 30, 2021 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. UAB's contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% 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 2021, 2020 and 2019 is as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Employer Contributions	\$ 96,839,000	\$ 98,485,000	\$ 97,824,000
Employee Contributions	57,052,000	57,688,000	57,345,000
TOTAL CONTRIBUTIONS	\$ 153,891,000	\$ 156,173,000	\$ 155,169,000

Pensionable salaries and wages for covered employees participating in TRS were approximately \$947.5 million during fiscal year 2021 and \$946.1 million during fiscal year 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2021 and September 30, 2020, the financial statements of UAB reflected a liability of \$1.41 billion and \$1.25 billion, respectively, for its proportionate share of the collective net pension liability, as prescribed by GASB 68. At September 30, 2021, the collective net pension liability was measured as of September 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, UAB's proportion was 11.43%, which was an increase of 0.16% from its proportion measured as of September 30, 2019. At September 30, 2019, UAB's proportion was 11.26%, which was a decrease of 0.49% from its proportion measured as of September 30, 2018.

For the years ended September 30, 2021 and September 30, 2020, UAB recognized pension expense of \$132.5 million and \$112.2 million, respectively. At September 30, 2021 and 2020, UAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,947,000	\$ 24,511,000
Changes of assumptions	14,700,000	—
Net difference between projected and actual earnings on pension plan investments	104,961,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	13,898,000	34,807,000
Employer contributions subsequent to the measurement date	96,839,000	—
TOTAL	\$ 300,345,000	\$ 59,318,000

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,408,000	\$ 41,292,000
Changes of assumptions	38,360,000	—
Net difference between projected and actual earnings on pension plan investments	43,354,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	—	48,878,000
Employer contributions subsequent to the measurement date	98,485,000	—
TOTAL	\$ 198,607,000	\$ 90,170,000

\$96.8 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Years ending September 30:

2022	\$	22,649,000
2023		44,522,000
2024		48,038,000
2025		28,979,000
2026		—
Thereafter		—

Actuarial assumptions. The total pension liability as of September 30, 2020 was determined by an actuarial valuation as of September 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment rate of return*	7.70%
Projected salary increases	3.25 - 5.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2019, 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, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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	17.00 %	4.40 %
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 %	10.10 %
Real Estate	10.00 %	7.50 %
Cash	3.00 %	1.50 %
TOTAL	100.00 %	

*Includes assumed rate of inflation of 2.50%

Discount rate. The discount rate used to measure the total pension liability was 7.70%. 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 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease	Current Rate	1% Increase
UAB's proportionate share of collective net pension liability	\$ 1,885,647,000	\$ 1,413,306,000	\$ 1,013,651,000

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, 2020. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. 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/>

Other Retirement Plans

As previously noted, certain employees also participate in a voluntary 403(b) plan, which is a 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 2021 and 2020, excluding employee amounts not eligible for matching, were approximately \$68.9 million and \$64.1 million, which included approximately \$34.5 million and \$32.0 million each from UAB and its employees, 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.

In fiscal year 2020, employer matching contributions in the voluntary 403(b) Plan (inclusive of The University of Alabama, The University of Alabama at Birmingham, The University of Alabama in Huntsville, and the UA System

Office), and the UAB Hospital Management, LLC 403(b) Plan were temporarily suspended for the period of May 2020 through September 2020. The suspension was due to uncertainty concerning the potential financial impacts of the COVID-19 Pandemic and was a joint management decision by Senior Administration of the UA System and each University

The University, the University Hospital, LLC and UABRF total salaries and wages for fiscal years 2021 and 2020 were approximately \$1.40 billion and \$1.33 billion, respectively. Total salaries and wages during fiscal years 2021 and 2020 for covered employees participating in TRS were approximately \$815.5 million and \$816.8 million, respectively. Total salaries and wages during fiscal years 2021 and 2020 for covered employees participating in the 403(b) Plan were approximately \$760.7 million and \$710.1 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 \$84 million and \$78 million as of September 30, 2021 and 2020, 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

UAB offers other postemployment health care benefits ("OPEB") to all employees who officially retire from UAB. Health care benefits are offered 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 postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board ("PEEHI Board") to create an irrevocable trust to fund postemployment 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 dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (the "SEIB").

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

Contributions. The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the 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 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 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 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 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 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 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, 2021 and 2020, the financial statements of UAB reflected a liability of \$680.4 million and \$265.2 million, respectively for its proportionate share of the net OPEB liability, as prescribed by GASB 75. The net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. 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, 2020, UAB's proportion was 10.48%, which was an increase of 3.46% from its proportion measured as of September 30, 2019.

For the years ended September 30, 2021 and 2020, UAB recognized an OPEB expense of \$26.2 million and an OPEB benefit of \$24.5 million, respectively with no special funding situations. At September 30, 2021 and 2020, UAB reported deferred outflows of resources and deferred inflows of resources related to the PEEHIP plan from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,255,266	\$ 244,631,528
Changes of assumptions	237,669,500	126,349,962
Net difference between projected and actual earnings on OPEB plan investments	—	28,691
Changes in proportion and differences between Employer contributions and proportionate share of contributions	275,052,969	84,816,231
Employer contributions subsequent to the measurement date	18,240,187	—
TOTAL	\$ 548,217,922	\$ 455,826,412

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,780,366	\$ 203,329,026
Changes of assumptions	12,677,222	109,839,367
Net difference between projected and actual earnings on OPEB plan investments	547,032	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	62,695,436	107,161,311
Employer contributions subsequent to the measurement date	20,775,402	—
TOTAL	\$ 105,475,458	\$ 420,329,704

\$18.2 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, 2022. 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:		
2022	\$	(8,872,627)
2023		(7,836,120)
2024		(10,500,464)
2025		(11,690,510)
2026		67,235,113
Thereafter		45,815,931

Actuarial assumptions. The total OPEB liability for the PEEHIP was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increase ¹	3.25% - 5.00%
Long-Term Investment Rate of Return ²	7.25%
Municipal Bond Index Rate at the Measurement	2.25%
Municipal Bond Index Rate at the Prior	3.00%
Projected Year for Fiduciary Net Position (FNP) to be	2040
Single Equivalent Interest Rate the Measurement	3.05%
Single Equivalent Interest Rate the Prior	5.50%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024

¹Includes 3.00% wage inflation.

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

**Initial Medicare claims are set based on scheduled increases through plan year 2022.

Mortality rates for the period after service retirement to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

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, 2019 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 74) used to measure the PEEHIP total OPEB liability at September 30, 2020 was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance 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. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020. It is assumed that the 14.802% will increase at the same rate as expected benefit payments for the closed group until reaching an employer rate of 20.000%, at which point this amount will increase by 1.00% in subsequent years. 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 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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

The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate. A 1-percentage-point decrease would change the current healthcare trend rate from 6.75% to 5.75%, the pre-Medicare from 4.75% to 3.75%, the Medicare eligible from 4.75% to 3.75%. A 1-percentage-point increase would change the current healthcare trend rate from 6.75% to 7.75%, the pre-Medicare from 4.75% to 5.75%, the Medicare eligible from 4.75% to 5.75%.

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
UAB's proportionate share of the collective net OPEB liability	\$ 537,883,539	\$ 680,431,790	\$ 865,981,167

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 3.05%, 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:

	<u>2.05%</u>	<u>3.05%</u>	<u>4.05%</u>
UAB's proportionate share of the collective net OPEB liability	\$ 834,584,896	\$ 680,431,790	\$ 558,000,835

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, 2020. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2020. 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, 2020, the Valuation Date.

Membership:	2021
Inactive Employees or Beneficiaries Currently Receiving Benefits	238
Inactive Members Entitled To But Not Yet Receiving Benefits	—
Active Employees	10,824
TOTAL MEMBERSHIP	11,062

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, 2021 and 2020, UAB reported a total OPEB liability ("TOL") of \$5.3 million and \$6.3 million, respectively. The TOL is based upon an Entry Age Normal ("EAN") actuarial funding method as of the valuation date, September 30, 2019. Since the valuation date at which the TOL is determined is before the measurement date, the TOL must be rolled forward to the measurement date.

For the years ended September 30, 2021 and 2020, UAB recognized an OPEB benefit of \$1,240,589 and \$644,580, respectively with no special funding situations. At September 30, 2021 and 2020, UAB reported deferred outflows of resources and deferred inflows of resources related to the UAB plan from the following sources:

2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 5,668,729
Changes of assumptions	75,946	4,632,413
Employer contributions subsequent to the measurement period	1,895,059	—
TOTAL	\$ 1,971,005	\$ 10,301,142

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 6,076,784
Changes of assumptions	—	5,360,627
Employer contributions subsequent to the measurement period	1,411,559	—
TOTAL	\$ 1,411,559	\$ 11,437,411

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:		
2021	\$	(1,563,353)
2022		(1,563,353)
2023		(1,563,353)
2024		(1,563,353)
2025		(1,550,356)
Thereafter		(2,421,428)

Actuarial assumptions. The total OPEB liability for the UAB Plan was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Real Wage Growth	0.25 %
Projected Salary Increases ¹	3.25% - 5.00%
Wage inflation.	3.00 %
Municipal Bond Index Rate at the Measurement Date	2.25 %
Municipal Bond Index Rate at the Prior Measurement Date	2.66 %
Healthcare Cost Trend Rate	
Pre-Medicare Medical and Prescription Drug (decreasing to an ultimate rate of 4.75% by 2027)	6.75 %

¹Includes 3.00% wage inflation.

Mortality rates for the period after service retirement for the UAB plan are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the September 30, 2019 valuation were based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

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, 2019 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2019 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, 2020 were 2.21%, 2.41%, and 2.14% for the Bond Buyer, Fidelity, and S&P Municipal Bond Indices respectively. These three rates resulted in an averaged Municipal Bond Index Rate of 2.25%. This is a change from the Municipal Bond Index Rate of 2.66% as of the Prior Measurement Date, which used a single source from the Bond Buyer (www.bondbuyer.com).

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 4.75% to 3.75%. A 1-percent-point increase would change the current healthcare trend rate from 6.75% to 7.75% and the pre-Medicare from 4.75% to 5.75%.

	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate</u>	<u>1% Increase</u>
UAB's total OPEB liability	\$ 5,132,275	\$ 5,280,513	\$ 5,437,514

The following table presents the total OPEB Liability of the UAB Plan, calculated using the discount rate of 2.25%, as well as what the total OPEB liability would be if calculated using 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1.25%</u>	<u>2.25%</u>	<u>3.25%</u>
UAB's total OPEB liability	\$ 5,499,885	\$ 5,280,513	\$ 5,075,331

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:

	2021
Total OPEB Liability as of September 30, 2020	\$ 6,251,332
Changes for the year:	
Service cost	168,931
Interest on TOL and cash flows	153,833
Changes in benefit terms	—
Difference between expected and actual experience	(436,896)
Changes of assumptions or other inputs	85,758
Benefit payments	(942,445)
Net changes	\$ (970,819)
Total OPEB Liability as of September 30, 2021	\$ 5,280,513

*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, 2021 and 2020, UAB disbursed approximately \$163.2 million and \$166.6 million, respectively, under the FDSLPL.

(12) Grants and Contracts

At September 30, 2021 and 2020, UAB had been awarded approximately \$907.5 million and \$703.1 million, respectively, in grants and contracts which have not been expended. These awards, which represent commitments of sponsors to provide funds for specific research, training, and service projects, have not been reflected in the financial statements.

(13) Operating Expenses by Function

Total operating expenses by functional classification for the years ended September 30, 2021 and 2020 are as follows for UAB:

2021 Operating Expenses

(by functional classification)

	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 259,960,374	\$ 33,060,944	\$ —	\$ —	\$ 293,021,318
Research	206,051,685	132,301,420	—	—	338,353,105
Public service	113,748,440	68,723,953	—	—	182,472,393
Academic support	161,076,915	8,826,999	—	—	169,903,914
Student services	29,096,394	10,491,179	—	—	39,587,573
Institutional support	129,108,352	111,476,998	—	—	240,585,350
Operations and maintenance of plant	41,346,247	31,906,518	—	—	73,252,765
Scholarships and fellowships	—	—	—	55,053,095	55,053,095
University Hospital	951,567,782	1,109,083,108	—	—	2,060,650,890
Auxiliary	71,672,708	668,172,085	—	—	739,844,793
Depreciation	—	—	156,533,614	—	156,533,614
TOTAL OPERATING EXPENSES	\$ 1,963,628,897	\$ 2,174,043,204	\$ 156,533,614	\$ 55,053,095	\$ 4,349,258,810

2020 Operating Expenses

(by functional classification)

	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 248,045,998	\$ 35,951,295	\$ —	\$ —	\$ 283,997,293
Research	181,566,808	112,611,840	—	—	294,178,648
Public service	109,176,136	58,006,813	—	—	167,182,949
Academic support	158,931,068	13,366,872	—	—	172,297,940
Student services	27,963,265	10,844,232	—	—	38,807,497
Institutional support	95,295,882	122,914,000	—	—	218,209,882
Operations and maintenance of plant	36,974,761	31,733,410	—	—	68,708,171
Scholarships and fellowships	—	—	—	35,285,313	35,285,313
University Hospital	836,833,734	963,286,381	—	—	1,800,120,115
Auxiliary	71,257,173	652,837,364	—	—	724,094,537
Depreciation	—	—	150,994,130	—	150,994,130
TOTAL OPERATING EXPENSES	\$ 1,766,044,825	\$ 2,001,552,207	\$ 150,994,130	\$ 35,285,313	\$ 3,953,876,475

(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, 2021 and 2020, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$293 million and \$165 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, 2021 and 2020 is as follows:

UNIVERSITY	2021	2020
CONDENSED STATEMENTS OF NET POSITION		
Current assets	\$ 987,138,944	\$ 836,713,735
Capital assets, net	1,170,350,281	1,168,528,126
Other assets	1,139,082,387	874,816,846
TOTAL ASSETS	\$ 3,296,571,612	\$ 2,880,058,707
DEFERRED OUTFLOW OF RESOURCES	\$ 562,409,447	\$ 211,159,055
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,858,981,059	\$ 3,091,217,762
Current liabilities	325,135,087	349,237,084
Long-term debt	577,663,870	601,602,280
Other noncurrent liabilities	1,373,463,571	991,756,471
TOTAL LIABILITIES	\$ 2,276,262,528	\$ 1,942,595,835
DEFERRED INFLOW OF RESOURCES	\$ 318,523,939	\$ 319,605,203
Net investment in capital assets	608,224,952	609,155,955
Restricted nonexpendable	390,565,083	405,387,849
Restricted expendable	548,697,797	305,788,404
Unrestricted	(283,293,240)	(491,315,484)
TOTAL NET POSITION	\$ 1,264,194,592	\$ 829,016,724
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 3,858,981,059	\$ 3,091,217,762

UNIVERSITY

	2021	2020
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Tuition and fees, net	\$ 243,476,387	\$ 244,929,737
Grant and contract revenue	526,727,010	483,921,581
Sales and services, educational	67,666,602	59,351,275
Other operating revenues	71,846,650	87,197,569
Salaries, wages, and benefits	(955,714,291)	(877,227,836)
Supplies and services	(417,106,329)	(408,331,442)
Depreciation	(80,221,836)	(76,748,607)
Scholarships and fellowships	(55,047,847)	(35,276,313)
OPERATING LOSS	(598,373,653)	(522,184,036)
State appropriations	276,997,252	270,077,351
Investment income	307,137,486	2,940,208
Interest expense	(17,114,882)	(22,083,632)
Gifts	57,336,704	15,640,326
Other nonoperating revenues	115,065,144	61,156,771
INCOME (LOSS) BEFORE OTHER CHANGES IN NET POSITION	141,048,051	(194,453,012)
Capital gifts and grants	1,645,260	1,854,223
State capital funds	3,610,767	—
Endowment gifts	33,163,130	17,755,898
Intergovernmental transfers	255,710,660	194,127,825
INCREASE IN NET POSITION	435,177,868	19,284,934
Net position, beginning of year	829,016,724	809,731,790
NET POSITION, END OF YEAR	\$ 1,264,194,592	\$ 829,016,724

UNIVERSITY

	2021	2020
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ (508,645,596)	\$ (428,799,771)
Noncapital financing activities	737,375,180	570,845,198
Investing activities	(55,038,798)	(28,338,182)
Capital and related financing activities	(123,157,539)	(167,695,054)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,533,247	(53,987,809)
Cash and cash equivalents, beginning of year	164,957,059	218,944,868
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 215,490,306	\$ 164,957,059

UNIVERSITY HOSPITAL**CONDENSED STATEMENTS OF NET POSITION**

	2021	2020
Current assets	\$ 1,520,821,759	\$ 1,374,342,040
Capital assets, net	614,486,113	611,158,094
Other assets	858,068,604	621,138,676
TOTAL ASSETS	\$ 2,993,376,476	\$ 2,606,638,810
DEFERRED OUTFLOW OF RESOURCES	\$ 300,205,570	\$ 107,671,675
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,293,582,046	\$ 2,714,310,485
Current liabilities	392,305,418	381,660,778
Long-term debt	485,980,987	485,584,419
Other noncurrent liabilities	754,073,771	555,745,556
TOTAL LIABILITIES	\$ 1,632,360,176	\$ 1,422,990,753
DEFERRED INFLOW OF RESOURCES	\$ 206,921,616	\$ 202,331,913
Net investment in capital assets	175,035,236	155,581,621
Restricted nonexpendable	128,099	128,099
Restricted expendable	40,600,146	35,958,408
Unrestricted	1,238,536,773	897,319,691
TOTAL NET POSITION	\$ 1,454,300,254	\$ 1,088,987,819
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 3,293,582,046	\$ 2,714,310,485

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

	2021	2020
Operating revenues	\$ 2,472,630,202	\$ 2,109,843,405
Operating expenses	(2,060,744,108)	(1,800,229,075)
Depreciation expense	(75,029,306)	(72,958,684)
OPERATING INCOME	336,856,788	236,655,646
Economic relief funds	412,719	71,281,071
State appropriations	37,955,804	36,887,361
Investment income	241,041,041	2,225,634
Interest expense	(18,165,739)	(18,042,761)
Gifts	104,779	495,224
Other nonoperating expenses	(327,872)	(176,882)
INCOME BEFORE OTHER CHANGES IN NET POSITION	597,877,520	92,669,647
Intergovernmental transfers	(232,565,085)	(191,732,311)
INCREASE IN NET POSITION	365,312,435	137,592,982
Net position, beginning of year	1,088,987,819	951,394,837
NET POSITION, END OF YEAR	\$ 1,454,300,254	\$ 1,088,987,819

UNIVERSITY HOSPITAL**CONDENSED STATEMENTS OF CASH FLOWS**

	2021	2020
Net cash provided by (used in):		
Operating activities	343,851,057	482,366,417
Noncapital financing activities	(190,862,468)	(87,024,110)
Investing activities	(289,430,880)	(41,132,386)
Capital and related financing activities	(116,498,135)	(108,557,784)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(252,940,426)	245,652,137
Cash and cash equivalents, beginning of year	334,173,935	88,521,798
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 81,233,509	\$ 334,173,935

(16) Health Care Services

Net Patient Service Revenue

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

Medicare. Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the University Hospital is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The University Hospital generally is reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the University Hospital and audits by the Medicare fiscal intermediary. The University Hospital's cost reports have been audited and settled for all fiscal years through 2012. Revenue from the Medicare program accounted for approximately 18% and 20% of the University Hospital's net patient service revenue for the years ended September 30, 2021 and 2020, respectively.

Section 302 of the Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare overpayments and underpayments made to providers. As of September 30, 2021, 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 or under a cost reimbursement methodology. The method of reimbursement is determined by the procedures that are performed. For outpatient services reimbursed under the cost reimbursement methodology, a final settlement is determined after submission of annual cost reports by the University Hospital and audits thereof by Blue Cross. The University Hospital's Blue Cross cost reports have been audited and settled for all fiscal years through 2016. Effective December 1, 2016 Blue Cross outpatient services began being reimbursed under the Enhanced Ambulatory Payment Group (EAPG) methodology. This is a prospective payment methodology with no retroactive settlement. Revenue from the Blue Cross program accounted for approximately 35% and 33% of the University Hospital's net patient service revenue for the years ended September 30, 2021 and 2020, 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 \$168.2 million and \$103.1 million in 2021 and 2020, 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 16% and 15% of the University Hospital's net patient service revenue for the years ended September 30, 2021 and 2020, 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:

	2021	2020
Gross Patient Service Revenue	\$ 9,562,939,692	\$ 8,092,812,292
Less Provision for Contractual and Other Adjustments	(7,196,037,301)	(6,120,310,515)
Less Provision for Bad Debts	(248,640,077)	(187,887,453)
Net Patient Service Revenue	\$ 2,118,262,314	\$ 1,784,614,324
Capitation Revenue	79,939,250	82,320,021
Other Operating Revenue	274,428,638	242,909,060
TOTAL UNIVERSITY HOSPITAL SALES REVENUE	\$ 2,472,630,202	\$ 2,109,843,405

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, 2021 and 2020 was approximately \$36.6 million and \$35.2 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.

	2021	2020
Approximate charges foregone, based on established rates	\$ 137,442,012	\$ 128,828,588
Percentage of charity charges to total charges	1.4%	1.6%

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, 2021 and 2020 follows:

	2021	2020
Other	43%	43%
Blue Cross	40%	35%
Medicare	11%	15%
Medicaid	6%	7%
	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, 2021 and 2020 were approximately \$36.1 million and \$37.3 million, respectively. In addition, during the years ended September 30, 2021 and 2020, the University Hospital transferred approximately \$232.6 million and \$191.7 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 Health System pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, University Hospital entered into a loan agreement with UAB Health System 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 Health System. Of the total amount borrowed, \$42.5 million was distributed to University Hospital as of September 30, 2020 and September 30, 2021. As University Hospital is legally obligated to repay \$94.7 million and is currently paying principal and interest on this full amount, University Hospital has reflected the full \$94.7 million on its statement of net position as long-term debt and \$52.2 million as Due from affiliate on the statement of net position. University Hospital pays interest to UAB Health System on the entire amount, regardless of the amount outstanding. There are no financial covenants related to the loan between University Hospital and UAB Health System.

During 2008, the University Hospital entered into an operating agreement with HSF whereby HSF would lease two floors of the Women and Infants Center (“WIC”). HSF reimbursed the University Hospital for construction costs of this space as they were incurred on a square-footage basis. Total reimbursements are being amortized as rent revenue on a straight-line basis over a period equal to the 90 year total lease term, commencing on February 22, 2010, the date the building was placed into service. The University Hospital had received reimbursements from HSF totaling approximately \$14.7 million in 2021 and 2020, of which approximately \$12.6 million and \$12.8 million respectively, is included in the accompanying statement of net position as unearned revenue-other for the years ended September 30, 2021 and 2020, respectively.

The Board and the HSF’s board have entered into an agreement under which UAB and HSF have established a common management group, the UAB Health System (Health System), to provide management for their existing and future health care delivery operations.

In connection with its agreement with the Health System, the University Hospital partially funded the operations of the Health System and its corporate office, charging approximately \$17.4 million and \$14.8 million to other operating expense in fiscal year 2021 and 2020, respectively. In addition, the Health System periodically makes payments on behalf of the University Hospital for which it is reimbursed. The University Hospital had a net payable to the Health System of approximately \$6.9 million and \$9.8 million at September 30, 2021 and 2020, respectively. University Hospital also made equity transfers of approximately \$86.9 million and \$86.8 million to the Health System during fiscal year 2021 and 2020, respectively.

In March 2014, the University Hospital assumed operations of the outpatient clinics in The Kirklin Clinic and entered into an agreement with HSF to lease the land and the building known as The Kirklin Clinic. The initial term of the lease, which is cancellable by either party upon proper written notice and without penalty, is five years, with automatic one-year renewals thereafter.

VF’s primary purpose is to provide a group medical practice for physicians who are faculty members in the UAB School of Medicine Huntsville program. It is governed by a 17-member board of directors, consisting of three nonvoting members and 14 voting members, of whom seven are affiliated with UAB.

The University Hospital received premium revenue (capitation fees) of approximately \$80 million and \$82 million from Triton during the years ended September 30, 2021 and 2020, respectively.

The University Hospital purchased \$550 million and \$458 million in management, administrative, and staffing services from the LLC during the years ended September 30, 2021 and 2020, respectively. Payment for contract labor as reported on the Statements of Cash Flows includes amounts paid to employees of the LLC and HSF.

(17) Recently Issued Pronouncements

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after June 15, 2021. UAB anticipates that the adoption of GASB 87 will have a material impact on the financial statements.

The GASB issued Statement No. 90, *Majority Equity Interest - An Amendment of GASB Statements No. 14 and No. 61*, in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for reporting periods beginning after December 15, 2019. UAB has determined there was no material impact from its adoption of GASB 90.

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

The GASB issued Statement No. 92, *Omnibus 2020, in January 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB

Statements. The statement is effective for reporting periods beginning after June 15, 2021. UAB has determined there will be no material impact from its adoption of GASB 92.

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

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

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, in May 2020. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements 83 - 93. The effective dates disclosed above have been adjusted to reflect this deferral. UAB will apply the GASB 95 postponement of effective dates.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The statement is effective for reporting periods beginning after June 15, 2022. UAB is evaluating whether there will be any material impact from its adoption of GASB 96.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. UAB has determined there was no material impact from its adoption of the portions of GASB 97 which were effective immediately, and there will be no material impact from its adoption of the portions of this Statement effective for reporting periods beginning after June 15, 2021.

The GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*, in October 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. UAB's early adoption of GASB 98 during fiscal year 2021 had no material impact on its financial statements.

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

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	11.425593 %	11.260686 %	11.750518 %	11.814264 %	11.863961 %	11.916376 %	12.188512 %
Employer's proportionate share of the collective net pension liability	\$ 1,413,306	\$ 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	\$ 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	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	67.72 %	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %	71.01 %

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

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 96,839	\$ 98,485	\$ 94,900	\$ 91,228	\$ 88,660	\$ 86,334	\$ 84,999
Contributions in relation to the contractually required contribution	\$ 96,839	\$ 98,485	\$ 94,900	\$ 91,228	\$ 88,660	\$ 86,334	\$ 84,999
Contribution deficiency (excess)	—	—	—	—	—	—	—
Employer's covered payroll	\$ 947,482	\$ 946,085	\$ 940,203	\$ 916,059	\$ 901,338	\$ 876,899	\$ 864,300
Contributions as a percentage of covered payroll	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 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 University of Alabama at Birmingham Required Supplementary Information (Unaudited)

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

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

	2021	2020	2019	2018
Employers' proportion of the net OPEB liability	10.484536 %	7.028808 %	8.029386 %	8.670675 %
Employer's proportionate share of the net OPEB liability	\$ 680,431,790	\$ 265,180,609	\$ 659,913,266	\$ 644,008,211
Employer's covered payroll during the measurement period	\$ 951,987,983	\$ 911,573,992	\$ 922,919,000	\$ 908,353,000
Employer's covered payroll OPEB liability (asset) as a percentage of its covered payroll	71.47 %	29.09 %	71.50 %	70.90 %
Plan fiduciary net position as a percentage of the total OPEB liability	19.80 %	28.14 %	14.81 %	15.37 %

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

	2021	2020	2019	2018
Contractually required contribution	\$ 18,240,187	\$ 20,775,402	\$ 19,976,210	\$ 19,713,541
Contributions in relation to the contractually required contribution	\$ 18,240,187	\$ 20,775,402	\$ 19,976,210	\$ 19,713,541
Contribution deficiency (excess)	—	—	—	—
Employer's covered payroll	\$ 955,043,349	\$ 951,987,983	\$ 911,573,992	\$ 922,919,000
Contributions as a percentage of covered payroll	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 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 Required Supplementary Information (Unaudited)

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

	2021	2020	2019	2018
Total OPEB Liability	\$ 6,251,332	\$ 17,698,575	\$ 20,320,823	\$ 26,032,496
Service cost*	168,931	169,614	168,312	6,230,996
Interest on TOL and cash flows	153,833	708,983	691,351	690,596
Changes in benefit terms	—	—	—	(6,710,449)
Difference between expected and actual experience	(436,896)	(6,173,296)	(787,087)	—
Changes of assumptions or other inputs	85,758	(4,662,781)	(767,436)	(961,631)
Benefit payments	(942,445)	(1,489,763)	(1,927,388)	(4,961,185)
Net changes in Total OPEB Liability	(970,819)	(11,447,243)	\$ (2,622,248)	\$ (5,711,673)
Total OPEB Liability - Beginning	\$ 6,251,332	\$ 17,698,575	\$ 20,320,823	\$ 26,032,496
Total OPEB Liability - Ending	\$ 5,280,513	\$ 6,251,332	\$ 17,698,575	\$ 20,320,823
Covered payroll	\$ 951,987,983	\$ 911,573,992	\$ 922,919,000	\$ 908,353,000
Total OPEB Liability as a percentage of covered-employee payroll	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 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

As of September 30, 2021



Ray L. Watts, M.D.
President



Pamela Benoit, Ph.D.
Senior Vice President for Academic Affairs
and Provost

Shannon Blanton, Ph.D.
Dean, UAB Honors College

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

Andrew J. Butler, MPT, MBA, Ph.D.
Dean, School of Health Professions

Thomas I. Brannan
Vice President for Advancement

Michelle Robinson, D.M.D.
Interim Dean, School of Education

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

Paul C. Erwin, M.D., DrPH
Dean, School of Public Health

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

Doreen C. Harper, Ph.D., R.N., FAAN
Dean, School of Nursing

Paulette Patterson Dilworth, Ph.D.
Vice President for Diversity, Equity and
Inclusion

Jeffery W. Holmes, M.D.
Dean, School of Engineering

William Ferniany, Ph.D.
CEO, UAB Health System

Eric P. Jack, Ph.D.
Dean, Collat School of Business

John R. Jones, III, Ph.D.
Vice President for Student Affairs

Lori L. McMahon, Ph.D.
Dean, Graduate School

Selwyn M. Vickers, M.D.
Senior Vice President for Medicine and
Dean, UAB Marnix E. Heersink School of
Medicine

Kasia Gonnerman, MA
Dean, UAB Libraries

Kelly K. Nichols, O.D., MPH, Ph.D., FAAO
Dean, School of Optometry

Russell Taichman, D.M.D., DMSc.
Dean, School of Dentistry

Kecia M. Thomas, Ph.D.
Dean, College of Arts and Sciences

The Board of Trustees of The University of Alabama

As of September 30, 2021

The Honorable Kay Ivey Governor of Alabama
President ex officio



W. Stancil Stranes, President pro tempore
Sixth Congressional District

Trustees Emeriti



Paul W. Bryant, Jr.

Mike Brock
Second Congressional District

Angus R. Cooper II

Karen P. Brooks
Seventh Congressional District

John H. England, Jr.

Ronald W. Gray
Fifth Congressional District

Joseph C. Espy III

Barbara Humphrey
Seventh Congressional District

Joseph L. Fine

Vanessa Leonard
Sixth Congressional District

Sandra Hullett, M.D.

W. Davis Malone III
Second Congressional District

Andria Scott Hurst

Evelyn VanSant Mauldin
Fourth Congressional District

John D. Johns

Harris V. Morrisette
First Congressional District

Peter L. Lowe

Scott M. Phelps
Fourth Congressional District

John J. McMahon, Jr.

William Britt Sexton
Fifth Congressional District

John T. Oliver, Jr.

Kenneth O'Neal Simon
Seventh Congressional District

Joe H. Ritch

Marietta M. Urquhart
First Congressional District

Finis E. St. John IV

Kenneth L. Vandervoort, M.D.
Third Congressional District

Cleophus Thomas, Jr.

James W. Wilson III
Third Congressional District

John Russell Thomas

