THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

FINANCIAL REPORT

2022 | 2023

PART OF THE University of Alabama System

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The recently completed Spragins Hall Interior Renovations & Exterior Signage project included much-needed improvements to the main lobby, corridors, arena, concessional areas, and VIP Club. The project also includes reconfiguration of the ticket booth, upgrading existing men's and women's restrooms, interior graphics and new exterior signage.

Requests for Information

These financial statements are designed to provide a general overview of the University and its component unit's financial activities and to demonstrate the University's accountability. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of Accounting and Financial Reporting, The University of Alabama in Huntsville, 301 Sparkman Drive, Huntsville, Alabama 35899.

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Report of Independent Auditors

To the Board of Trustees of The University of Alabama

Opinions

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

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

We did not audit the financial statements of The University of Alabama Huntsville Foundation, the University's discretely presented component unit, which statements reflect total assets of $121.0 million and $94.4 million as of September 30, 2023 and 2022, and changes in net position of $14.2 million and $5.7 million for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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

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Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis on pages 5 through 14 and the required supplementary information for the pension plan and postemployment benefits on pages 60 and 61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

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

PricewaterhouseCoopers L.L.P.

Birmingham, Alabama
January 31, 2024

The University of Alabama in Huntsville
Management's Discussion and Analysis (Unaudited)

The following discussion and analysis provides an overview of the financial performance and activities of The University of Alabama in Huntsville (the "University" or "UAH") for the fiscal years ended September 30, 2023 and 2022. This discussion and analysis has been prepared by University management along with the financial statements and related note disclosures, and should be read in conjunction with the financial statements and related note disclosures. The financial statements, notes and this discussion are the responsibility of management.

Introduction

The University of Alabama in Huntsville is a public co-educational, state-supported research university and is classified as a 'very high research activity' institution by the Carnegie Foundation for the Advancement of Teaching, placing it among a select group of public universities in America. UAH has five research programs ranked in the top 20 in the nation, according to the National Science Foundation, including 6th in the United States in aerospace engineering. UAH is 11th in the nation in NASA-sponsored research and 17th in the nation in DOD research.

The University offers 94 degree-granting programs that meet the highest standards of excellence, including 45 bachelor's degree programs, 31 master's degree programs, and 18 doctoral programs through its eight colleges: Arts, Humanities and Social Sciences; Business; Education; Engineering; Graduate School; Honors; Nursing; and Science.

UAH is an autonomous campus within The University of Alabama System (the "System") and is the anchor tenant for Cummings Research Park, the second largest university research park in the United States and home to over 300 high technology and research companies.

UAH is ranked as "R1 – Very high research activity" status among doctoral-granting universities in the Carnegie Classification of Institutes of Higher Education rankings. U.S. News & World Report ranks UAH among the top eight percent of public universities in the nation. According to PayScale, UAH provides the number one return on investment of all Alabama schools for both in-state and out-of-state students.

The University expended over $133 million for externally funded projects for the year ended September 30, 2023. Sponsors of research include federal and state agencies, academic institutions, industry and private foundations. Research is conducted within the eight individual colleges and through the University's 17 independent research centers, laboratories and institutes. UAH also received Public School and College Authority funds and other state capital appropriation funds in 2023 totaling $2.6 million and $19.3 million respectively.

Major interdisciplinary research thrusts include: modeling and simulation; cybersecurity; systems engineering; rotorcraft and aerospace engineering; propulsion; optics; space physics and astrophysics; earth and atmospheric system science; information technology; materials science; biotechnology; nanotechnology; humanities; lean supply chain, acquisition, and logistics; advanced manufacturing; and artificial intelligence.

Overview of Financial Statements

The financial statements present comparative financial information for the University and its discretely presented component unit, The University of Alabama in Huntsville Foundation ("UAHF"). The financial information for UAHF does not form part of the University's MD&A, financial statements, or footnotes. However, UAHF's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are discretely presented on pages 20-21.

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

Statements of Net Position

The statements of net position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal years ended September 30, 2023 and 2022. The purpose of the statements of net position is to present a fiscal snapshot of the University to the readers of the financial statements.

The statements of net position present the assets available to continue the operations of the University. The statements also show how much the University owes vendors, bond holders and lending institutions. Finally, the statements of net position provide a picture of the net position and the availability of resources for expenditure by the University.

Net position is divided into three major categories. The first category, net investment in capital assets, consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The second net position category is restricted net position, which is further divided into two sub-categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes, with the income earned thereon available primarily to fund scholarships and fellowships. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed a time or purpose restriction on the use of the assets. The final category is unrestricted net position, which is available to the University as needed. Unrestricted net position is negative due to the University recording its share of the State of Alabama's unfunded pension and OPEB plans. As discussed in Note 1 to the University's basic financial statements, the 2022 financial statements have been revised to correct for an immaterial error and this MD&A has been revised accordingly.

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30 is as follows:

Condensed Statements of Net Position

	September 30		
	2023	2022	2021
Current assets	$ 191,133,109	$ 158,126,459	$ 133,502,792
Noncurrent assets:			
Endowment, life income and other investments	157,043,002	103,522,443	120,197,213
Capital assets, net	307,152,753	306,061,306	302,315,333
Other	17,888,841	9,886,012	9,437,408
Total assets	673,217,705	577,596,220	565,452,746
Deferred outflows of resources	115,690,814	90,140,786	98,710,616
Current liabilities	83,366,886	85,763,478	88,182,330
Noncurrent liabilities	389,432,814	337,738,057	396,641,004
Total liabilities	472,799,700	423,501,535	484,823,334
Deferred inflows of resources - leases	5,968,200	6,753,327	7,540,024
Deferred inflows of resources - pension and OPEB	74,463,242	90,439,348	46,760,728
Total deferred inflows of resources	80,431,442	97,192,675	54,300,752
Net position			
Net investment in capital assets	165,912,607	169,013,485	162,862,000
Restricted	106,029,511	50,261,706	29,756,055
Unrestricted	(36,264,741)	(72,232,395)	(67,578,779)
Total net position	$ 235,677,377	$ 147,042,796	$ 125,039,276

For the year ended September 30, 2023, the University's current assets increased $33.0 million primarily due to an increase in cash and cash equivalents of $34.2 million. Endowment, life income and other investments increased $53.5 million due to investments of capital appropriations received and due to favorable returns on investments in 2023. Capital assets, net of depreciation, increased by 1.1 million. Other noncurrent assets increased by $8.0 million primarily due to a generous pledge from the UAH Foundation for construction of the Raymond B. Jones Engineering Building. Current liabilities decreased $2.4 million. The majority of this decrease is due to a $6.0 million decrease in unearned revenue that was attributable to softening enrollment and a shift in the academic calendar that was offset by a $2.8 million increase in accounts payable and accrued liabilities. The increase in noncurrent liabilities of $51.7 million was primarily attributable to increases in pension liabilities of $90.6 million and increases in lease and SBITA liabilities of $7.1 million that were offset by payments for bond principal of $5.6 million, payments for lease and SBITA principal of $1.3 million and a decrease in OPEB liabilities of $39.6 million.

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, the University is required to make certain employer contributions on behalf of its employees participating in TRS's defined benefit pension plan. Additionally, Alabama statutes permitted the University to opt-in to provide its eligible retirees with healthcare benefits through the Public Education Employees' Health Insurance Plan (PEEHIP).

The University recorded an increase in deferred outflows of resources of $25.6 million primarily due to differences in projected and actual earnings on investments offset by differences in expected and actual experience, changes of assumptions, and changes in proportion. Deferred inflows related to leases decreased from $6.8 million to $6.0 million. The decrease is due to the regular amortization of the deferred inflows and recognition of lease revenue in accordance with GASB 87. Deferred inflows of resources related to pensions and OPEB decreased $16.0 million due primarily to differences between projected and actual earnings on investments.

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, UAH does not believe that the associated recorded liabilities constitute legal liability for the University, nor do they open the University to other claims on its resources. See Note 9 and Note 10 to the financial statements for additional information.

For the year ended September 30, 2022, the University's current assets increased $24.6 million primarily due to an increase in cash and cash equivalents of $33.6 million. Endowment, life income and other investments decreased $16.7 million due to unfavorable returns on investments. Capital assets, net of depreciation, increased by $3.7 million with $1.5 million of this increase attributable of the adoption of GASB 96. Other noncurrent assets increased by $449 thousand. Current liabilities decreased $2.4 million. The majority of this decrease was due to a $1.5 million decrease in accounts payable and accrued liabilities and a $1.6 million decrease in unearned revenue. Noncurrent liabilities decreased by approximately $58.9 million, primarily as a result of a decrease in the Pension and OPEB liabilities of $54.4 million as required by GASB No. 68 and No. 75.

For the year ended September 30, 2023, the University's total net position increased $88.6 million. The University's net investment in capital assets decreased approximately $3.1 million. Restricted net position increased approximately $55.8 million primarily due to restricted capital gifts and appropriations. The deficit in unrestricted net position decreased approximately $36.0 million. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for capital projects and various academic and research initiatives.

For the year ended September 30, 2022, the University's total net position increased $22.0 million. The University's net investment in capital assets increased approximately $6.2 million. Restricted net position increased approximately $20.5 million primarily due to a restricted capital appropriation. The deficit in unrestricted net position increased approximately $4.7 million.

Capital Assets

For the years ended September 30, 2023, 2022, and 2021, the University had approximately $651.7 million, $638.5 million, and $618.2 million invested in capital assets and accumulated depreciation of $344.6 million, $332.4 million, and $315.9 million, respectively. Depreciation charges for the years ended September 30, 2023, 2022, and 2021, were $20.3 million, $19.3 million, and $18.3 million, respectively. The following table summarizes the University's capital assets, net of accumulated depreciation, as of September 30:

Capital Assets, Net

	2023	2022	2021
Land	$ 14,050,899	$ 14,050,899	$ 14,050,899
Land improvements and infrastructure, net	8,410,369	7,236,076	4,296,781
Buildings and building improvements, net	251,686,470	261,931,352	264,911,345
Equipment, net	20,685,365	17,498,167	16,273,924
Library books, net	1,208,879	1,089,339	1,296,691
Computer Software	-	590,849	301,291
Right of use assets - Leases	7,896,455	-	-
Right of use assets - SBITAs	2,014,914	2,465,222	-
Collections	1,199,402	1,199,402	1,184,402
Total capital assets, net	$307,152,753	$306,061,306	$302,315,333

Major capital projects that reached substantial completion in fiscal year 2023 include Altenkirch Lawn Greenway Phase IV, Business Administration Building Roof Replacement, Campus North Lake Dredging Phase I, Central Plant Building Roof Replacement, Olin B. King Technology Hall Roof Replacement, Optics Building Flooring & Door Replacement, and Spragins Hall Interior Renovations & Exterior Signage.

Additional information about the University's capital assets is presented in Note 6 to the financial statements.

Debt

This table summarizes outstanding debt by type, as of September 30. Principle and interest on these revenue bonds are collateralized by a pledge of revenues produced by student housing and student tuition and fees.

	2023	2022	2021
Bonds - Current	$ 5,942,000	$ 5,580,000	$ 5,327,000
Bonds - Long Term	119,658,000	125,600,000	129,900,000
Lease - Current	877,012	194,000	194,000
Lease - Long Term	7,282,560	19,630	213,630
SBITA - Current	415,908	453,786	-
SBITA - Long Term	814,392	1,016,679	-
Premium, net	10,188,576	10,780,819	11,798,687
Total debt outstanding	$145,178,448	$143,644,914	$147,433,317

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total net position as presented on the statements of net position are based on the activity presented in the statements of revenues, expenses, and changes in net position, which reflect the University's results of operations. This presents the revenues and expenses, both operating and non-operating, along with other changes in net position.

State educational appropriations are classified as non-operating, in accordance with GASB accounting standards, because they are provided by the State Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the non-operating revenues, in particular the state appropriations, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its programs.

A summarized comparison of the University's revenues, expenses and changes in net position for the years ended September 30 is as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Years ended September 30		
	2023	2022	2021
Operating revenues:			
Tuition and fees	$116,180,404	$120,448,927	$119,161,969
Less: scholarship allowances	(40,451,521)	(44,907,292)	(47,878,093)
Tuition and fees, net	75,728,883	75,541,635	71,283,876
Federal, state and private grants and contracts	133,491,568	141,726,623	128,452,849
Sales and services of educational activities	4,032,231	5,341,508	4,363,351
Auxiliary, net of $795,249 in 2023, $1,356,764 in 2022, and $1,955,997 in 2021 of scholarship allowances	16,140,647	13,349,046	11,512,344
Total operating revenues	229,393,329	235,958,812	215,612,420
Operating expenses	300,920,245	299,498,645	294,568,209
Operating loss	(71,526,916)	(63,539,833)	(78,955,789)
Nonoperating revenues (expenses):			
State educational appropriations	73,678,125	58,322,523	57,378,734
Private gifts	3,398,143	4,615,976	7,868,683
Net investment (loss) income	14,685,547	(16,315,109)	22,472,701
Grant revenue	9,170,783	19,528,130	27,651,693
Loss on disposal of capital assets	(445,794)	(213,736)	(109,299)
Interest expense	(5,403,646)	(5,893,703)	(5,962,315)
Net nonoperating revenues	95,083,158	60,044,081	109,300,197
Other changes in net position	65,078,339	25,499,272	2,251,361
Increase in net position	88,634,581	22,003,520	32,595,769
Net position, beginning of year	147,042,796	125,039,276	92,443,507
Net position, end of year	$235,677,377	$147,042,796	$125,039,276

Approximately $73.6 million in state educational appropriations were received for the year ended September 30, 2023. Of this amount, $63.6 million was from recurring appropriations and $10.0 million was a supplemental appropriation in support of UAH's Center for Cybersecurity Research and Education.

Gross tuition and fees decreased approximately $4.3 million for the year ended September 30, 2023 due to softening enrollment. Gross tuition and fees increased approximately $1.3 million for the year ended September 30, 2022 due to tuition and fee increases.

Significant recurring sources of the University's revenues, such as state appropriations, are considered non-operating, as defined by GASB Statement No. 35, *Basic Financial Statements-Management's Discussion and Analysis – for Public Colleges and Universities*.

The following is a summary of revenues by source (both operating and non-operating) for the years ended September 30:

	2023		2022		2021	
State educational appropriations	$ 73,678,125	18.6%	$ 58,322,523	17.8%	$ 57,378,734	17.2%
Net investment income (loss)	14,685,547	3.7%	(16,315,109)	-5.0%	22,472,701	6.7%
Grants and contracts	133,491,568	33.8%	141,726,623	43.3%	128,452,849	38.5%
Gifts	6,590,432	1.7%	4,615,976	1.4%	7,868,683	2.4%
Auxiliary	16,140,647	4.1%	13,349,046	4.1%	11,512,344	3.5%
Net tuition and fees	75,728,883	19.2%	75,541,635	23.1%	71,283,876	21.4%
Sales and services	4,032,231	1.0%	5,341,508	1.6%	4,363,351	1.3%
Capital gifts, grants and appropriations	61,886,050	15.7%	25,499,272	7.8%	2,251,361	0.7%
Grant revenue	9,170,783	2.3%	19,528,130	6.0%	27,651,693	8.3%
Total revenues	$395,404,266		$ 327,609,604		$333,235,592	

The University receives grant and contract revenue from federal, state and local governments and private agencies. These funds are used to further the mission of the University: research, education, and public service. These funds are recorded as operating revenues.

Grants and contracts revenue decreased $8.2 million in fiscal year 2023 primarily due to Department of Defense contracts that were not renewed. For the year ended September 30, 2022 grants and contracts revenues increased $13.2 million due primarily to increases in federal contracts.

Investments produced income and gains for fiscal year 2023 of $14.7 million due to more favorable market conditions compared to fiscal year 2022. Investments produced losses for fiscal year 2022 in the amount of $16.3 million, a $38.8 million decrease compared to fiscal year 2021. These amounts are primarily a function of the investment return earned in the portfolio, primarily the UA System Investment Pools.

The University received gifts of approximately $6.6 million for fiscal year 2023 that will be used to support various academic programs and provide scholarships and fellowships to UAH students as stipulated by our generous donors. UAH received gifts of $4.6 million in 2022 and $7.9 million in 2021.

The University's auxiliary activities are comprised primarily of food service, housing, and bookstore sales. Auxiliary activities increased $2.8 million in 2023 primarily from increased housing occupancy rates and a modest increase to rental fees. Auxiliary activities increased $1.8 million in 2022 due to a return to normal operations after the COVID-19 pandemic.

For the year ended September 30, 2023, sales and services revenue decreased by $1.3 million primarily due to lower enrollment. For the year ended September 30, 2022, sales and services revenue remained fairly constant with a slight increase of $978 thousand.

Non-operating grant revenue decreased by $10.4 million in fiscal year 2023 and by $8.1 million in 2022 due to a reduction of CARES Act grants compared to 2021.

Capital gifts, grants, and appropriations increased by $36.4 million due primarily to the receipt of a $20.0 million pledge from UAHF for the construction of the Raymond B. Jones Engineering Building and a transfer of $19.6 million from the University of Alabama System Office.

The following chart reflects the funding sources for federal operating grant and contract revenue for the years ended September 30:

Detail of Federal Grants & Contracts Revenue

	Years ended September 30		
	2023	2022	2021
National Aeronautics and Space Administration	$ 36,885,602	$ 33,593,858	$ 30,037,499
Department of Defense	67,472,706	83,532,186	75,968,364
National Science Foundation	10,827,266	8,432,582	7,653,372
Department of Education	565,594	420,244	394,048
Other	9,386,725	7,992,236	7,981,560
Total	$ 125,137,893	$ 133,971,106	$ 122,034,843

The University is classified by the Carnegie Classification of Institutions of Higher Education as R1: Doctoral Universities—Very High Research Activity. While operating revenues from federals grants and contracts decreased to $125.1 million in fiscal year 2023, UAH's research prowess continues to remain strong.

UAH continues to be a beneficiary of federal funding from various agencies for these projects, with the Department of Defense ("DOD") being the primary sponsor. Though DOD funding decreased in fiscal year 2023 due to the expiration of various grants and contracts, UAH did experience modest increase in funding from the National Aeronautics and Space Administration ("NASA") and the National Science Foundation ("NSF").

The following is a comparison of the University's operating expenses for the years ended September 30:

Operating Expenses (by natural classification)

	Years ended September 30		
	2023	2022	2021
Salaries, wages, and benefits	$ 204,316,017	$ 188,679,058	$ 190,481,360
Supplies and services	72,065,103	78,571,968	71,413,290
Depreciation	20,326,789	19,336,020	18,273,914
Scholarships and fellowships	4,212,336	12,911,599	14,399,645
Total operating expenses	$ 300,920,245	$ 299,498,645	$ 294,568,209

Operating Expenses (by functional classification)

	2023	2022	2021
Instruction	$ 68,980,100	$ 66,053,947	$ 66,178,810
Research	121,914,988	116,481,315	109,879,760
Public service	3,867,260	5,830,040	9,753,747
Academic support	16,094,042	13,081,415	13,095,811
Student services	18,308,256	20,154,276	18,640,335
Institutional support	23,674,458	20,840,523	20,958,365
Operations and maintenance of plant	15,732,384	14,982,342	14,287,985
Scholarships and fellowships	4,212,336	12,911,599	14,399,645
Auxiliary enterprises	7,809,632	9,827,168	9,099,837
Depreciation	20,326,789	19,336,020	18,273,914
Total operating expenses	$ 300,920,245	$ 299,498,645	$ 294,568,209

The University reports natural classifications of expenses in the SRECNP. Salaries, wages, and benefits increased $15.6 million to $204.3 million in 2023 primarily due to increases in the pension and OPEB expense adjustments resulting from GASB Statements No. 68 and 75 and other benefit costs. In 2022, salaries, wages and benefits decreased $1.5 million primarily due to pension and OPEB results and other benefit costs.

Supplies and services decreased $6.5 million in 2023 primarily due to a decrease in grants and contracts activity. Supplies and services expenses increased $7.2 million for the year ended September 30, 2022 due to the University's continued growth in federal contracts.

Scholarships and fellowships expenses represent the residual expense after applying the scholarship allowance to gross tuition and fees revenue. The scholarship allowance represents the discount applied to student accounts for internal scholarships and financial aid, including Pell grant assistance that is reported as non-operating revenue. Scholarships and fellowships decreased $8.7 million in 2023 due to lower enrollment and due to the University fully expending COVID-19 emergency financial aid grants in fiscal year 2022. Scholarships and fellowships decreased $1.5 million in 2022 due to the University awarding less COVID-19 emergency financial aid grants compared to 2021.

In addition to natural classifications, operating expenses are reported by functional classification as defined by the National Association of College and University Business Officers ("NACUBO"). 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, by function of the University, 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.

Economic Factors That Will Affect the Future

The University of Alabama in Huntsville enrolled 8,743 students in Fall 2023, a decrease of 494 students from the Fall 2022 enrollment of 9,237 students and a 1,257 decrease from the Fall 2020 enrollment of 10,000 students. With tuition revenue accounting for 52.5% of the total unrestricted fund budget, the decrease in enrollment has a direct impact on the University's finances. As a result, UAH continues to face challenges in providing attractive compensation to recruit and retain top talent in a highly competitive job market. To reverse the declining enrollment trend, the University has strategically realigned its Enrollment Management functions from Student Affairs to Academic Affairs. The University believes this realignment will foster greater collaboration between Enrollment Management and the Academic Colleges to strengthen the University's student recruitment efforts. In addition to realigning the Enrollment Management functions, UAH plans to increase the student retention rate by investing resources into academic advising. Due to its high quality academic programs and its extensive research portfolio, UAH continues to be the destination of choice for high-achieving students from Alabama, out-of-state, and overseas. UAH believes student enrollment will stabilize or even gain modestly in Fall 2024.

Recurring state educational appropriations accounted for 24.6% of the unrestricted fund budget. The University continues to receive generous support from the Alabama legislature and the Governor. Recurring state educational appropriations increased 7.73% in fiscal year 2024, 9.78% in fiscal year 2023, 7.74% in fiscal year 2022, and 3.41% in fiscal year 2021. These routine increases are needed to cover revenue shortfalls due to the decline in the student population. UAH has projected to receive a modest increase in state appropriations in fiscal year 2025. In addition to recurring state appropriations, UAH received much needed funding for capital improvements in fiscal year 2023 through supplemental appropriations from the legislature including $19.6 million for construction of the Raymond B. Jones Engineering Building, $19.2 million for the Education & Advanced Training Complex, and $10.0 million in support for cybersecurity research.

The University continues to sustain its high level of success in generating revenue through federal, state, and private grants and contracts. UAH recognized operating revenues from grants and contracts of $133.5 million in fiscal year 2023, $141.7 million in fiscal year 2022, $128.5 million in fiscal year 2021, and $112.1 million in fiscal year 2020. UAH projects that external research will continue to grow but at a more modest rate.

In summary, UAH projects recurring state appropriations to increase modestly in 2025 and that external research revenue will continue to remain strong and perhaps grow modestly over the next few years. UAH understands that growing student enrollment will be critical to maintaining a stable and healthy operating budget since tuition and fees comprise such a large proportion of unrestricted revenues. UAH will continue to prioritize and address employee compensation to curb higher than normal turnover rates in our highly competitive North Alabama market.

The University of Alabama in Huntsville
Statements of Net Position
September 30, 2023 and 2022

	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 129,564,474	$ 95,339,276
Short-term investments	4,421,381	1,020,292
Accounts receivable, net	41,497,806	44,147,087
Leases receivable, current portion	688,974	653,531
Other current assets	14,960,474	16,966,273
Total current assets	191,133,109	158,126,459
Noncurrent Assets:		
Restricted cash and cash equivalents	1,806,928	3,544,701
Endowment investments	46,531,920	40,928,159
Investments for capital activities	108,704,155	59,049,583
Leases receivable	5,795,761	6,486,442
Capital assets, net	307,152,753	306,061,306
Other noncurrent assets	12,093,079	3,399,570
Total noncurrent assets	482,084,596	419,469,761
Total Assets	**673,217,705**	**577,596,220**
Deferred Outflows of Resources		
Pension and OPEB obligations	115,690,814	90,140,786
Total Deferred Outflows of Resources	**115,690,814**	**90,140,786**
Total Assets and Deferred Outflows of Resources	**$ 788,908,519**	**$ 667,737,006**

The University of Alabama in Huntsville
Statements of Net Position -- Continued
September 30, 2023 and 2022

Liabilities and Net Position	**2023**	**2022**
Current Liabilities:		
Accounts payable and accrued liabilities	$ 36,146,990	$ 33,384,575
Unearned revenue	39,727,136	45,709,695
Current portion of long-term debt	7,234,920	6,227,786
Deposits held for others	257,840	441,422
Total current liabilities	83,366,886	85,763,478
Noncurrent Liabilities:		
Long-term debt	137,943,528	137,417,128
Federal advances - loan funds	981,191	808,645
Pension liability	237,205,000	146,630,000
OPEB liability	13,303,095	52,882,284
Total noncurrent liabilities	389,432,814	337,738,057
Total Liabilities	**472,799,700**	**423,501,535**
Deferred Inflows of Resources		
Leases	5,968,200	6,753,327
Pension and OPEB obligations	74,463,242	90,439,348
Total Deferred Inflows of Resources	**80,431,442**	**97,192,675**
Total Liabilities and Deferred Inflows of Resources	**$ 553,231,142**	**$ 520,694,210**
Net Position:		
Net investment in capital assets	165,912,607	169,013,485
Restricted:		
Nonexpendable	17,887,270	14,731,520
Expendable	88,142,241	35,530,186
Unrestricted	(36,264,741)	(72,232,395)
Total Net Position	235,677,377	147,042,796
Total Liabilities and Net Position	**$ 788,908,519**	**$ 667,737,006**

See accompanying notes to financial statements

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

	2023	2022
Operating Revenues		
Tuition and fees	$ 116,180,404	$ 120,448,927
Less: scholarship allowances	(40,451,521)	(44,907,292)
Tuition and fees, net	75,728,883	75,541,635
Grants and contracts		
Federal	125,137,893	133,971,106
State	5,526,996	5,296,529
Private	2,826,679	2,458,988
Sales and services of educational activities	4,032,231	5,341,508
Auxiliary, net of $795,249 in 2023 and $1,356,764 in 2022 of scholarship allowances	16,140,647	13,349,046
Total Operating Revenues	**229,393,329**	**235,958,812**
Operating Expenses		
Salaries, wages and benefits	204,316,017	188,679,058
Supplies and services	72,065,103	78,571,968
Depreciation	20,326,789	19,336,020
Scholarships and fellowships	4,212,336	12,911,599
Total Operating Expenses	**300,920,245**	**299,498,645**
Operating loss	(71,526,916)	(63,539,833)
Nonoperating Revenues (Expenses)		
State educational appropriations	73,678,125	58,322,523
Private gifts	3,398,143	4,615,976
Net investment income (loss)	14,685,547	(16,315,109)
Grant revenue	9,170,783	19,528,130
Other nonoperating expenses, net	(445,794)	(213,736)
Interest expense	(5,403,646)	(5,893,703)
Net Nonoperating Revenues	95,083,158	60,044,081
Income (loss) before other changes in net position	23,556,242	(3,495,752)
Other Changes in Net Position		
Capital gifts, grants and appropriations	20,401,460	320,000
State capital funds	2,626,405	7,179,272
State capital appropriations	19,287,652	18,000,000
Intergovernmental transfers	19,570,533	-
Additions to permanent endowments	3,192,289	-
Other changes in net position	**65,078,339**	**25,499,272**
Increase in net position	88,634,581	22,003,520
Net Position, Beginning of Year	147,042,796	125,039,276
Net Position, End of Year	**$ 235,677,377**	**$ 147,042,796**

See accompanying notes to financial statements

The University of Alabama in Huntsville
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Student tuition and fees	$ 71,981,706	$ 73,959,104
Federal grants and contracts	130,728,607	134,966,005
State and local grants and contracts	5,792,946	5,396,493
Private grants and contracts	2,962,694	2,505,398
Sales and services of educational and other departmental activities	3,748,234	4,883,249
Auxiliary enterprises	13,803,753	13,538,195
Payments to suppliers	(73,246,011)	(88,665,577)
Payments to employees and related fringes	(191,909,666)	(182,857,501)
Payments for scholarships and fellowships	(2,198,552)	(10,923,300)
Net Cash Used in Operating Activities	**(38,336,289)**	**(47,197,934)**
Cash Flows from Noncapital Financing Activities		
State educational appropriations	73,678,125	58,322,523
Intergovernmental transfer	19,570,533	-
Private gifts	6,890,432	3,515,976
Student direct lending receipts	24,405,122	26,982,932
Student direct lending disbursements	(24,310,983)	(26,954,346)
Amounts received from affiliates	-	59,240
Amounts paid to affiliates	(11,036)	(80,171)
Grant revenue	9,170,783	19,528,130
Net Cash Provided by Noncapital Financing Activities	**109,392,976**	**81,374,284**
Cash Flows from Investing Activities		
Income distributions from System investment pool	1,836,553	1,780,202
Proceeds from sales and maturities of investments	3,035,344	3,680,982
Purchases of investments	(49,270,384)	(3,746,805)
Net Cash (Used in) Provided by Investing Activities	**(44,398,487)**	**1,714,379**
Cash Flows from Capital and Related Financing Activities		
Payments received for lease principal and interest	1,377,723	1,270,162
Net proceeds from issuance of bonds	-	1,280,000
Purchase of capital assets	(10,614,318)	(12,953,877)
Capital gifts, grants and appropriations	8,401,460	320,000
State capital appropriations	19,287,652	18,000,000
Principal payments on capital debt	(7,100,697)	(6,942,460)
Interest payments on capital debt	(5,522,594)	(5,896,910)
Net Cash Provided by (Used in) Capital and Related Financing Activities	**5,829,226**	**(4,923,085)**
Net increase in cash and cash equivalents	32,487,425	30,967,644
Cash and Cash Equivalents, Beginning of Year	98,883,977	67,916,333
Cash and Cash Equivalents, End of Year	**$ 131,371,402**	**$ 98,883,977**

Years Ended September 30, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (71,526,916)	$ (63,539,833)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	19,741,037	18,313,230
Pension expense	30,263,769	11,842,739
OPEB expense	(4,389,089)	2,221,961
Adjustment for lease payments	(587,171)	(1,024,755)
Changes in assets and liabilities:		
Accounts receivable, net	5,607,170	1,899,313
Other current assets	2,005,799	2,685,572
Pension obligations	(14,658,669)	(14,781,769)
OPEB obligations	(1,746,334)	(1,459,653)
Accounts payable and accrued liabilities	2,936,675	(1,769,814)
Unearned revenues	(5,982,559)	(1,584,925)
Net Cash Used in Operating Activities	**$ (38,336,289)**	**$ (47,197,934)**
Supplemental Noncash Activities Information		
Capital asset purchases accrued at year end	348,284	800,807
Debt proceeds immediately transferred into escrow	25,735,000	38,878,894
State capital funds	2,626,405	7,179,272
Capital assets acquired through leases	8,774,193	-
Capital assets acquired through SBITAs	301,957	1,464,600

University of Alabama Huntsville Foundation
Discretely Presented Component Unit
Statements of Net Position
September 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 17,585,270	$ 11,589,259
Accrued interest	557,785	514,752
Total current assets	**18,143,055**	**12,104,011**
Noncurrent assets		
Investments	78,563,023	59,218,692
Investment in real estate	220,969	767,604
Investment in trust	18,216,740	17,343,929
Pledges receivable, net	5,153,777	4,680,766
Trust receivable	242,479	242,479
Other receivable	418,624	-
Total noncurrent assets	**102,815,612**	**82,253,470**
Total Assets	**$ 120,958,667**	**$ 94,357,481**
Liabilities		
Current liabilities		
Accounts payable	$ 310,198	$ 376,330
Annuity payable	79,157	78,849
Income tax payable	830,597	244,028
Related party payable	32,616	107,592
Pledge payable, related party	3,000,000	-
Total current liabilities	**4,252,568**	**806,799**
Noncurrent liabilities		
Pledge payable, related party, net of current portion	9,000,000	-
Total noncurrent liabilities	9,000,000	-
Total Liabilities	**$ 13,252,568**	**$ 806,799**
Net Position		
Unrestricted	54,510,644	46,879,565
Restricted		
Expendable	21,599,867	18,960,768
Nonexpendable	31,595,588	27,710,349
Total Net Position	**107,706,099**	**93,550,682**
Total Liabilities and Net Position	**$ 120,958,667**	**$ 94,357,481**

See Note 2

University of Alabama Huntsville Foundation
Discretely Presented Component Unit
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2023 and 2022

	2023	2022
Operating Revenues		
Contributions	$ 5,825,262	$ 8,262,152
Other Income	299,413	29,246
Total Operating Revenues	**6,124,675**	**8,291,398**
Operating Expenses		
Scholarships to UAH	1,239,535	1,072,760
Contributions to UAH	21,904,454	2,036,214
Professional Services	96,510	75,186
Other Expenses	325,124	309,314
Total Operating Expenses	**23,565,622**	**3,493,474**
Operating (Loss) Income	**(17,440,947)**	**4,797,924**
Nonoperating Revenues (Expenses)		
Investment Income (Loss), Net	26,515,060	(1,210,131)
Rent Income	1,400	21,410
Equity in earnings of trust	6,396,999	2,593,859
Change in value of split-interest agreement	(11,297)	52,565
Income tax expense	(1,305,797)	(540,905)
Net Nonoperating Revenues (Expenses)	**31,596,365**	**916,798**
Increase in net position	14,155,418	5,714,722
Net Position, Beginning of Year	93,550,682	87,835,960
Net Position, End of Year	**$ 107,706,100**	**$ 93,550,682**

See Note 2

Notes to Financial Statements
Years Ended September 30, 2023 and 2022

Note 1 – Organization and Summary of Significant Accounting Policies

Financial Reporting Entity - The University of Alabama in Huntsville (the "University") is one of three universities of The University of Alabama System (the "System"), a component unit of the State of Alabama (the "State"). These financial statements include individual schools, colleges and departments, and certain affiliated operations determined to be a part of the University's financial reporting entity. The financial statements of the University are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the financial reporting entity of the System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the System, its changes in financial position, or its cash flows. 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.

Scope of Statements - The University follows Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* ("GASB 61"). This Statement provides additional guidance in determining whether certain organizations affiliated with the University should be considered component units of the University for financial reporting purposes. The Statement also provides guidance on determining whether component units should be presented in the University's financial statements as "blended" or "discrete" components based on their relationship and organizational structure.

As defined by generally accepted accounting principles established by the GASB, the financial reporting entity consists of the University, as well as its discretely presented component unit, the University of Alabama Huntsville Foundation ("UAHF").

UAHF is a legally separate, tax-exempt component unit of the University. UAHF is organized exclusively for charitable, scientific, and educational purposes in order to benefit the University. UAHF is governed by a 33-member board of trustees. Although the University does not control the timing or amount of receipts from UAHF, the majority of resources or income that UAHF holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by UAHF can only be used by, or for the benefit of, the University, UAHF is considered a component unit of the University. UAHF is reported in separate financial statements because it does not meet the criteria to be blended with the University as described in GASB 61.

UAHF is a not-for-profit organization that reports its financial results under the Financial Accounting Standards Board ("FASB") Statements. Most significant to UAHF's operations and reporting model is Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain presentation features are different from GASB presentation features.

While no modifications have been made to UAHF's financial information in the University's financial reporting entity for recognition or accounting differences, certain modifications have been made to the presentation and captioning of UAHF's financial statements in the University's financial reporting entity to conform with the University's financial statement presentation. Significant note disclosures (see Note 2) to UAHF's financial statements have been incorporated into the University's notes to the financial statements. During fiscal years 2023 and 2022, UAHF distributed $23,143,989 and $3,108,974, respectively, to or for the University for both restricted and unrestricted purposes. Complete financial statements for UAHF are available by phoning (256) 824-6350.

The University is also affiliated with the Alabama Engineering Foundation and The University of Alabama in Huntsville Research and Technology Corporation (the "RTC"). These entities do not meet the definition of component units under GASB guidance. Therefore, they have not been included within the University's financial statements.

Implementation of New Standards - During fiscal year 2023, UAH adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which is a contract that conveys control of the right to use another party's information technology software. The statement requires a government to recognize a right-to-use subscription asset and a corresponding subscription liability. The adoption of GASB Statement No. 96 has been reflected at the beginning of the earliest period presented in the financial statements, or October 1, 2021, resulting in an increase (decrease) to the following line items within UAH's financial statements for the year ended September 30, 2022:

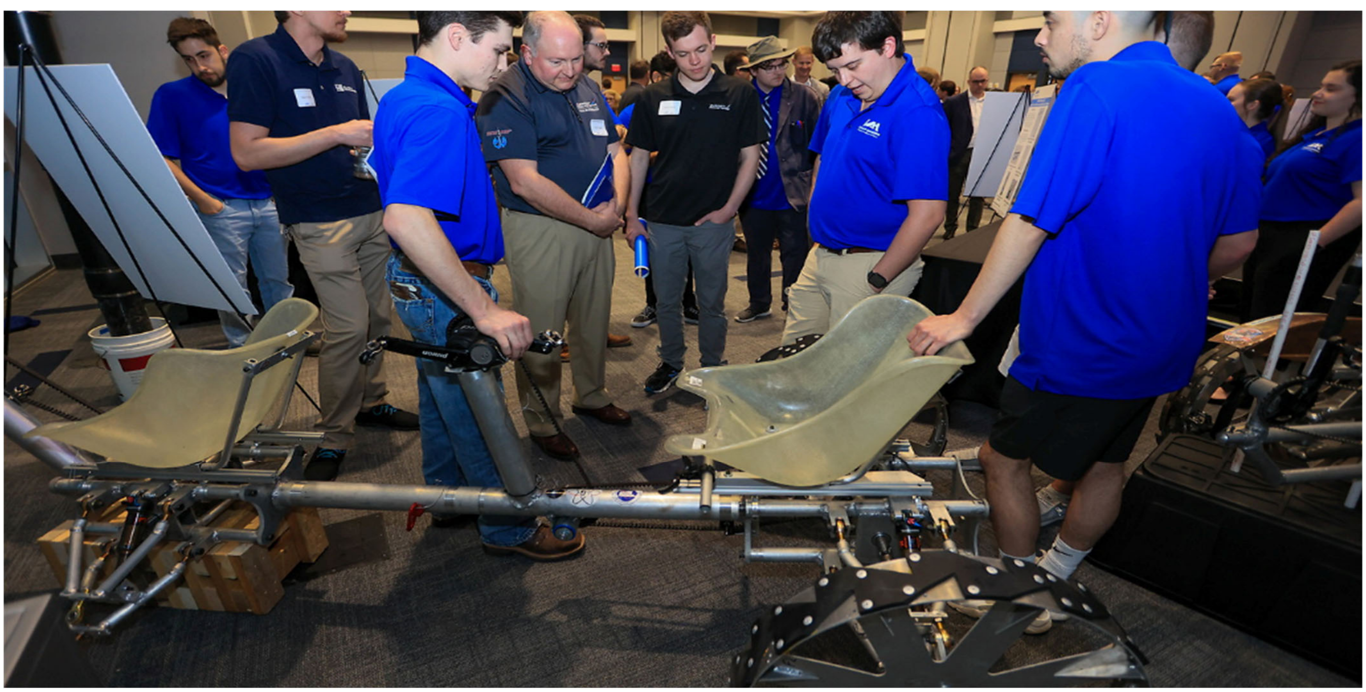
	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Statement of Net Position			
Noncurrent Assets			
Capital assets, net	$ 304,570,362	$ 1,490,944	$ 306,061,306
Total noncurrent assets	$ 417,978,817	$ 1,490,944	$ 419,469,761
Total assets	$ 576,105,276	$ 1,490,944	$ 577,596,220
Current Liabilities			
Accounts payable and accrued liabilities	$ 33,348,728	$ 35,847	$ 33,384,575
Current portion of long-term debt	5,774,000	453,786	$ 6,227,786
Total current liabilities	$ 85,273,845	$ 489,633	$ 85,763,478
Noncurrent Liabiliites			
Long-term debt	$ 136,400,449	$ 1,016,679	$ 137,417,128
Total noncurrent liabilities	$ 336,721,378	$ 1,016,679	$ 337,738,057
Net Position			
Net investment in capital assets	$ 169,028,853	$ (15,368)	$ 169,013,485
Total net position	$ 147,058,164	$ (15,368)	$ 147,042,796

	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Statement of Revenues, Expenses, and Changes in Net Position			
Operating Expenses			
Supplies and services	$ 78,992,740	$ (420,772)	$ 78,571,968
Depreciation	$ 18,948,582	$ 387,438	$ 19,336,020
Total Operating Expenses	$ 299,531,979	$ (33,334)	$ 299,498,645
Operating loss	$ (63,573,167)	$ 33,334	$ (63,539,833)
Nonoperating Revenues (Expenses)			
Interest expense	$ (5,845,001)	$ (48,702)	$ (5,893,703)
Net Nonoperating Revenues	$ 60,092,783	$ (48,702)	$ 60,044,081
Loss before other changes in net position	$ (3,480,384)	$ (15,368)	$ (3,495,752)
Increase in net position	$ 22,018,888	$ (15,368)	$ 22,003,520

	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Statement of Cash Flows			
Cash Flows from Operating Activities			
Payments to suppliers	$ (89,086,349)	$ 420,772	$ (88,665,577)
Net cash used in operating activities	$ (47,618,706)	$ 420,772	$ (47,197,934)
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	$ (13,967,420)	$ 1,013,543	$ (12,953,877)
Principal payments on capital debt	$ (5,521,000)	$ (1,421,460)	$ (6,942,460)
Interest payments on capital debt	(5,884,055)	$ (12,855)	(5,896,910)
Net Cash Used in Capital and Related Financing Activities	$ (4,502,313)	$ (420,772)	$ (4,923,085)
Reconciliation of Operating Loss to Net Cash Used in Operating Activities			
Operating loss	$ (63,573,167)	$ 33,334	$ (63,539,833)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation and amortization expense	$ 17,925,792	$ 387,438	$ 18,313,230
Net Cash Used in Operating Activities	$ (47,618,706)	$ 420,772	$ (47,197,934)
Supplemental Noncash Activities Information			
Capital assets acquired through SBITAs	$ -	$ 1,464,600	$ 1,464,600

Certain notes to the financial statements for the period ended September 30, 2022 have been restated due to the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.*

Basis of Accounting: For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities as defined by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, an amendment of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The University is not a separate legal entity from the System and therefore, management is not required to and has not performed a going concern analysis at the University level.



Accordingly, the financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"), using the economic measurement focus and the accrual basis of accounting.

Net Position: Net position is classified into the following four categories according to external donor restrictions or availability of assets for satisfaction of University obligations:

- **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 the University. Such assets include the corpus of the University's permanent endowment funds.

  Expendable – Net position, which when used by the University, is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire with the passage of time.

- **Unrestricted:** Net position which is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management. Substantially all unrestricted net position is internally designated for academic, research, public service, and capital programs.

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

Investments: The University's investment portfolio is primarily invested in investment pools maintained by The University of Alabama System. Fair value for the investment pools is determined 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 investments held directly by the University is determined from quoted market prices or market prices of similar instruments. Net investment income or loss, including realized and unrealized gains and losses, is reported as non-operating revenues (expenses) in the statements of revenues, expenses and changes in net position.

Investments are reported in three categories in the statement of net position. Investments recorded as endowment investments are those invested funds that cannot be used to fund current operations and thus are included in noncurrent assets. Investments for capital activities are included in noncurrent assets, except for amounts included in current assets to offset current construction-related payables. All other investments are included as short-term investments.

Accounts Receivable: Accounts receivable consist primarily of tuition and fees charged to students, and amounts due from the federal government, state and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Compensated Absences: The University accrues annual leave for employees at rates based upon length of service and job classification and compensatory time based upon job classification and years worked.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at date of donation in the case of gifts, less accumulated depreciation. Leases and SBITAs are recorded at the estimated present value of future payments, net of amounts paid in advance and direct costs. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation of buildings and building improvements (5-40 years), land improvements and infrastructure (10 years), library collection (10 years), and inventoried equipment (5-8 years) is computed on a straight-line basis. Assets under leases and SBITAs are amortized over the shorter of the lease term or subscription term or the estimated useful life of the asset. The University computes depreciation for certain buildings and building improvements using a componentized method.

Collections are recognized as an asset on the accompanying statements of net position in accordance with GASB Statement No. 35. The University defines collections as works of art or similar assets that are held for public exhibition, education, or research in furtherance of public service rather than financial gain which are protected, kept unencumbered, cared for, and preserved. Collection items are recorded at cost as of the date of acquisition or at their appraised or acquisition value on the date of donation in the case of gifts. Gains or losses from the sale of collection items are reflected on the statement of revenues, expenses, and changes in net position.

Unearned Revenues: Unearned revenues consist primarily of the portion of amounts received for fall semester student tuition and fees, and housing fees that are not earned until the next fiscal year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Revenues: The University's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net position are those that generally result from transactions such as payments received for providing services, payments made for services or goods received, and from grants and contracts. Certain significant revenue streams relied upon to support operations are recorded as non-operating revenues, as defined by GASB guidance, including state educational appropriations, private gifts for other than capital purposes, investment income, and Federal Pell Grants.

Auxiliary enterprise revenues are generated primarily by University Housing. Capital gifts are considered neither operating nor non-operating activities, and are presented after non-operating activities on the accompanying statement of revenues, expenses, and changes in net position.

Contract and Grant Revenue: The University receives contract and grant revenues from governmental and private sources. The University recognizes revenues associated with the sponsored programs in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* based on the terms of the individual contract or grant.

Scholarship Allowances and Student Aid: Scholarship allowances applied to student accounts are recorded as an offset to student tuition and fees and auxiliary revenue. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Internal Sales Activities: All internal sales activities to the University departments from sales and service units (motor pool, postal services, telecommunications, etc.) have been eliminated in the accompanying financial statements.

Federal Refundable Loans: Certain loans to students are administered by UAH with funding primarily supported by the federal government. UAH's statements of net position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Endowment Spending: For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Alabama, 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 also prescribes the 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 includes a robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. The University's policy is to retain the endowment realized and unrealized appreciation with the endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board has adopted a spending rate of 4.5%, based on a moving five-year average of the market (unit) value, and return of gains for underwater endowments.

Use of Estimates: 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revision of Previously Issued Financial Statements: During preparation of the 2023 financial statements, management identified an error in the classification of state capital appropriations on the 2022 Statement of Net Position. This error resulted in an $18,000,000 understatement of previously reported Restricted Expendable Net Position and an $18,000,000 understatement of the deficit in Unrestricted Net Position, but had no impact on previously reported Total Net Position. This error had no impact on the 2022 Statement of Revenues, Expenses, and Changes in Net Position, the 2022 Statement of Cash Flows, or any 2022 disclosures. Management has concluded that this error was not material to the previously issued 2022 financial statements, but has revised its 2022 Statement of Net Position to correct the error.

Note 2 – Component Unit

Basis of Accounting – The stand-alone financial statements of UAHF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board ("FASB").

Basis of Presentation – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets and changes therein are classified and reported as follows in separately issued financial statements:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category include unrestricted gifts and earnings on these unrestricted gifts. In order to comply with GASB presentation features, net assets without donor restrictions are presented as unrestricted net position within the University's discrete presentation of this component unit.

With Donor Restrictions – Net assets with donor restrictions are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature and the restriction will expire when the resources are used in accordance with the donor's instructions, or when the stipulated time has passed. When a donor's restriction is met, or has expired, the amounts are reclassified to net assets without donor restrictions. Items that affect this net asset category include restricted gifts and earnings on endowment funds expendable for purposes stipulated by the donor. In order to comply with GASB presentation features, these net assets with donor restrictions for UAHF are presented as restricted expendable net position within the University's discrete presentation of UAHF.

Some donor-imposed restrictions are to be maintained permanently by the Foundation. These resources include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income earned on the gifts be made available for expenditure. In order to comply with GASB presentation features, net assets with these donor restrictions for UAHF are presented as restricted nonexpendable net position within the University's discrete presentation of UAHF.

Unrealized and realized gains and losses and dividends and interest from investing in income-producing assets may be included in any of these net asset classifications depending on donor restrictions or the absence thereof.

In accordance with ASC 958-320, *Not-for-Profit Entities,* investments in debt securities and investments in equity securities with readily determinable fair values are reported at their fair values based on published market prices. Other investments, including real estate, are stated at cost or fair value at date of donation in the case of gifts. Changes in fair values are reported as unrealized gains or losses in the statement of activities. All interest income and realized gains and losses are reported in the statement of activities.

Investments – The following are the cost and reported value of investments as of September 30, 2023 and 2022:

	2023		2022	
	Reported Value	Cost	Reported Value	Cost
Certificates of deposit	$ 5,828,820	$ 5,828,820		
Pooled Endowment Fund	53,095,099	46,624,763	$ 46,828,801	$ 43,159,200
Liquidity and Capital Reserve	2,551,443	3,078,241	3,764,888	4,634,772
Marketable debt securities	9,933,614	9,947,070	2,595,670	2,731,723
Marketable equity securities	4,955,208	4,463,921	3,873,829	4,216,664
Mutual funds	2,198,840	2,431,548	2,155,431	2,459,970
Total	$ 78,563,024	$ 72,374,363	$ 59,218,619	$ 57,202,329

UAHF invests certain amounts in an investment pool ("Pooled Endowment Fund") sponsored by The University of Alabama System. The value recognized for the investment pool is determined by the System and is based on UAHF's proportionate share of the net asset value of the investment pool. The investment pool invests in various investment securities, including both marketable and non-marketable securities.

During fiscal year 2023, the Foundation reinvested $69,469 in the Liquidity and Capital Reserve Pool Fund (LCRP) and withdrew $1,626,000 from the LCRP to gift to UAH as part of its $20.0 million pledge for the new Raymond B. Jones Engineering Building. The LCRP serves as an investment vehicle to manage operating reserves of the System universities, 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.

Investment in Unconsolidated Entities and Trust Receivable - UAHF is one of several beneficiaries of a trust established upon the death in 1974 of one of the University's benefactors. The sole assets of the trust consist of ownership interests in two closely-held Huntsville, Alabama businesses named Big Springs, Inc. ("Big Springs") and Chambers Bottling Company, LLC ("Chambers"). The trust holds a 70% interest in the common stock of Big Springs and a 65% interest in Chambers.

The trust was established with both lead and remainder beneficiaries. The lead interest in the trust (that is, the rights to the income generated by the trust assets) is divided equally among three sets of beneficiaries who hold a lifetime interest in those rights. As each lead interest terminates, a proportionate amount of the underlying assets in the trust is distributed among two residual beneficiaries, UAHF and another unrelated charitable organization. UAHF's share of the residual interest of the trust assets is 90%. UAHF accounts for its residual interest in the trust as an unconditional promise to give noncash assets, consistent with generally accepted accounting principles for situations where a donee has the eventual right to noncash assets held by a charitable trust but not the cash flows generated by them while they are held by the trust. UAHF recorded this interest at fair value as of the date it was awarded in 1974, and currently carries this interest in the Trust receivable line on UAHF's accompanying statements of financial position.

During fiscal year 2020, one of the income interests terminated; and a pro-rata distribution of the ownership interests held by the trust was transferred to the Foundation. As a result of the receipt of these equity interests, the Foundation currently holds approximately 42% and 39% of Big Springs and Chambers, respectively. These equity interests allow the Foundation to exercise significant influence over Big Springs and Chambers and, accordingly, the Foundation accounts for these interests under the equity method of accounting.

During the years ended September 30, 2023 and 2022, UAHF recorded its proportionate share of earnings of each company (on a combined basis) of $6,396,999 and $2,593,859, respectively. In addition, UAHF received distributions from Chambers of $5,459,000 and $1,920,594 in FY 2023 and FY 2022, respectively. UAHF received a distribution from Big Springs in the amount of $0 in FY 2023 and $0 in FY 2022.

Eventually, all of the assets in the trust will be distributed upon the termination of the remaining lead interests, and the trust will terminate. At such time, UAHF will hold controlling interests of 63% and 58.5% in Big Springs and Chambers, respectively, and will consolidate these entities. UAHF will account for these interests under the equity method until the last lead interest is terminated, including the period after the termination of the second lead interest.

This table summarizes the combined financial position and results of operations of Big Springs and Chambers (on a combined basis) for the years ended September 30, 2023 and 2022:

	2023	2022
Current Assets	$ 30,321,028	$ 33,891,106
Noncurrent Assets	12,024,466	12,432,839
Current Liabilities	(5,135,642)	(10,824,968)
Noncurrent Liabilities	(1,098,429)	(1,767,769)
Equity	$ 36,111,423	$ 33,731,208
Net Sales	$ 79,397,459	$ 65,137,496
Operating Income	$ 15,278,850	$ 6,143,014
Net Income	$ 16,370,158	$ 6,590,987

The Foundation, as a result of a related party donation in fiscal year 2022, holds ownership interests in three unconsolidated entities that each hold investment property. During the year ended September 30, 2023, the entities sold certain property which resulted in the Foundation receiving funds totaling $51,649 and recognizing a loss of $13,359. The Foundation received distributions from the three unconsolidated entities totaling $271,155 in fiscal year 2023. The market value of the three unconsolidated entities as of September 30, 2023 is $3,621,591. During the year ended September 30, 2022, the contribution of the ownership interest received totaled $4,384,096, which is reflected on the statement of activities. The entities sold certain property which resulted in the Foundation receiving funds totaling $538,684 and recognizing a loss of $158,633. The market value of the three unconsolidated entities as of September 30, 2022 is $3,686,779.

Income Taxes - The Foundation is a nonprofit corporation that is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue code for activities related to its exempt purpose. Certain of the Foundation's activities are considered by the Internal Revenue Service to provide unrelated business income and, accordingly, income from these activities is subject to federal income tax. The Foundation's income tax expense totaled $1,305,797 and $540,905 for the years ended September 30, 2023 and 2022, respectively. The September 30, 2023 income tax expense of $1,305,797 consists of total tax payments made during the year of $475,200 and a good faith estimate of $830,597 for the fiscal year 2023 tax due. The estimate was made on January 24, 2024 due to a delay in tax documents from an unconsolidated entity. Form 990-T will be reviewed and updated once the tax documents are received. Entry will be adjusted for actual amount, and should the amount be material, the financial statements will be reissued.

Endowments - The Alabama Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by the State Legislature and signed into law effective January 1, 2009. UPMIFA prescribes new guidelines for the expenditure of a donor-restricted endowment funds in the absence of overriding, explicit donor stipulations. Its predecessor, UMIFA, focused on the prudent spending of the net appreciation of the fund. UPMIFA instead focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount 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. UAHF follows guidance provided by the FASB relevant to endowments of not-for-profit organizations and the related net asset classification of endowment funds subject to an enacted version of UPMIFA and enhanced disclosures for all endowment funds. The earnings distributions are appropriated for expenditure by the governing Board of Trustees of UAHF in a manner consistent with the standard of prudence prescribed by UPMIFA. In order to conform to the standards for prudent fiduciary management of investments, UAHF's Board of Trustees has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets.

Note 3 – Cash and Cash Equivalents

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for University 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 of 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. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss.

As of September 30, 2023 and 2022, the University had cash and cash equivalents totaling $131,371,402 and $98,883,977 respectively. Included in the amounts are deposits with trustees held for reserves, which totaled $1,806,928 and $3,544,701 in fiscal years 2023 and 2022, respectively.

Note 4 – Investments

The University invests its endowment funds in accordance with applicable limitations set forth in gift instruments, Board guidelines, or applicable laws. Also certain bond indentures require the University to invest the amounts held in specific construction funds, redemption funds, and bond funds in federal securities, eligible certificates, or eligible investments.

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

Pooled Endowment Fund (PEF): The purpose of the PEF is to pool endowment and similar funds to support the System universities, 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 the return objectives, while providing adequate diversification in order to minimize investment volatility.

Liquidity and Capital Reserve Pool: The LCRP serves as an investment vehicle to manage operating reserves of the System universities, 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 the University 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 the University'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 the University's own data.

GASB 72 allows for the use of net asset value ("NAV") as a practical expedient for valuation purposes. 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 the University's management. University 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 University management's perceived risk of that investment.

The following is a description of the valuation methods and assumptions used by the University to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at September 30, 2023. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. University 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. The University's Level 1 investments primarily consist of investments in mutual funds, exchange traded funds, and both domestic and foreign equity funds.

During 2023, the University invested excess cash that will be used for future capital expenditures in a Regions Bank Government Enhanced Cash Strategy Investment Account. At September 30, 2023, this account held $1,083,759 in a money market account that is classified as Level 1 and $45,104,305 of U.S. Treasury Notes and Treasury Bills that are classified as Level 2.

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

	2023			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
PNC	$ 136,276	-	-	$ 136,276
Wind Trust	36,493	-	-	36,493
Durkee Trust	442,904	-	-	442,904
Pei Ling Fund for Excellence	500,708	-	-	500,708
Government-Enhanced Cash Strategy Investment Account	1,083,759	45,104,305	-	46,188,064
	2,200,140	-	-	47,304,445
UAH Portion of System Pool Investments:				
Pooled Endowment Fund				46,531,920
Liquidity and Capital Reserve Fund				65,821,091
Total Net Asset Value with System Pool				$ 159,657,456

	2022			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
Compass	$ 136,287	-	-	$ 136,287
Wind Trust	34,249	-	-	34,249
Durkee Trust	418,119	-	-	418,119
Pei Ling Fund for Excellence	431,637	-	-	431,637
	1,020,292	-	-	1,020,292
UAH Portion of System Pool Investments:				
Pooled Endowment Fund				40,928,159
Liquidity and Capital Reserve Fund				59,049,583
Total Net Asset Value with System Pool				$ 100,998,034

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

Pooled Endowment Fund

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

Pooled Endowment Fund

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

Liquidity and Capital Reserved Pool Fund

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

Liquidity and Capital Reserved Pool Fund

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

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

September 30, 2023	**Pooled Endowment Fund**				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	$ 716,526,857	$ 14,251,160	No limit	Monthly,Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	485,799,946	268,537,638	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	41,700,197	-	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	290,824,116	88,090,197	1-15 years	Partnerships ineligible for redemption	Not redeemable
	$ 1,534,851,116	$ 370,878,995			

September 30, 2022	**Pooled Endowment Fund**				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	$ 654,582,348	$ 36,000,000.00	No limit	Monthly,Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	444,027,507	210,125,649	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	57,784,904	-	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	287,476,559	102,280,510	1-15 years	Partnerships ineligible for redemption	Not redeemable
	$ 1,443,871,318	$ 348,406,159			

September 30, 2023

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

September 30, 2022

	Liquidity and Capital Reserve Pool				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	$ 1,121,752,329	$ 67,500,000.00	No limit	Monthly,Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	228,743,023	-	No limit	Monthly and Quarterly	None
	$ 1,350,495,352	$ 67,500,000.00			

Investment Risk Factors: Many factors can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities.

Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

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

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

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

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

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a corporate failure of a custodian, the investment securities may not be returned. Investment securities in the System Pools and UAH'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 (i.e. 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 UAH's separately held portfolio is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. As of September 30, 2023 and 2022, there was no investment in a single issuer that represents 5% or more of total investments held by any single investment manager of the System Pools or UAH'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 for fixed or variable income securities held by the System Pools at September 30, 2023 and 2022 are as follows:

	Pooled Endowment Fund		LCRP Fund	
	2023	2022	2023	2022
U.S. Government Obligations	8.3	10.2	3.8	3.8
Corporate Bonds	4.7	5.0	2.2	2.4
Non-U.S. Bonds	4.7	5.0	2.2	2.4
Commingled Bond Funds	-	-	3.4	2.8
Other Fixed Income	-	-	(0.1)	-

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

	Government Enhanced Cash Strategy Investment	
	2023	2022
U.S. Government Obligations	0.6	-

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. As of September 30, 2023 and 2022 the fair market value of these investments held by the System Pools are as follows:

	Pooled Endowment Fund		LCRP Fund	
	2023	2022	2023	2022
Mortgage Backed Securities	$ 13,998,021	$ 12,621,581	$ 220,244,106	$ 207,578,465
Collateralized Mortgage Obligations	-	-	16,737,264	18,211,357
Total Fixed	$ 13,998,021	$ 12,621,581	$ 236,981,370	$ 225,789,822

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

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

	Pooled Endowment Fund		LCRP Fund	
	2023	2022	2023	2022
Mortgage Backed Securities	6.7	6.6	3.2	3.3
Collateralized Mortgage Obligations	-	-	3.8	4.3

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

Foreign Currency Risk: The strategic asset allocation policy for the PEF, the LCRP, and UAH's separately held investments includes an allocation to non-United States equity securities and fixed income securities. Currency hedging of foreign bonds and stocks is allowed under System Policy. As of September 30, 2023 and 2022 all foreign investments in the System Pools and UAH's separately held investments are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for foreign stock and non-U.S. bond funds denominated in U.S. dollars and held by each of the two pools as disclosed in the previous tables. At September 30, 2023 and 2022, the University did not hold any foreign securities in its separately held investment portfolio.

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

Note 5 – Receivables

Pledges: The University receives 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, net of a reasonable allowance for doubtful accounts. Endowment pledges do not meet eligibility requirements and are not recorded as assets 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 accounts receivable as of September 30, 2023 and 2022 is summarized as follows:

	2023	2022
Tuition and fees	$ 14,265,810	$ 13,643,756
Federal, state, and private grants and contracts	25,173,700	31,693,493
Pledge receivable	3,400,000	200,000
Other	1,257,567	1,192,140
Total accounts receivable	44,097,077	46,729,389
Less allowance for doubtful accounts	(2,599,271)	(2,582,302)
Accounts receivable, net	$ 41,497,806	$ 44,147,087

Leases Receivable: Leases receivable consist of amounts due from federal and private entities for the leasing of UAH-owned facilities and land.

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

	2023	2022
Leases receivable	$ 6,484,735	$ 7,139,974
Less: current portion	(688,974)	(653,531)
Total Leases receivable, noncurrent	$ 5,795,761	$ 6,486,443

Note 6 – Capital Assets

Capital assets activity for the years ended September 30, 2023 and 2022 is summarized as follows:

	October 1, 2022	Additions	Retirements	Adjustments	September 30, 2023
Land	$ 14,050,899	$ -	$ -	$ -	$ 14,050,899
Land improvements and infrastructure	28,212,656	2,775,717	-	-	30,988,373
Buildings and building improvements	468,924,357	459,904	-	4,983,493	474,367,754
Construction in progress	4,877,938	2,236,324	-	(4,877,938)	2,236,324
Equipment	87,753,561	7,210,980	(5,168,825)	(19,193)	89,776,523
Library books	26,907,813	124,146	(4,606)	-	27,027,353
Software	3,550,401	-	(3,444,846)	(105,555)	-
Right of use assets - Leases	-	8,774,193	-	-	8,774,193
Right of use assets - SBITAs	3,030,364	301,957	-	-	3,332,321
Collections	1,199,402	-	-	-	1,199,402
Total cost of capital assets	638,507,391	21,883,220	(8,618,277)	(19,193)	651,753,140
Less accumulated depreciation	332,446,084	20,326,789	(8,172,486)		344,600,387
Capital assets, net	$ 306,061,307	$ 1,556,431	$ (445,793)	$ (19,193)	$ 307,152,753

	October 1, 2021	Additions	Retirements	Adjustments	September 30, 2022
Land	$ 14,050,899	$ -	$ -	$ -	$ 14,050,899
Land improvements and infrastructure	23,579,902	4,632,754	-	-	28,212,656
Buildings and building improvements	462,445,400	7,538,432	(1,059,475)	-	468,924,357
Construction in progress	2,332,774	2,545,164	-	-	4,877,938
Equipment	84,353,066	5,279,138	(1,878,643)	-	87,753,561
Library books	26,827,199	107,348	(26,734)	-	26,907,813
Software	3,217,374	333,027	-	-	3,550,401
Right of use assets - SBITAs	1,565,764	1,464,600	-	-	3,030,364
Collections	1,184,402	15,000	-	-	1,199,402
Total cost of capital assets	619,556,780	21,915,463	(2,964,852)	-	638,507,391
Less accumulated depreciation	315,861,182	19,336,020	(2,751,118)	-	332,446,084
Capital assets, net	$ 303,695,598	$ 2,579,443	$ (213,734)	$ -	$ 306,061,306

Note 7 – Long-Term Debt

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

Type/Supported by	October 1, 2022	New Debt	Principal Repayment	September 30, 2023
Bonds:				
General fee revenue	131,180,000	$ 25,735,000	31,315,000	125,600,000
Other obligations	1,684,095	9,032,474	1,326,697	9,389,872
Total debt	132,864,095	34,767,474	32,641,697	134,989,872
Less current portion	(6,227,786)			(7,234,920)
Premium, net	10,780,819			10,188,576
Total long-term debt	$ 137,417,128			$ 137,943,528

Type/Supported by	October 1, 2021	New Debt	Principal Repayment	September 30, 2022
Bonds:				
General fee revenue	135,227,000	$ 38,930,000	42,977,000	131,180,000
Other obligations	1,834,954	1,464,601	1,615,460	1,684,095
Total debt	137,061,954	40,394,601	44,592,460	132,864,095
Less current portion	(5,521,000)			(6,227,786)
Premium, net	11,798,687			10,780,819
Total long-term debt	$ 143,339,641			$ 137,417,128

Maturities and interest on general fee revenue bonds and other obligations for the next five years and subsequent five-year periods ended September 30 are as follows:

	General Revenue Bonds				Lease & SBITA Obligations		
	Principal	Interest	Total		Principal	Interest	Total
2024	5,942,000	4,793,244	10,735,244	2024	1,292,920	436,822	1,729,743
2025	6,193,000	4,594,487	10,787,487	2025	1,271,650	380,006	1,651,656
2026	6,480,000	4,386,244	10,866,244	2026	1,159,702	323,092	1,482,794
2027	6,740,000	4,162,647	10,902,647	2027	1,183,818	268,024	1,451,842
2028	5,035,000	3,967,581	9,002,581	2028	1,153,962	213,703	1,367,666
2029-2033	25,445,000	16,931,807	42,376,807	2029-2033	3,327,819	467,427	3,795,246
2034-2038	24,970,000	12,210,913	37,180,913	2034-2038	-	-	-
2039-2043	27,885,000	7,324,758	35,209,758	2039-2043	-	-	-
2044-2048	16,910,000	2,619,000	19,529,000	2044-2048	-	-	-
	$ 125,600,000	$ 60,990,680	$ 186,590,680		$ 9,389,872	$ 2,089,075	$ 11,478,947

The following is a detailed schedule of long-term debt:

Description and Purpose	Date Issued	Final Maturity	Interest Rate - %	Original Indebtedness	Outstanding Indebtedness September 30, 2023	Outstanding Indebtedness September 30, 2022
Bonds Payable:						
General Fee Revenue Bonds-Series 2013-A-1	4/4/2013	4/1/2023	1.57	7,550,000	-	810,000
General Fee Revenue Bonds-Series 2014-A	12/15/2014	9/1/2034	3.00-5.00	11,860,000	6,650,000	7,120,000
General Fee Revenue Bonds-Series 2015-A	3/25/2015	6/1/2025	1.96	5,175,000	1,115,000	1,655,000
General Fee Revenue Bonds-Series 2018-A-1	3/22/2018	9/1/2027	5.00	5,400,000	2,695,000	3,290,000
General Fee Revenue Bonds-Series 2018-A-2	3/22/2018	9/1/2048	5.00	27,115,000	27,115,000	27,115,000
General Fee Revenue Bonds-Series 2018-B-1	10/30/2018	9/1/2028	5.00	5,290,000	2,925,000	3,430,000
General Fee Revenue Bonds-Series 2018-B-2	10/30/2018	9/1/2048	5.00	22,310,000	22,310,000	22,310,000
General Fee Revenue Bonds-Series 2019	10/16/2019	6/1/2042	3.00-5.00	30,845,000	26,855,000	27,965,000
General Fee Revenue Bonds-Series 2022A	2/23/2022	4/1/2043	2.78	25,735,000		25,735,000
General Fee Revenue Bonds-Series 2022B	3/11/2022	10/1/2031	1.75	6,380,000	5,095,000	5,730,000
General Fee Revenue Bonds-Series 2022C	3/11/2022	12/1/2026	1.50	6,815,000	5,165,000	6,020,000
General Fee Revenue Bonds-Series 2023A	1/19/2023	4/1/2043	2.18	25,735,000	25,675,000	-
Total Bonds Payable				180,210,000	125,600,000	131,180,000
Other Obligations:						
Lease obligations, 2.97% to 6.95% due annually through 2033					8,159,572	213,630
SBITA obligations, 3.25% to 8.50% due annually through 2029					1,230,300	1,470,465
Total Other Obligations					9,389,872	1,684,095

The University's general fee bonds are subject to certain covenants. These covenants, among other things, require the University to establish and maintain reasonable fees, rates, and other charges to ensure pledged revenues are sufficient for debt service coverage; to maintain books and records pertaining to the pledged revenues; to furnish annual audits and other periodic reports that reflect the financial condition of the University, the project, other pledged facilities, and other pledged assets; and to comply with certain restrictions as to additional indebtedness. The University is in compliance with all restrictive financial covenants as of September 30, 2023.

During fiscal year 2022, the University redeemed and retired, by exchange, its General Fee Revenue Refunding Bonds Series 2012-A Bond (the "2012-A Bond") with its Series 2022-B Bond, redeemed and retired, by exchange, its General Fee Revenue Refunding Bonds Series 2012-B (the "2012-B Bond") with its Series 2022-C Bond, and refunded and retired its General Fee Revenue Bonds, Series 2013-A2 Bonds (the "2013-A2 Bonds") with the issuance of its Taxable General Fee Revenue Bond, Series 2022-A. The amounts outstanding on the Series 2012-A Bond and the Series 2012-B Bond were redeemed and retired in March 2022 and resulted in a reduction of interest payments totaling $1.1 million. The amounts outstanding on the Series 2013-A2 Bonds were defeased in February 2022 for economic savings. The undiscounted cash flows required to service principal and interest under the old Series 2012-A bonds as of September 30, 2022 would have been $37.5 million compared to undiscounted cash flow requirements of $32.7 million under the new Series 2022-A bonds. The undiscounted cash flows required to service principal and interest under the old Series 2012-B and 2013A-2 bonds as of September 30, 2022 would have been $1.7 million compared to undiscounted cash flow requirements of $1.6 million under the new Series 2022-B and 2022-C bonds. The economic gain to the University from the bond refinancing in fiscal year 2022 was calculated to be approximately $3.9 million for the 2012-A bond refinancing using an effective interest rate of 2.24% applied to the old and new bond cash flow requirements and $799 thousand for the 2012-B and 2013-A2 bond refinancing using an effective interest rate of 1.76% applied to the old and new bond cash flow requirements.

In conjunction with the issuance of the Series 2022-A Bond, the University executed a forward delivery agreement in 2022 that provided the option for the University refund the Series 2022-A Bond on a tax-exempt basis between January 2, 2023 and April 1, 2023. The University elected to exercise its option to redeem all of the outstanding Series 2022-A Bond on January 19, 2023 with the issuance of its $25,735,000 General Fee Revenue Bond, Series 2023-A (the "2023-A Bond") resulting in savings with a net present value of $1,695,128. Proceeds of the Series 2023-A Bond were used for the purpose of refunding and retiring the Series 2022-A Bond.

Note 8 – Self-Insurance

The University participates with other campuses in the System in a self-insurance program for general liability risks. The Board established a separate revocable trust fund for payment of these self-insurance claims under its risk retention program. Annual contributions are made to the consolidated trust fund, at an actuarially determined rate, to provide funding for the retained risk. The accompanying statements of net position include a reserve of $386,176 and $407,702 for general liability for fiscal years 2023 and 2022, respectively.

The University also maintains a self-insured health plan. During 2023, the University paid $28.00 and $20.67 per month per health insurance contract for administrative charges and stop loss coverage, respectively. The accompanying statements of net position include a self-insurance reserve of $1,627,072 and $1,792,821 for health insurance for 2023 and 2022, respectively. Annual contributions are made to the health plan, utilizing an actuarially determined rate, to provide funding for the reserve. The changes in the total reported self-insurance liabilities are summarized as follows:

	2023	2022
Balance, beginning of year	$ 2,200,524	$ 2,175,880
Claims paid	(13,016,580)	(14,342,567)
Contributions and adjustments	12,829,305	14,367,211
Balance, end of year	$ 2,013,249	$ 2,200,524

Note 9 – Employee Benefits

Eligible employees of the University 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 UA System 403(b) defined contribution retirement plan. Prior to fiscal year 2020, the plan offered eligible employees a choice between two record keepers, 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 record keeper with TIAA serving as sole-vendor for the plan.

Defined Benefit Plan – TRS

Plan description. The Teacher's Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of 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. The TRS Board of control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama ("RSA"). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Members of the TRS are classified as either Tier 1 or Tier 2 plan members, contingent upon if their eligible service began prior to January 1, 2013. Benefits for TRS members vest after 10 years of creditable service. Tier 1 members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or Employees' Retirement System ("ERS") agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of 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 members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or ERS agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty.

Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

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 7.5% of earnable compensation. Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. All regular employees of the University are members of the TRS with the exception of temporary employees.

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

These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. The following is a comparative presentation of contributions:

	2023	2022
University contributions	$ 14,322,039	$ 14,777,322
Employee contributions	8,155,893	8,539,270
Total contributions	$ 22,477,933	$ 23,316,592

	2023 Tier 1	2023 Tier 2	2022 Tier 1	2022 Tier 2
University contribution regular rate	12.59%	11.44%	12.43%	11.32%
Employee contribution rate	7.50%	6.20%	7.50%	6.20%
Employee contribution law enforcement rate	8.50%	7.20%	8.50%	7.20%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2023 and 2022, the financial statements of the University reflected a liability of $237,205,000 and $146,300,000 for its proportionate share of the collective net pension liability, as prescribed by GASB 68. For the 2023 reported amounts the collective net pension liability was measured as of September 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021.

For the year ended September 30, 2023, the University recognized pension expense of $29.7 million. At September 30, 2023 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,214,000	$ 5,756,000
Changes of assumptions	10,764,000	-
Net difference between projected and actual earnings on pension plan investments	47,599,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	4,180,000	3,878,000
Employer contributions subsequent to the measurement date	14,658,669	-
Total	$ 82,415,669	$ 9,634,000

For the year ended September 30, 2022, the University recognized pension expense of $11.9 million. At September 30, 2022 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,789,000	$ 8,543,000
Changes of assumptions	15,392,000	-
Net difference between projected and actual earnings on pension plan investments	-	34,612,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,592,000	2,588,000
Employer contributions subsequent to the measurement date	14,781,769	-
Total	$ 43,554,769	$ 45,743,000

$14,658,669 of the amount reported as deferred outflows of resources resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2024	$ 17,060,000
2025	$ 14,291,000
2026	$ 8,419,000
2027	$ 18,353,000
2028	$ -
Thereafter	$ -

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

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

*Net of pension plan investment expense.

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

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-202 adjusted by 66-2/3% beginning with year 2019.

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

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

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

*Includes assumed rate of inflation of 2.00%.

Discount rate. The discount rate used to measure the total pension liability was 7.45%. The 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 the University's proportionate share of the net pension liability to changes in the discount rate. The following table presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
University's proportionate share of collective net pension liability (Dollar amounts in thousands)	$306,934	$237,205	$178,472

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

Defined Contribution Plans

As previously noted, some employees participate in a voluntary UA System 403(b) defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All employees, except those enrolled as students and regularly attending classes offered by a System university, are eligible to participate from the date of employment. Employer matching contributions are made for match-eligible participants by the System Office at a rate of 100% of elective deferrals up to a discretionary percentage of compensation per pay period, currently 5%. The University's contribution is funded as it accrues and, along with that of employees, is immediately and fully vested. The contribution for fiscal years 2023 and 2022, excluding amounts not eligible for matching, are summarized as follows:

	2023	2022
University contributions	$ 3,865,933	$ 3,849,426
Employee contributions	8,152,580	8,244,630
Total contributions	$ 12,018,513	$ 12,094,055

The University's total salaries and wages subject to benefit plan participation for the years ended September 30, 2022 and 2021 are summarized in the table below:

	2023	2022
Total Salaries and Wages	$ 144,924,225	$ 142,363,453
Salaries and Wages of employees participating in:		
TRS	$ 122,726,962	$ 131,851,279
TIAA - CREF	$ 88,860,426	$ 85,312,938

Compensated Absences

Certain University employees accrue vacation and sick leave at varying rates depending upon their years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. The statement of net position includes vacation pay and salary-related payments associated with vacation pay accruals of $5,136,565 and $4,966,555 for fiscal years 2023 and 2022, respectively. There is no such accrual recognized for sick leave benefits because no terminal cash benefit is available to employees for accumulated sick leave.

Note 10 – Post-Employment Benefits

Post-employment health care benefits are offered to all employees who officially retire from the University through the Alabama Retired Education Employees' Health Care Trust with TRS. TRS offers health care benefits through a cost-sharing multiple-employer defined benefit health care plan administered by the Public Education Employee Health Insurance Board ("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 PEEHIP becomes the secondary insurer. Most retirees elect to participate in the PEEHIP with TRS, in which case the retirees pay a portion of the PEEHIP premium and the University pays an allocation toward the cost of retiree coverage.

Plan description. The Alabama Retired Education Employees' Health Care Trust (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 (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 Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Annual Comprehensive 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 Board. The 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 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 (SEIB).

Effective January 1, 2017, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the United Healthcare (UHC) Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana replaced the UHC contract. The MAPDP plan is fully insured by Humana and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the MAPDP plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions. The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the 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, 2023, the financial statements of the University reflected a liability of $13.3 million for its proportionate share of the net OPEB liability, as prescribed by GASB 75. The net OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The University's proportion of the net OPEB liability was based on a projection of the University’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2022, the University’s proportion was 0.76%, which was a decrease of 0.26% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the University recognized OPEB expense of ($4.5 million). At September 30, 2023 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 610,133	$ 26,897,766
Changes of assumptions	10,790,627	19,363,456
Net difference between projected and actual earnings on OPEB plan investments	1,672,991	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	18,602,348	18,568,020
Employer contributions subsequent to the measurement date	1,599,046	-
Total	$ 33,275,145	$ 64,829,242

For the year ended September 30, 2022, the University recognized an OPEB expense of $2.3 million. At September 30, 2022 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,251,196	$ 18,397,844
Changes of assumptions	18,833,515	20,497,627
Net difference between projected and actual earnings on OPEB plan investments	-	1,649,583
Changes in proportion and differences between Employer contributions and proportionate share of contributions	25,041,653	4,151,294
Employer contributions subsequent to the measurement date	1,459,653	-
Total	$ 46,586,017	$ 44,696,348

$1.59 million reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending September 30:		
2024	$	(7,211,817)
2025	$	(7,429,374)
2026	$	(1,743,665)
2027	$	(3,413,182)
2028	$	(7,727,171)
Thereafter	$	(5,627,934)

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

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

[1]Includes 2.75% w age inflation.

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

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

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

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

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

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

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	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 total OPEB liability was 7.00%. 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. Currently, the monthly employer rate is $800 per active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following table reflects the University's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, and is calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	$ 10,087,764	$ 13,303,095	$ 17,246,395

The following table reflects the University's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, and is calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 16,447,312	$ 13,303,095	$ 10,663,618

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

Note 11 – Federal Direct Student Loan Program

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLP on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. During the years ended September 30, 2023 and 2022, the University disbursed $24,310,983 and $26,954,346, respectively, under the FDSLP.

Note 12 – Contracts and Grants

As of September 30, 2023 and 2022, the University was awarded approximately $97.4 million and $95.1 million, respectively, in contracts and grants 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.

Note 13 – Operating Expenses by Function

Operating expenses by functional classification for the years ended September 2023 and 2022 are summarized as follows:

	Year Ended September 30, 2023					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 45,300,813	$18,087,328	$ 5,591,959	$ -	$ -	$ 68,980,100
Research	62,389,013	25,221,792	34,304,183	-	-	121,914,988
Public service	1,726,543	673,493	1,467,224	-	-	3,867,260
Academic support	8,427,457	3,261,679	4,404,906	-	-	16,094,042
Student services	8,480,944	3,342,978	6,484,334	-	-	18,308,256
Institutional support	12,029,228	5,793,909	5,851,321	-	-	23,674,458
Operations and maintenance of plant	4,474,871	2,135,593	9,121,920	-	-	15,732,384
Scholarships and fellowships	-	-	-	-	4,212,336	4,212,336
Auxiliary enterprises	2,095,358	875,018	4,839,256	-	-	7,809,632
Depreciation	-	-	-	20,326,789	-	20,326,789
Total Operating Expenses	$144,924,227	$59,391,790	$ 72,065,103	$20,326,789	$ 4,212,336	$300,920,245

	Year Ended September 30, 2022					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 45,339,570	$15,406,165	$ 5,308,212	$ -	$ -	$ 66,053,947
Research	61,031,715	18,698,727	36,750,873	-	-	116,481,315
Public service	2,236,558	672,061	2,921,421	-	-	5,830,040
Academic support	7,077,175	2,233,701	3,770,539	-	-	13,081,415
Student services	8,590,660	2,934,727	8,628,889	-	-	20,154,276
Institutional support	11,559,657	4,190,864	5,090,002	-	-	20,840,523
Operations and maintenance of plant	4,076,444	1,655,057	9,250,841	-	-	14,982,342
Scholarships and fellowships	-	-	-	-	12,911,599	12,911,599
Auxiliary enterprises	2,451,674	524,303	6,851,191	-	-	9,827,168
Depreciation	-	-	-	19,336,020	-	19,336,020
Total Operating Expenses	$142,363,453	$46,315,605	$ 78,571,968	$19,336,020	$ 12,911,599	$299,498,645

Note 14 – Contingencies and Commitments

The University has sovereign immunity and is therefore, in the opinion of System Counsel, immune to ordinary tort actions. The University has consistently been dismissed from lawsuits on the basis of the sovereign immunity doctrine. That doctrine also protects the University from vicarious liability arising from the negligence of its employees. As a matter of policy, the University has chosen to indemnify its employees through a self-insured trust fund against liability arising from the performance of their official duties. There are some exceptions to the sovereign immunity doctrine, most notably in federal court cases arising under the federal constitution or federal statutes. The University is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of those 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.

The University has contracted for planning and design services on the 2024 Campus Master Plan. As of September 30, 2023, the estimated remaining costs to complete the design efforts was $630,180 and is to be funded from University reserve funds.

The University has contracted for construction services on the Campus Lakes Dredging and Site Improvements Phase I & II, Salmon Library Emergency Generator Systems, Shelby Center Site Wells, von Braun Research Hall SCIF, and campus roof replacement projects. As of September 2023, the estimated remaining cost to complete these projects was $420 thousand, $584 thousand, $17 thousand, $1.2 million, and $829 thousand, respectively, and is to be funded form a combination of University bond proceeds, University reserve funds, and state appropriations.

Note 15 – Recently Issued Pronouncements

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

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

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

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

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

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

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

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

The University of Alabama in Huntsville
Required Supplementary Information (Unaudited)

Schedule of the University's Proportionate Share of the Collective Net Pension Liability
Teachers' Retirement Systems of Alabama

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	1.526341%	1.556525%	1.556335%	1.459237%	1.518226%	1.500009%	1.525333%	1.532529%	1.609851%
Employer's proportionate share of the collective net pension liability	$237,205,000	$146,630,000	$192,513,000	$161,346,000	$150,951,000	$147,428,000	$165,132,000	$160,390,000	$146,248,000
Employer's covered payroll during measurement period	$131,851,279	$115,212,970	$112,135,896	$105,412,352	$103,210,401	$100,416,137	$98,670,645	$97,998,750	$97,032,526
Employer's proportionate share of the collective net pension liability as percentage of its covered payroll	179.90%	127.27%	171.68%	153.06%	146.26%	146.82%	167.36%	163.67%	150.72%
Plan fiduciary net position as a percentage of the total collective pension liability	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Schedule of University Contributions
Teachers' Retirement System of Alabama

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$14,658,669	$14,781,769	$13,604,773	$13,402,675	$12,186,202	$12,184,536	$11,711,569	$11,474,249	$11,311,261
Contributions in relation to the contractually required contribution	($14,658,669)	($14,781,769)	($13,604,773)	($13,402,675)	($12,186,202)	($12,184,536)	($11,711,569)	($11,474,249)	($11,311,261)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
University's covered payroll	$122,726,962	$131,851,279	$115,212,970	$112,135,896	$105,412,352	$103,210,401	$100,416,137	$98,670,645	$97,998,750
Contributions as a percentage of covered payroll	11.94%	11.21%	11.81%	11.95%	11.56%	11.81%	11.66%	11.63%	11.54%

Notes to Schedules

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

Measurement period: For fiscal year 2023, the measurement period is October 1, 2021 - September 30, 2022.

Measurement period: For fiscal year 2022, the measurement period is October 1, 2020 - September 30, 2021.

Measurement period: For fiscal year 2021, the measurement period is October 1, 2019 - September 30, 2020.

Measurement period: For fiscal year 2020, the measurement period is October 1, 2018 - September 30, 2019.

Measurement period: For fiscal year 2019, the measurement period is October 1, 2017 - September 30, 2018.

Measurement period: For fiscal year 2018, the measurement period is October 1, 2016 - September 30, 2017.

Measurement period: For fiscal year 2017, the measurement period is October 1, 2015 - September 30, 2016.

Measurement period: For fiscal year 2016, the measurement period is October 1, 2014 - September 30, 2015.

Measurement period: For fiscal year 2015, the measurement period is October 1, 2013 - September 30, 2014.

The University of Alabama in Huntsville
Required Supplementary Information (Unaudited)

Schedule of the University's Proportionate Share of the Collective Net OPEB Liability
Alabama Retired Education Employees' Health Care Trust

	2023	2022	2021	2020	2019	2018
Employer's proportion of the net OPEB liability	0.763471%	1.023499%	0.946468%	0.617266%	0.686596%	0.724951%
Employer's proportionate share of the net OPEB liability	$13,303,095	$52,882,284	$61,424,456	$23,288,013	$56,429,447	$53,845,219
Employer's covered payroll during measurement period	$131,851,279	$115,212,970	$112,135,896	$105,412,352	$103,210,401	$100,416,137
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	10.09%	45.90%	54.78%	22.09%	54.67%	53.62%
Plan fiduciary net position as a percentage of the total OPEB liability	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

Schedule of the University's Contributions
Alabama Retired Education Employees' Health Care Trust

	2023	2022	2021	2020	2019	2018
Contractually required contribution	$1,599,046	$1,459,653	$1,664,437	$1,876,852	$1,753,547	$1,685,254
Contributions in relation to the contractually required contribution	($1,599,046)	($1,459,653)	($1,664,437)	($1,876,852)	($1,753,547)	($1,685,254)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$122,726,962	$131,851,279	$115,212,970	$112,135,896	$105,412,352	$103,210,401
Contributions as a percentage of covered payroll	1.30%	1.11%	1.44%	1.67%	1.66%	1.63%

Notes to Schedules

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

Measurement period: For fiscal year 2023, the measurement period is October 1, 2021 - September 30, 2022.

Measurement period: For fiscal year 2022, the measurement period is October 1, 2020 - September 30, 2021.

Measurement period: For fiscal year 2021, the measurement period is October 1, 2019 - September 30, 2020.

Measurement period: For fiscal year 2020, the measurement period is October 1, 2018 - September 30, 2019.

Measurement period: For fiscal year 2019, the measurement period is October 1, 2017 - September 30, 2018.

Measurement period: For fiscal year 2018, the measurement period is October 1, 2016 - September 30, 2017.

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