

FINANCIAL REPORT



2021 | 2022



THE UNIVERSITY OF
ALABAMA IN HUNTSVILLE

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The recently completed Phase 3 of the Altenkirch Lawn Greenway project continues a major interconnecting pedestrian spline within the core of campus; becoming the passageway among all University facilities by pedestrian traffic and creating an active and vibrant location for outdoor gatherings and events.

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, 2022 and 2021, 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, 2022 and 2021, 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 \$94.4 million and \$88.2 million as of September 30, 2022 and 2021, and an increase in net position of \$5.7 million and \$18.9 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 is 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, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the

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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 61 and 62 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because



the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Birmingham, Alabama
January 27, 2023

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, 2022 and 2021. 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 six research programs ranked in the top 25 in the nation, according to the National Science Foundation, including 6th in the United States in aerospace engineering. UAH is 12th in the nation in NASA-sponsored research and 19th in the nation in DOD research.

The University offers 89 degree-granting programs that meet the highest standards of excellence, including 42 bachelor's degree programs, 30 master's degree programs, and 17 doctoral programs through its nine colleges: Arts, Humanities and Social Sciences; Business; Education; Engineering; Graduate School; Honors; Nursing; Professional Studies; 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 \$142 million for externally funded projects for the year ended September 30, 2022. Sponsors of research include federal and state agencies, academic institutions, industry and private foundations. Research is conducted within the nine 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 2022 totaling \$7.1 million and \$18 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.

COVID-19 Pandemic: In January 2020, the World Health Organization declared the novel Coronavirus ("COVID-19") a Public Health Emergency of International Concern. The outbreak of COVID-19 caused domestic and global disruption in operations for institutions of higher education. The outbreak also negatively impacted both the global financial markets and the University's investments, including the investments held within the System Pools, and may continue to do so.

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 disclosed separately on pages 17-18.

During fiscal year 2022, UAH adopted GASB Statement No. 87, Leases, which establishes a single model for lease accounting based on the principle that leases serve to finance the right to use an underlying asset. The statement requires lessees to recognize right-to-use assets and related liabilities, and lessors to recognize receivables and corresponding deferred inflows of resources, for leases that were previously classified as operating and recognized as inflows or outflows of resources. The adoption of GASB Statement No. 87 has been reflected at the beginning of the earliest period presented in the financial statements, or October 1, 2020. For purposes of the MD&A, fiscal year 2020 information does not reflect the adoption of GASB Statement No. 87.

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, 2022 and 2021. 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 investments held for capital purposes, capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The second asset 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.



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		
	2022	2021	2020
Current assets	\$ 158,126,459	\$ 133,502,792	\$ 114,048,255
Noncurrent assets:			
Endowment, life income and other investments	103,522,443	120,197,213	93,785,403
Capital assets, net	304,570,362	302,315,333	310,845,959
Other	9,886,012	9,437,408	2,424,113
Total assets	<u>576,105,276</u>	<u>565,452,746</u>	<u>521,103,730</u>
Deferred outflows of resources	<u>90,140,786</u>	<u>98,710,616</u>	<u>36,476,893</u>
Current liabilities	85,273,845	88,182,330	85,787,067
Noncurrent liabilities	336,721,378	396,641,004	332,992,839
Total liabilities	<u>421,995,223</u>	<u>484,823,334</u>	<u>418,779,906</u>
Deferred inflows of resources - leases	6,753,327	7,540,024	-
Deferred inflows of resources - pension and OPEB	90,439,348	46,760,728	46,357,210
Total deferred inflows of resources	<u>97,192,675</u>	<u>54,300,752</u>	<u>46,357,210</u>
Net position			
Net investment in capital assets	169,028,853	162,862,000	165,514,356
Restricted	32,261,706	29,756,055	21,091,735
Unrestricted	(54,232,395)	(67,578,779)	(94,162,584)
Total net position	<u>\$ 147,058,164</u>	<u>\$ 125,039,276</u>	<u>\$ 92,443,507</u>

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 endowment investments and investments for capital activities during 2022. Capital assets, net of depreciation, increased by \$2.3 million. Other assets increased by \$449 thousand. Current liabilities decreased \$2.9 million. The majority of this decrease is 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 \$59.9 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.

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 a decrease in deferred outflows of resources of \$8.6 million primarily due to differences in expected and actual experience, change in proportion, and projected and actual earnings on investments, offset by an increase due to change of assumptions. Deferred inflows related to leases decreased from \$7.5 million to \$6.8 million. The decrease is due to the regular amortization of the deferred inflows in accordance with GASB 87. Deferred inflows of resources related to pensions and OPEB increased \$43.7 million due primarily to changes in assumptions and the difference 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, 2021, the University's current assets increased \$19.3 million primarily due to an increase in cash and cash equivalents of 19.1 million. Endowment, life income and other investments increased \$26.4 million due to favorable endowment investments and investments for capital activities. Capital assets, net of depreciation, decreased by \$8.5 million. Other assets increased by \$7 million due to the recording of lease receivables as a result of the adoption of GASB 87. Current liabilities increased \$2.4 million. The majority of this increase is due to a \$7 million increase in accounts payable and accrued liabilities, and a \$3.6 million decrease in deposits held for others. Noncurrent liabilities increased by approximately \$63.6 million, primarily the result of an increase in the Pension and OPEB liability of \$69.3 million as required by GASB No. 68 and No. 75

For the year ended September 30, 2022, the University's total net position increased \$22 million. The University's net investment in capital assets increased approximately \$6.2 million. Restricted net position increased approximately \$2.5 million. The deficit in unrestricted net position decreased approximately \$13.3 million. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designed for capital projects, as well as various academic and research programs and initiatives.

For the year ended September 30, 2021, the University's total net position increased \$32.6 million. The University's net investment in capital assets decreased approximately \$2.7 million. Restricted net position increased approximately \$8.7 million. The deficit in unrestricted net position was reduced by \$26.5 million. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designed for capital projects, as well as various academic and research programs and initiatives.

Capital Assets

For the years ended September 30, 2022, 2021, and 2020, the University had approximately \$636.6 million, \$618.2 million, and \$609.6 million, invested in capital assets and accumulated depreciation of \$332.1 million, \$315.9 million, and \$298.7 million, respectively. Depreciation charges for the years ended September 30, 2022, 2021, and 2020, were \$18.9 million, \$18.3 million, and \$18.1 million, respectively. The following table summarizes the University's capital assets, net of accumulated depreciation, as of September 30:

	Capital Assets, Net		
	2022	2021	2020
Land	\$ 14,050,899	\$ 14,050,899	\$ 14,050,899
Land improvements and infrastructure, net	7,236,076	4,296,781	5,023,155
Buildings and building improvements, net	261,931,352	264,911,345	273,089,104
Equipment, net	17,498,164	16,273,924	16,061,688
Library books, net	1,229,937	1,296,691	1,254,662
Computer software, net	1,424,532	301,291	242,049
Collections	1,199,402	1,184,402	1,124,402
Total capital assets, net	\$304,570,362	\$302,315,333	\$310,845,959

Major capital projects in 2022 include Shelby Center Interior Renovations, Spragins Hall Interior Renovation & Exterior Signage, Counseling Services Center Renovation in the Conference Training Center, and the Building & Site Demolition of Executive Plaza.

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.

	2022	2021	2020
Bonds - Current	\$ 5,580,000	\$ 5,327,000	\$ 5,225,000
Bonds - Long Term	125,600,000	129,900,000	135,227,000
Lease - Current	194,000	194,000	33,856
Lease - Long Term	19,630	213,630	-
Premium, net	10,780,819	11,798,687	12,410,713
Total debt outstanding	<u>\$142,174,449</u>	<u>\$147,433,317</u>	<u>\$152,896,569</u>

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 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		
	2022	2021	2020
Operating revenues:			
Tuition and fees	\$120,448,927	\$119,161,969	\$121,333,801
Less: scholarship allowances	(44,907,292)	(47,878,093)	(50,114,488)
Tuition and fees, net	75,541,635	71,283,876	71,219,313
Federal, state and private grants and contracts	141,726,623	128,452,849	112,067,344
Sales and services of educational activities	5,341,508	4,363,351	3,990,811
Auxiliary, net of \$1,356,764 in 2022, \$1,955,997 in 2021, and \$2,473,873 in 2020 of scholarship allowances	13,349,046	11,512,344	15,924,237
Total operating revenues	235,958,812	215,612,420	203,201,705
Operating expenses	299,531,979	294,568,209	261,335,136
Operating loss	(63,573,167)	(78,955,789)	(58,133,431)
Nonoperating revenues (expenses):			
State educational appropriations	58,322,523	57,378,734	55,333,602
Private gifts	4,615,976	7,868,683	2,182,254
Net investment (loss) income	(16,315,109)	22,472,701	(1,026,843)
Grant revenue	19,528,130	27,651,693	14,054,697
Loss on disposal of capital assets	(213,736)	(109,299)	(37,526)
Interest expense	(5,845,001)	(5,962,315)	(7,038,136)
Net nonoperating revenues	60,092,783	109,300,197	63,468,048
Other changes in net position	25,499,272	2,251,361	844,735
Increase in net position	22,018,888	32,595,769	6,179,352
Net position, beginning of year	125,039,276	92,443,507	86,264,155
Net position, end of year	\$147,058,164	\$125,039,276	\$ 92,443,507

Approximately \$58.3 million in state appropriations were received for the year ended September 30, 2022, an increase of 1.6% or \$944 thousand from the prior year.

Gross tuition and fees increased approximately \$1.3 million for the year ended September 30, 2022 due to a tuition increase coupled with moderate fee increases. Gross tuition and fees decreased approximately \$2.2 million for the year ended September 30, 2021 due to a decrease in total enrollment.

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:

Revenue Sources for the years ended September 30

	2022		2021		2020	
State educational appropriations	\$ 58,322,523	17.8%	\$ 57,378,734	17.2%	\$ 55,333,602	20.2%
Net investment (loss) income	(16,315,109)	-5.0%	22,472,701	6.7%	(1,026,843)	-0.4%
Grants and contracts	141,726,623	43.3%	128,452,849	38.5%	112,067,344	40.8%
Gifts	4,615,976	1.4%	7,868,683	2.4%	2,182,254	0.8%
Auxiliary	13,349,046	4.1%	11,512,344	3.5%	15,924,237	5.8%
Net tuition and fees	75,541,635	23.1%	71,283,876	21.4%	71,219,313	25.9%
Sales and services	5,341,508	1.6%	4,363,351	1.3%	3,990,811	1.5%
Capital gifts, grants and appropriations	25,499,272	7.8%	2,251,361	0.7%	844,735	0.3%
Grant revenue	19,528,130	6.0%	27,651,693	8.3%	14,054,697	5.1%
Total revenues	<u>\$ 327,609,604</u>		<u>\$ 333,235,592</u>		<u>\$ 274,590,150</u>	

Investments produced losses for fiscal year 2022 in the amount of \$16.3 million, a \$38.8 million decrease over the prior year. Investments produced income and gains for the year ended September 30, 2021 in the amount of \$22.4 million, a \$23.5 million increase over fiscal year 2020. These amounts are primarily a function of the investment return earned in the portfolio, primarily the UA System Investment Pools.

For the year ended September 30, 2022 grants and contracts revenues increased \$13.2 million due primarily to increases in federal contracts. For the year ended September 30, 2021, grants and contracts revenue increased \$16.4 million due primarily to increases in federal contracts of \$16.2 million. Grants and contracts revenues increased \$17.2 million in 2020 due primarily to increases in federal, state, and private contracts of \$16.2 million, \$597 thousand, and \$348 thousand, respectively.

The University received gifts of approximately \$4.6 million for fiscal year 2022 and \$7.9 million in 2021. This decrease was due to a gift from the Eminent Scholar program to the University in 2021. In 2020, gifts totaled \$2.2 million, primarily from corporate gifts to the University.

The University's auxiliary activities are comprised primarily of the Bevill Conference Center and Hotel, food service, housing, and bookstore sales. Auxiliary activities increased \$1.8 million in 2022. Auxiliary activities decreased \$4.4 million in 2021 due to lower enrollment. Auxiliary activities increased \$1.4 million in 2020.

For the year ended September 30, 2022, sales and services revenue remained fairly constant with a slight increase of \$978 thousand. Sales and services revenue increased slightly by \$372 thousand in 2021 due to increased student activity on campus. Sales and services revenue decreased by \$1.7 million in 2020 due to a decrease in student activity on campus.

Grant revenue decreased by \$8.1 million in 2022 due to a reduction of CARES Act grants compared to 2021. Grant revenue increased by \$13.6 million in 2021, largely due to the University receiving grants under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. For the year ended September 30, 2021 the University expended \$18.3 million of the \$26.3 million award from federal Education Stabilization Funds. Grant revenue increased by \$4.6 million in 2020 due to the University receiving grants under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. For the year ended September 30, 2020, the University expended \$3.7 million and \$927 thousand from federal and state coronavirus relief funding, respectively.

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.

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		
	2022	2021	2020
National Aeronautics and Space Administration	\$ 33,593,858	\$ 30,037,499	\$ 28,194,823
Department of Defense	83,532,186	75,968,364	61,092,911
National Science Foundation	8,432,582	7,653,372	8,092,302
Department of Education	420,244	394,048	339,401
Other	7,992,236	7,981,560	7,711,820
Total	<u>\$ 133,971,106</u>	<u>\$ 122,034,843</u>	<u>\$ 105,431,257</u>

National Aeronautics and Space Administration (NASA) revenues increased by \$3.6 million for the year ended September 30, 2022. NASA revenues increased \$1.8 million in 2021. NASA revenues increased \$3.6 million for the year ended September 30, 2020.

For the year ended September 30, 2022, Department of Defense (DOD) revenues increased \$7.6 million primarily due to federal pass-through contracts that were renewed. DOD revenues increased \$14.9 million in 2021 primarily due to multi-year grants in the Cybersecurity and Federal Bureau of Investigation (FBI) contracts. DOD revenues increased \$11.7 million in 2020 primarily due to federal pass-through contracts that were renewed.

National Science Foundation (NSF) increased slightly by \$779 thousand for the year ended September 30, 2022. NSF revenues decreased by \$439 thousand in 2021. NSF revenues decreased slightly by \$712 thousand in 2020.

For the year ended September 30, 2022, the Department of Education (DOE) increased \$26 thousand. DOE revenues increased \$55 thousand due to an increase in federal pass-through contracts in 2021. DOE revenues increased by \$339 thousand in 2020 due to an increase to federal pass-through contracts.

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

Operating Expenses (by functional classification)

	Years ended September 30		
	2022	2021	2020
Instruction	\$ 66,053,946	\$ 66,178,810	\$ 62,794,421
Research	116,570,471	109,879,760	94,352,715
Public service	5,830,040	9,753,747	10,344,933
Academic support	13,167,197	13,095,811	11,600,344
Student services	20,176,692	18,640,335	17,393,231
Institutional support	21,060,952	20,958,365	19,950,746
Operations and maintenance of plant	14,982,342	14,287,985	14,765,937
Scholarships and fellowships	12,911,599	14,399,645	4,310,626
Auxiliary enterprises	9,830,158	9,099,837	7,697,597
Depreciation	18,948,582	18,273,914	18,124,586
Total operating expenses	<u>\$ 299,531,979</u>	<u>\$ 294,568,209</u>	<u>\$ 261,335,136</u>

Operating Expenses (by natural classification)

Salaries, wages, and benefits	\$ 188,679,058	\$ 190,481,360	\$ 175,461,558
Supplies and services	78,992,740	71,413,290	63,438,366
Depreciation	18,948,582	18,273,914	18,124,586
Scholarships and fellowships	12,911,599	14,399,645	4,310,626
Total operating expenses	<u>\$ 299,531,979</u>	<u>\$ 294,568,209</u>	<u>\$ 261,335,136</u>

In fiscal year 2022, instruction expenses decreased \$125 thousand. For fiscal year 2021, instruction expenses increased \$3.4 million due to an increase in salaries, wages and benefits. In 2020, instruction expenses decreased \$2.3 million due to a decrease in salaries, wages and benefits.

Research expenses increased \$6.7 million in 2022 due to an increase in contracts and grant activity. Research expenses increased \$15.5 million in fiscal year 2021 due to an increase in contracts and grants activity. Research expenses increased \$14.3 million in 2020 due to an increase in federal contracts and grants.

In fiscal year 2022, public service expenses decreased \$3.9 million due to a decrease in federal public service contracts and grants. Public service expenses decreased \$591 thousand due to decreases in federal public service contracts and grants in 2021. Public service expenses increased \$3 million in 2020 due to increases in federal public service contracts and grants.

Academic support increased slightly during 2022 by \$71 thousand. Academic support increased in 2021 by \$1.5 million. Academic support saw a decrease of \$529 thousand during 2020.

Student Services expenses increased during 2022 by \$1.5 million. Student Services expenses increased in 2021 by \$1.2 million. Student Services expenses saw a decrease of \$853 thousand during 2020.

Institutional support increased slightly during 2022 by \$102 thousand. Institutional support decreased in 2021 by \$1.0 million. Institutional support saw a decrease of \$2.7 million during 2020.

Operations and maintenance of plant increased by \$694 thousand during 2022 due to increased operational cost. Operations and maintenance of plant decreased \$478 thousand during 2021. Operations and maintenance of plant increased \$1.4 million during fiscal year 2020 primarily due to increases in utilities costs and other services.

Fiscal year 2022 saw a \$1.8 million decrease in salaries, wages and benefits, primarily due to pension/OPEB results and other benefit costs. Salaries, wages and benefits increased \$15 million in fiscal year 2021, primarily due to a combination of increases in grants and contracts and health insurance and other benefit costs. Salaries, wages and benefits increased \$5.5 million in 2020 due to a continued increase in federal contracts and health insurance and other benefits.

Scholarships and fellowships expense decreased \$1.5 million for the year ended September 30, 2022, due to the University emergency financial aid grants for students under the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding being spent. Scholarships and fellowships expense increased \$10.1 million for 2021 and increased \$836 thousand during 2020. 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.

Supplies and services expenses increased \$7.6 million for the year ended September 30, 2022 due to the University's continued growth in federal contracts. Supplies and services expenses increased \$8 million in 2021 and \$3.6 million in 2020 due to the University's growth.

Economic Factors That Will Affect the Future

The University of Alabama in Huntsville enrolled 9,237 students in Fall 2022, a decrease of 399 students from the Fall 2021 enrollment of 9,636 students. UAH enrolled 10,000 students in Fall 2020, so from Fall 2020 through Fall 2022, UAH enrollment has decreased 763 students, or 7.63% of the student population. Tuition revenue accounted for 53.4% of the total unrestricted fund budget, so the decrease in student enrollment in the past two years has a major impact on the University's finances, including no campus-wide salary pool in FY 2021 and in FY 2022. One of the primary reasons for the decrease in student enrollment can be attributed to the decrease of high school graduate population in Alabama, where more than 75% of the students enrolled at UAH come from. UAH, due to its strength in high quality academic and extensive research portfolio, continues to be the destination of choice for high-achieving students from Alabama, out-of-state, and overseas. UAH does not project the student enrollment will continue to decrease in the immediate future years, as UAH will strengthen its efforts to recruit out-of-state students and invest in student retention.

State appropriation accounted for 24.7% of the unrestricted fund source. Due to the continued support from the Alabama legislature and the Governor, the University has received generous increases in state appropriation—Operations & Maintenance (O&M) of 9.78% in FY 2023, 7.74% in FY 2022, and 3.41% in FY 2021. These much-needed increases are needed to cover the revenues shortfall due to the decline in the student population. Due to the declining national economy and the threat of a modest recession, the University does not anticipate another year of generous increase from the Alabama legislature, however, the University is hoping for another year of increase, even if the increase is modest.

External federal, state, and private grants and contracts continue to grow at a double-digit pace. The University recorded external grants and contracts revenue of \$94.8 million in FY 2019, \$112.1 million in FY 2020, \$128.6 million in FY 2021, and \$142.0 million in FY 2022. The growth in external grants and contracts has a direct correlation with the increase in Facilities & Administrative (F&A) Cost Recovery. UAH recorded F&A Cost Recovery of \$19.0 million in FY 2019, \$22.0 million in FY 2020, \$25.2 million in FY 2021, and \$28.0 million in FY 2022. The year-to-year growth rate is double digit from FY 2019 to FY 2022. The University projects external research to continue to increase in the next few years but with a much slower growth rate.

In summary, the University projects state appropriation-O&M to increase modestly in FY 2024. The University projects external research revenue to continue to grow in the next 2-3 years but at a much slower pace. The University understands growing student enrollment is the most important factor in having a stable and healthy operating budget, where the majority of the unrestricted general fund revenue is generated from tuition revenues. With the high school graduate population in Alabama leveling in the next few years, in-state student recruiting will be a challenge. In addition to strengthening student recruitment efforts, the University plans to invest in academic support areas in the coming years with the goal of improving the student retention rate.



The University of Alabama in Huntsville
Statements of Net Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 95,339,276	\$ 61,716,183
Operating investments	1,020,292	5,472,369
Accounts receivable, net	44,147,087	46,040,430
Leases receivable, current portion	653,531	621,965
Other current assets	16,966,273	19,651,845
Total current assets	<u>158,126,459</u>	<u>133,502,792</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	3,544,701	6,200,150
Endowment investments	40,928,159	47,264,155
Investments for capital activities	59,049,583	66,732,908
Leases receivable	6,486,442	7,142,758
Capital assets, net	304,570,362	302,315,333
Other noncurrent assets	3,399,570	2,294,650
Total noncurrent assets	<u>417,978,817</u>	<u>431,949,954</u>
Total Assets	<u>576,105,276</u>	<u>565,452,746</u>
Deferred Outflows of Resources		
Pensions and OPEB obligations	<u>90,140,786</u>	<u>98,710,616</u>
Total Deferred Outflows of Resources	<u>90,140,786</u>	<u>98,710,616</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 666,246,062</u>	<u>\$ 664,163,362</u>

**The University of Alabama in Huntsville
Statements of Net Position -- Continued
September 30, 2022 and 2021**

Liabilities and Net Position	<u>2022</u>	<u>2021</u>
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 33,348,728	\$ 34,886,943
Unearned revenue	45,709,695	47,294,620
Current portion of long-term debt	5,774,000	5,521,000
Deposits held for others	441,422	479,767
Total current liabilities	<u>85,273,845</u>	<u>88,182,330</u>
Noncurrent Liabilities:		
Long-term debt	136,400,449	141,912,317
Federal advances - loan funds	808,645	791,231
Pension liability	146,630,000	192,513,000
OPEB liability	52,882,284	61,424,456
Total noncurrent liabilities	<u>336,721,378</u>	<u>396,641,004</u>
Total Liabilities	<u>421,995,223</u>	<u>484,823,334</u>
Deferred Inflows of Resources		
Leases	6,753,327	7,540,024
Pensions and OPEB obligations	90,439,348	46,760,728
Total Deferred Inflows of Resources	<u>97,192,675</u>	<u>54,300,752</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 519,187,898</u>	<u>\$ 539,124,086</u>
Net Position:		
Net investment in capital assets	169,028,853	162,862,000
Restricted:		
Nonexpendable	14,731,520	14,741,173
Expendable	17,530,186	15,014,882
Unrestricted	(54,232,395)	(67,578,779)
Total Net Position	<u>147,058,164</u>	<u>125,039,276</u>
Total Liabilities and Net Position	<u>\$ 666,246,062</u>	<u>\$ 664,163,362</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Tuition and fees	\$ 120,448,927	\$ 119,161,969
Less: scholarship allowances	(44,907,292)	(47,878,093)
Tuition and fees, net	75,541,635	71,283,876
Grants and contracts		
Federal	133,971,106	122,034,844
State	5,296,529	4,609,046
Private	2,458,988	1,808,959
Sales and services of educational activities	5,341,508	4,363,351
Auxiliary, net of \$1,356,764 in 2022 and \$1,955,997 in 2021 of scholarship allowances	13,349,046	11,512,344
Total Operating Revenues	235,958,812	215,612,420
Operating Expenses		
Salaries, wages and benefits	188,679,058	190,481,360
Supplies and services	78,992,740	71,413,290
Depreciation	18,948,582	18,273,914
Scholarships and fellowships	12,911,599	14,399,645
Total Operating Expenses	299,531,979	294,568,209
Operating loss	(63,573,167)	(78,955,789)
Nonoperating Revenues (Expenses)		
State educational appropriations	58,322,523	57,378,734
Private gifts	4,615,976	7,868,683
Net investment (loss) income	(16,315,109)	22,472,701
Grant revenue	19,528,130	27,651,693
Other nonoperating expenses, net	(213,736)	(109,299)
Interest expense	(5,845,001)	(5,962,315)
Net Nonoperating Revenues	60,092,783	109,300,197
(Loss) Income before other changes in net position	(3,480,384)	30,344,408
Other Changes in Net Position		
Capital gifts, grants and appropriations	320,000	1,191,401
State capital funds	7,179,272	1,059,960
State capital appropriations	18,000,000	
Other changes in net position	25,499,272	2,251,361
Increase in net position	22,018,888	32,595,769
Net Position, Beginning of Year	125,039,276	92,443,507
Net Position, End of Year	\$ 147,058,164	\$ 125,039,276

See accompanying notes to financial statements

The University of Alabama in Huntsville
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Student tuition and fees	\$ 73,959,104	\$ 73,450,720
Federal grants and contracts	134,966,005	110,595,468
State and local grants and contracts	5,396,493	4,282,267
Private grants and contracts	2,505,398	1,680,705
Sales and services of educational and other departmental activities	4,883,249	4,341,580
Auxiliary enterprises	13,538,195	11,942,191
Payments to suppliers	(89,086,349)	(67,680,429)
Payments to employees and related fringes	(182,857,501)	(178,835,490)
Payments for scholarships and fellowships	(10,923,300)	(13,628,046)
Net Cash Used in Operating Activities	<u>(47,618,706)</u>	<u>(53,851,035)</u>
Cash Flows from Noncapital Financing Activities		
State educational appropriations	58,322,523	57,378,734
Private gifts	3,515,976	4,904,330
Student direct lending receipts	26,982,932	29,443,574
Student direct lending disbursements	(26,954,346)	(29,035,114)
Amounts received from affiliates	59,240	1,093,901
Amounts paid to affiliates	(80,171)	(4,642,538)
Grant revenue	19,528,130	27,651,693
Net Cash Provided by Noncapital Financing Activities	<u>81,374,284</u>	<u>86,794,580</u>
Cash Flows from Investing Activities		
Income distributions from System investment pool	1,780,202	4,463,221
Proceeds from sales and maturities of investments	3,680,982	328,706
Purchases of investments	(3,746,805)	(2,288,611)
Net Cash Provided by Investing Activities	<u>1,714,379</u>	<u>2,503,316</u>
Cash Flows from Capital and Related Financing Activities		
Payments received for lease principal and interest	1,270,162	1,240,971
Net proceeds from issuance of bonds	1,280,000	-
Purchase of capital assets	(21,146,692)	(11,364,197)
Capital gifts, grants and appropriations	18,320,000	1,191,401
State capital funds	7,179,272	1,059,960
Principal payments on capital debt	(5,521,000)	(4,851,226)
Interest payments on capital debt	(5,884,055)	(5,990,763)
Net Cash Used in Capital and Related Financing Activities	<u>(4,502,313)</u>	<u>(18,713,854)</u>
Net increase in cash and cash equivalents	30,967,644	16,733,007
Cash and Cash Equivalents, Beginning of Year	67,916,333	51,183,326
Cash and Cash Equivalents, End of Year	<u>\$ 98,883,977</u>	<u>\$ 67,916,333</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents in current assets	95,339,276	61,716,183
Restricted cash and cash equivalents	3,544,701	6,200,150
Total Cash and Cash Equivalents	<u>\$ 98,883,977</u>	<u>\$ 67,916,333</u>

**The University of Alabama in Huntsville
Statements of Cash Flows -- Continued
Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (63,573,167)	\$ (78,955,789)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	17,925,792	17,691,351
Pension expense	11,842,739	19,774,359
OPEB expense	2,221,961	2,968,055
Payments received for leases	(1,024,755)	(1,027,374)
Changes in assets and liabilities:		
Accounts receivable, net	1,899,313	(7,058,897)
Other current assets	2,685,572	734,504
Pension obligations	(14,781,769)	(13,604,739)
OPEB obligations	(1,459,653)	(1,664,437)
Accounts payable and accrued liabilities	(1,769,814)	8,525,152
Unearned revenues	(1,584,925)	(1,233,220)
Net Cash Used in Operating Activities	<u><u>\$ (47,618,706)</u></u>	<u><u>\$ (53,851,035)</u></u>
Supplemental Noncash Activities Information		
Capital asset purchases accrued at year end	800,807	530,155
Debt proceeds immediately transferred into escrow	38,878,894	-



**University of Alabama Huntsville Foundation
Discretely Presented Component Unit
Statements of Net Position
September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 11,589,259	\$ 7,711,647
Accrued interest	514,752	513,919
Total current assets	12,104,011	8,225,566
Noncurrent assets		
Investments	59,218,692	60,216,091
Investment in real estate	767,604	2,739,563
Investment in trust	17,343,929	12,983,886
Pledges receivable, net	4,680,766	3,818,042
Trust receivable	242,479	242,479
Total noncurrent assets	82,253,470	80,000,061
Total Assets	\$ 94,357,481	\$ 88,225,627
Liabilities		
Current liabilities		
Accounts payable	\$ 376,330	\$ 275,026
Annuity payable	78,849	110,449
Income tax payable	244,028	-
Related party payable	107,592	4,192
Total Liabilities	806,799	389,667
Net Position		
Unrestricted	46,879,565	37,988,618
Restricted		
Expendable	18,960,768	24,193,159
Nonexpendable	27,710,349	25,654,183
Total Net Position	93,550,682	87,835,960
Total Liabilities and Net Position	\$ 94,357,481	\$ 88,225,627

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Contributions	\$ 8,262,152	\$ 3,147,147
Other Income	29,246	1,090
Total Operating Revenues	8,291,398	3,148,237
Operating Expenses		
Scholarships to UAH	1,072,760	990,098
Contributions to UAH	2,036,214	2,629,376
Professional Services	75,186	95,095
Other Expenses	309,314	96,431
Total Operating Expenses	3,493,474	3,811,000
Operating Income (loss)	4,797,924	(662,763)
Nonoperating Revenues (Expenses)		
Investment Income, Net	(1,210,131)	13,899,020
Rent Income	21,410	42,868
Equity in earnings of trust	2,593,859	5,941,683
Change in value of split-interest agreement	52,565	(19,668)
Income tax expense	(540,905)	(321,405)
Net Nonoperating Revenues (Expenses)	916,798	19,542,498
Increase in net position	5,714,722	18,879,735
Net Position, Beginning of Year	87,835,960	68,956,225
Net Position, End of Year	\$ 93,550,682	\$ 87,835,960

See Note 2

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

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 financial statements of the University are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the business type activities of the financial reporting entity of the System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the System, its changes in financial position or cash flows in accordance with accounting principles generally accepted in the United States of America. The 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 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 2022 and 2021, UAHF distributed \$3,100,974 and \$3,619,474, 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 2022, UAH adopted GASB Statement No. 87, Leases, which establishes a single model for lease accounting based on the principle that leases serve to finance the right to use an underlying asset. The statement requires lessees to recognize right-to-use assets and related liabilities, and lessors to recognize receivables and corresponding deferred inflows of resources. The adoption of GASB Statement No. 87 has been reflected on a retrospective basis at the beginning of the earliest period presented in the financial statements, or October 1, 2020. The effects of adopting GASB 87 in UAH's financial statements for the year ended September 30, 2021 are as follows:

	As Previously Reported	GASB 87 Adoption Effect	As Restated
Statement of Net Position			
Current Assets			
Leases receivable, current portion	\$ -	\$ 621,965	\$ 621,965
Total current assets	\$ 132,880,827	\$ 621,965	\$ 133,502,792
Noncurrent Assets			
Leases receivable	\$ -	\$ 7,142,758	\$ 7,142,758
Total noncurrent assets	\$ 424,807,196	\$ 7,142,758	\$ 431,949,954
Total assets	\$ 557,688,023	\$ 7,764,723	\$ 565,452,746
Deferred Inflows of Resources			
Deferred inflows of resources - leases	\$ -	\$ 7,540,024	\$ 7,540,024
Total deferred inflows of resources	\$ 46,760,728	\$ 7,540,024	\$ 54,300,752
Net Position			
Restricted:			
Expendable	\$ 14,839,551	\$ 175,331	\$ 15,014,882
Unrestricted	\$ (67,628,147)	\$ 49,368	\$ (67,578,779)
Total Net Position	\$ 124,814,577	\$ 224,699	\$ 125,039,276
	As Previously Reported	Effect of Adoption of GASB 87	As Restated
Statement of Revenues, Expenses, and Changes in Net Position			
Operating Revenues			
Grants and contracts			
Federal	\$ 122,216,296	\$ (181,452)	\$ 122,034,844
Sales and services of educational activities	\$ 4,395,496	\$ (32,145)	\$ 4,363,351
Total operating revenues	\$ 215,826,017	\$ (213,597)	\$ 215,612,420
Operating loss	\$ (78,742,192)	\$ (213,597)	\$ (78,955,789)
Nonoperating Revenues (Expenses)			
Net investment income (loss)	\$ 22,034,405	\$ 438,296	\$ 22,472,701
Net Nonoperating Revenues	\$ 108,861,901	\$ 438,296	\$ 109,300,197
Income before other changes in net position	\$ 30,119,709	\$ 224,699	\$ 30,344,408
Increase in net position	\$ 32,371,070	\$ 224,699	\$ 32,595,769

	As Previously Reported	Effect of Adoption of GASB 87	As Restated
Statement of Cash Flows			
Cash flows from operating activities			
Federal grants and contracts	\$ 111,637,136	\$ (1,041,668)	\$ 110,595,468
Sales and services of educational and other departmental activities	\$ 4,540,882	\$ (199,302)	\$ 4,341,580
Net cash used in operating activities	\$ (52,610,064)	\$ (1,240,971)	\$ (53,851,035)
Cash Flows from Capital and Related Financing Activities			
Payments received for lease principal and interest	\$ -	\$ 1,240,971	\$ 1,240,971
Net Cash Used in Capital and Related Financing Activities	\$ (19,954,825)	\$ 1,240,971	\$ (18,713,854)
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (78,742,192)	\$ (213,597)	\$ (78,955,789)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Payments received for leases	\$ -	\$ (1,027,374)	\$ (1,027,374)
Net cash used in operating activities	\$ (52,610,064)	\$ (1,240,971)	\$ (53,851,035)

Certain notes to the financial statements for the period ended September 30, 2021 have been restated due to the adoption of GASB Statement No. 87, Leases.

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:** Investments held for capital purposes, 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 whose use 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 by the passage of time.
- **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or The Board of Trustees of the University of Alabama.

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, 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 operating 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 fair value at date of donation in the case of gifts, less accumulated depreciation. 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. The University capitalizes certain software and development costs associated with obtaining and developing internal-use computer software. Implementation costs, which are capitalized, include consulting expenses and allocation of internal salaries and fringes for the core implementation team. Training costs are expensed as incurred. Prior to fiscal year 2018, interest costs for certain qualifying assets acquired with the proceeds of tax-exempt borrowings were capitalized and amortized over the life of the related asset. In 2018, the University early adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*.

Depreciation of buildings and building improvements (5-40 years), land improvements, and infrastructure (10 years), library collection (10 years), computer software (10 years), and inventoried equipment (5-8 years) is computed on a straight-line basis. 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.

Current Environment: COVID-19 Pandemic: In January 2020, the World Health Organization declared the novel Coronavirus ("COVID-19") a Public Health Emergency of International Concern. The outbreak of COVID-19 caused domestic and global disruption in operations for institutions of higher education. The outbreak also negatively impacted both the global financial markets and the University's investments, including the investments held within the System Pools, and may continue to do so. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

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, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	Reported Value	Cost	Reported Value	Cost
Pooled Endowment Fund	\$ 46,828,801	\$ 43,159,291	\$ 53,056,861	\$ 42,898,528
Liquidity and Capital Reserve	3,764,888	4,634,772	-	-
Marketable debt securities	2,595,670	2,731,723	3,522,120	3,433,020
Marketable equity securities	3,873,829	4,216,664	2,047,816	1,420,743
Mutual funds	2,155,504	2,459,970	1,589,294	1,251,299
Total	\$ 59,218,692	\$ 57,202,420	\$ 60,216,091	\$ 49,003,590

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 2022, the Foundation invested \$4.6 million in the Liquidity and Capital Reserve Pool Fund (LCRP). 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, 2022 and 2021, UAHF recorded its proportionate share of earnings of each company (on a combined basis) of \$2,593,859 and \$5,941,683 respectively. In addition, UAHF received distributions from Chambers of \$1,920,594 and \$2,141,139 in FY 2022 and FY 2021, respectively. UAHF received a distribution from Big Springs in the amount of \$0 in FY 2022 and \$1,680,000 in FY 2021.

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, 2022 and 2021.

	2022	2021
Current Assets	\$ 33,891,106	\$ 33,738,301
Noncurrent Assets	12,432,839	13,099,688
Current Liabilities	(10,824,968)	(12,661,364)
Noncurrent Liabilities	<u>(1,767,769)</u>	<u>(2,169,440)</u>
Equity	<u>\$ 33,731,208</u>	<u>\$ 32,007,185</u>
Net Sales	\$ 65,137,496	\$ 56,118,685
Operating Income	\$ 6,143,014	\$ 5,690,026
Net Income	\$ 6,590,987	\$ 14,530,811

During the year ended September 30, 2022, a related party donated ownership interests in three unconsolidated entities that each hold investment property. The contribution received totaled \$4,384,096, which is reflected on the statement of activities. During the year ended September 30, 2022, 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 \$540,905 and \$321,405 for the years ended September 30, 2022 and 2021, respectively.

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, 2022 and 2021, the University had cash and cash equivalents totaling \$98,883,977 and \$67,916,333 respectively. Included in the amounts are deposits with trustees held for reserves, which totaled \$3,544,701 and \$6,200,150 in fiscal years 2022 and 2021, 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 (“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, 2022. 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.



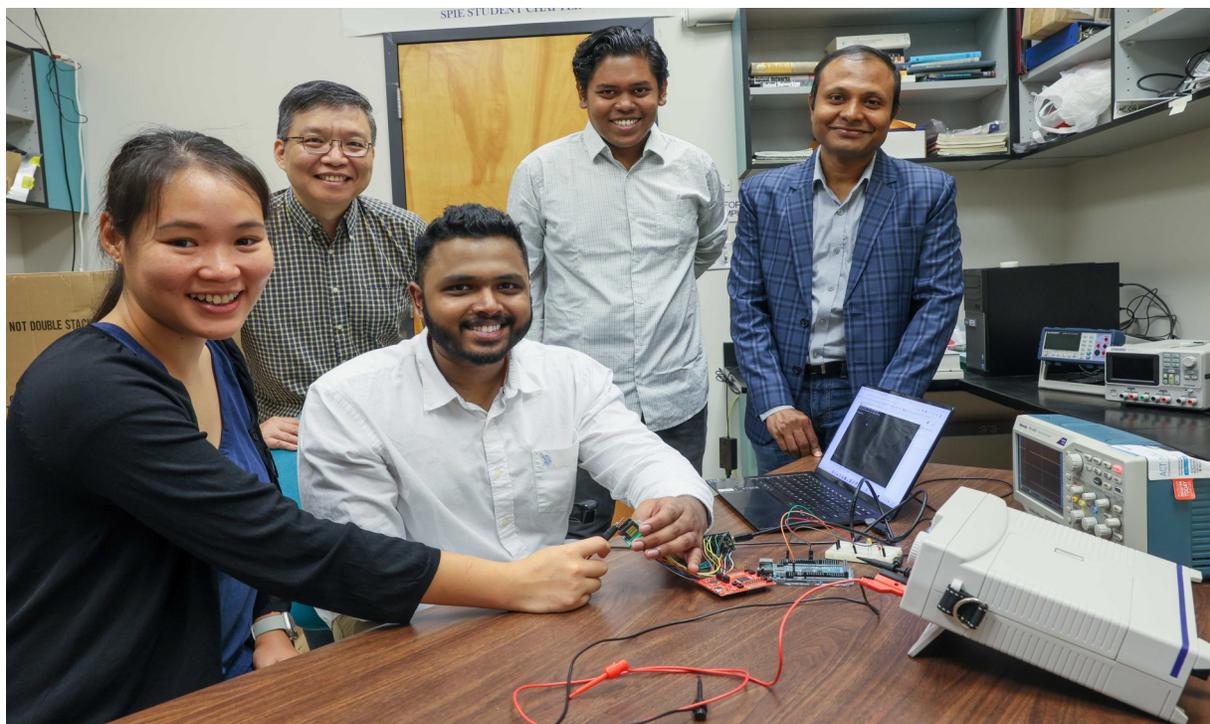
At September 30, 2022 and 2021, the fair value of the University's investments based on the inputs used to value them is summarized as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
PNC	\$ 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
	<u>1,020,292</u>	<u>-</u>	<u>-</u>	<u>1,020,292</u>

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	<u>\$ 100,998,034</u>

	2021			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
Compass	\$ 136,273	-	-	\$ 136,273
Wind Trust	46,350	-	-	46,350
Durkee Trust	557,559	-	-	557,559
Pei Ling Fund for Excellence	564,992	-	-	564,992
	<u>1,305,174</u>	<u>-</u>	<u>-</u>	<u>1,305,174</u>

UAH Portion of System Pool Investments:	
Pooled Endowment Fund	44,102,777
Liquidity and Capital Reserve Fund	70,900,103
Eminent Scholar Fund	3,161,378
Total Net Asset Value with System Pool	<u>\$ 119,469,432</u>



At September 30, 2022 and 2021, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

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

Pooled Endowment Fund

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

Liquidity and Capital Reserved Pool Fund

	2022				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ -	\$ -	\$ -	\$ -	\$ 5,962,851
Line of Credit-Crimson Tide Foundation	-	-	-	-	-
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
U.S. Preferred Stock	-	-	-	-	-
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
Non-U.S. Bond Funds	-	-	-	-	-
Hedge Funds	-	-	-	1,121,752,329	1,121,752,329
Private Equity Funds	-	-	-	-	-
Timberland Funds	-	-	-	-	-
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

Liquidity and Capital Reserved Pool Fund

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

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV at September 30, 2022 and 2021 is as follows:

	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	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	444,027,507	210,125,649	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	57,784,904	-	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	287,476,559	102,280,510	1-15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 1,443,871,318</u>	<u>\$ 348,406,159</u>			

	Pooled Endowment Fund				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 785,762,770	\$ -	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	415,061,514	174,482,041	1-10 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	86,098,351	-	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	228,844,894	131,972,561	1-15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 1,515,767,529</u>	<u>\$ 306,454,602</u>			

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV at September 30, 2022 and 2021 is as follows:

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	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	228,743,023	-	No limit	Monthly and Quarterly	None
	<u>\$ 1,350,495,352</u>	<u>\$ 67,500,000</u>			

September 30, 2021

Liquidity and Capital Reserve Pool

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

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 \$180.3 million and \$208.9 million in the PEF and LCRP, collectively, at September 30, 2022 and 2021, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$462.7 million and \$643.0 million in the PEF and LCRP, collectively, at September 30, 2022 and 2021, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2022 and 2021 are as follows:

	Pooled Endowment Fund		LCRP Fund	
	2022	2021	2022	2021
Fixed or Variable Income Securities				
U.S. Government Obligations	\$ 10,282,592	\$ 13,246,381	\$ 227,749,680	\$ 250,565,337
Other U.S. and Non-U.S. Denominated:				
AAA	1,111,407	751,743	28,847,345	33,536,982
AA	777,166	1,691,717	42,527,588	49,370,980
A	8,524,786	12,042,928	143,652,806	135,358,729
BBB	12,054,784	18,930,562	124,110,357	128,995,396
BB	3,940,529	5,670,545	6,363,702	7,716,916
B	-	242,759	9,672,564	12,510,612
C and < C	-	-	4,226,053	5,566,724
Unrated	11,839,327	14,005,384	168,460,273	194,867,566
Commingled Funds:				
U.S. Bond Funds: Unrated	-	-	372,671,133	495,084,539
Money Market Funds: Unrated	45,006,743	45,941,864	44,987,405	101,990,000
Total	\$ 93,537,334	\$ 112,523,883	\$ 1,173,268,906	\$ 1,415,563,781

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a corporate failure of a custodian, the System's investment securities may not be returned. Investment securities in the System Pools 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 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, 2022 and 2021, 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, 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, 2022 and 2021 are as follows:

	Pooled Endowment Fund		LCRP Fund	
	2022	2021	2022	2021
U.S. Government Obligations	10.2	9.8	3.8	3.2
Corporate Bonds	5.0	6.1	2.4	2.5
Non-U.S. Bonds	5.0	6.1	2.4	2.5
Commingled Bond Funds	-	-	2.8	2.5
Other Fixed Income	-	-	-	1.9

The information presented does not take into account the relative weighting of the portfolio components to the total portfolio.

Investments may also include mortgage backed 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, 2022 and 2021, the fair market value of these investments held by the System Pools are as follows:

	Pooled Endowment Fund		LCRP Fund	
	2022	2021	2022	2021
Mortgage Backed Securities	\$ 12,621,581	\$ 14,281,482	\$ 207,578,465	\$ 239,316,613
Collateralized Mortgage Obligations	-	-	18,211,357	21,324,002
Total Fixed	\$ 12,621,581	\$ 14,281,482	\$ 225,789,822	\$ 260,640,615

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, 2022 and 2021, the effective durations for these securities are as follows:

	Endowment Fund		LCRP Fund	
	2022	2021	2022	2021
Mortgage Backed Securities	6.6	3.6	3.3	2.6
Collateralized Mortgage Obligations	-	-	4.3	6.6

Foreign Currency Risk: The strategic asset allocation policy for the PEF and the LCRP 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, 2022 and 2021, all foreign investments in the System Pools 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, 2022 and 2021, 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, 2022 and 2021, there were no securities on loan from the investment pools.

At September 30, 2021 and 2020, 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, 2022 and 2021 is summarized as follows:

	2022	2021
Tuition and fees	\$ 13,743,756	\$ 13,151,216
Auxiliary enterprises and other operating activities	16,665	19,561
Federal, state, and private grants and contracts	31,693,493	34,757,685
Other	1,275,475	958,394
Total accounts receivable	46,729,389	48,886,856
Less allowance for doubtful accounts	(2,582,302)	(2,846,426)
Accounts receivable, net	\$ 44,147,087	\$ 46,040,430

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, 2022 and 2021 is summarized as follows:

	2022	2021
Leases receivable	\$ 7,139,974	\$ 7,764,723
Less: current portion	(653,531)	(621,965)
Total Leases receivable, noncurrent	\$ 6,486,443	\$ 7,142,758



Note 6 – Capital Assets

Capital assets activity for the years ended September 30, 2022 and 2021 is summarized as follows:

	October 1, <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	September 30, <u>2022</u>
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
Computer software	3,402,873	1,299,509	-	-	4,702,382
Collections	1,184,402	15,000	-	-	1,199,402
Total cost of capital assets	<u>618,176,515</u>	<u>21,417,345</u>	<u>(2,964,852)</u>	<u>-</u>	<u>636,629,008</u>
Less accumulated depreciation	315,861,182	18,948,582	(2,751,118)	-	332,058,646
Capital assets, net	<u>\$ 302,315,333</u>	<u>\$ 2,468,763</u>	<u>\$ (213,736)</u>	<u>\$ -</u>	<u>\$ 304,570,362</u>

	October 1, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	September 30, <u>2021</u>
Land	\$ 14,050,899	\$ -	\$ -	\$ -	\$ 14,050,899
Land improvements and infrastructure	22,784,433	795,469	-	-	23,579,902
Buildings and building improvements	457,304,042	1,585,908	-	3,555,450	462,445,400
Construction in progress	3,055,453	2,832,771	-	(3,555,450)	2,332,774
Equipment	81,301,453	4,274,177	(1,222,564)	-	84,353,066
Library books	26,634,568	198,707	(6,076)	-	26,827,199
Computer software	3,297,318	105,555	-	-	3,402,873
Collections	1,124,402	60,000	-	-	1,184,402
Total cost of capital assets	<u>609,552,568</u>	<u>9,852,587</u>	<u>(1,228,640)</u>	<u>-</u>	<u>618,176,515</u>
Less accumulated depreciation	298,706,609	18,273,914	(1,119,341)	-	315,861,182
Capital assets, net	<u>\$ 310,845,959</u>	<u>\$ (8,421,327)</u>	<u>\$ (109,299)</u>	<u>\$ -</u>	<u>\$ 302,315,333</u>

Note 7 – Long-Term Debt

Long-term debt activity for the years ended September 30, 2022 and 2021 is summarized as follows:

<u>Type/Supported by</u>	<u>October 1, 2021</u>	<u>New Debt</u>	<u>Principal Repayment</u>	<u>September 30, 2022</u>
Bonds:				
Student housing revenue	\$ -	\$ -	\$ -	\$ -
General fee revenue	135,227,000	38,930,000	42,977,000	131,180,000
Lease obligations	407,630	-	194,000	213,630
Total debt	<u>135,634,630</u>	<u>38,930,000</u>	<u>43,171,000</u>	<u>131,393,630</u>
Less current portion	(5,521,000)			(5,774,000)
Premium, net	11,798,687			10,780,819
Total long-term debt	<u>\$ 141,912,317</u>			<u>\$ 136,400,449</u>

<u>Type/Supported by</u>	<u>October 1, 2020</u>	<u>New Debt</u>	<u>Principal Repayment</u>	<u>September 30, 2021</u>
Bonds:				
Student housing revenue	\$ 76,000	\$ -	\$ 76,000	\$ -
General fee revenue	140,376,000	-	5,149,000	135,227,000
Lease obligations	33,856	601,630	227,856	407,630
Total debt	<u>140,485,856</u>	<u>601,630</u>	<u>5,452,856</u>	<u>135,634,630</u>
Less current portion	(5,258,856)			(5,521,000)
Premium, net	12,410,713			11,798,687
Total long-term debt	<u>\$ 147,637,713</u>			<u>\$ 141,912,317</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	5,774,000	5,119,142	10,893,142
2024	5,961,630	4,793,244	10,754,874
2025	6,193,000	4,594,487	10,787,487
2026	6,480,000	4,386,244	10,866,244
2027	6,740,000	4,162,647	10,902,647
2028-2032	25,525,000	17,892,732	43,417,732
2033-2037	24,665,000	13,140,057	37,805,057
2038-2042	28,665,000	8,376,902	37,041,902
2043-2047	17,670,000	3,458,367	21,128,367
2048	3,720,000	186,000	3,906,000
	<u>\$ 131,393,630</u>	<u>\$ 66,109,822</u>	<u>\$ 197,503,452</u>

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

<u>Description and Purpose</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate - %</u>	<u>Original Indebtedness</u>	<u>Outstanding Indebtedness September 30, 2022</u>	<u>Outstanding Indebtedness September 30, 2021</u>
Bonds Payable:						
General Fee Revenue Bonds-Series 2012-A	4/3/2012	10/1/2031	0.73-4.28	11,170,000	-	6,380,000
General Fee Revenue Bonds-Series 2012-B	9/5/2012	12/1/2026	0.74-3.84	13,700,000	-	6,815,000
General Fee Revenue Bonds-Series 2013-A-1	4/4/2013	4/1/2023	1.57	7,550,000	810,000	1,605,000
General Fee Revenue Bonds-Series 2013-A-2	4/4/2013	4/1/2043	4.00	24,455,000	-	24,455,000
General Fee Revenue Bonds-Series 2014-A	12/15/2014	9/1/2034	3.00-5.00	11,860,000	7,120,000	7,570,000
General Fee Revenue Bonds-Series 2015-A	3/25/2015	6/1/2025	1.96	5,175,000	1,655,000	2,187,000
General Fee Revenue Bonds-Series 2018-A-1	3/22/2018	9/1/2027	5.00	5,400,000	3,290,000	3,855,000
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	3,430,000	3,910,000
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	27,965,000	29,025,000
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	5,730,000	-
General Fee Revenue Bonds-Series 2022C	3/11/2022	12/1/2026	1.50	6,815,000	6,020,000	-
Total Bonds Payable				203,800,000	131,180,000	135,227,000
Lease Obligation:						
2021 Key Government Finance Inc	6/1/2021	6/1/2024		601,630	213,630	407,630
Total Lease Obligation				601,630	213,630	407,630

The University's general fee bonds and student housing bonds (prior to their repayment in 2021) 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, 2022.

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 2012A 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 2022A bonds. The undiscounted cash flows required to service principal and interest under the old Series 2012B 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 2022B and 2022C 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 2012A 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 2012B and 2013A-2 bond refinancing using an effective interest rate of 1.76% applied to the old and new bond cash flow requirements.

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 \$407,702 and \$366,433 for general liability for fiscal years 2022 and 2021, respectively.

The University also maintains a self-insured health plan. During 2022, the University paid \$27.55 and \$26.75 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 \$1,792,821 and \$1,690,240 for health insurance for 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,175,880	\$ 2,122,529
Claims paid	(14,342,567)	(13,521,917)
Contributions and adjustments	<u>14,367,211</u>	<u>13,575,268</u>
Balance, end of year	<u>\$ 2,200,524</u>	<u>\$ 2,175,880</u>

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, 2022 was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members. The University's contribution rate for the year ended September 30, 2021 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members.

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:

	<u>2022</u>		<u>2021</u>	
University contributions	\$ 14,777,322		\$ 13,604,773	
Employee contributions	<u>8,539,270</u>		<u>7,849,445</u>	
Total contributions	<u>\$ 23,316,592</u>		<u>\$ 21,454,218</u>	
	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
University contribution regular rate	12.43%	11.32%	12.36%	11.22%
Employee contribution rate	7.50%	6.20%	7.50%	6.00%
Employee contribution law enforcement rate	8.50%	7.20%	8.50%	7.00%

Salaries and wages for covered employees participating in TRS were approximately \$131.9 million during the year ended September 30, 2022 and \$115.2 million during 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2022 and 2021, the financial statements of the University reflected a liability of \$146,630,000 and \$192,513,000 for its proportionate share of the collective net pension liability, as prescribed by GASB 68. For the 2022 reported amounts the collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020.

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	<u>\$ 43,554,769</u>	<u>\$ 45,743,000</u>

For the year ended September 30, 2021, the University recognized pension expense of \$19.8 million. At September 30, 2021 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	\$ 9,528,000	\$ 3,339,000
Changes of assumptions	2,002,000	-
Net difference between projected and actual earnings on pension plan investments	14,297,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	8,974,000	4,311,000
Employer contributions subsequent to the measurement date	13,604,739	-
Total	<u>\$ 48,405,739</u>	<u>\$ 7,650,000</u>

\$14,781,769 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, 2023. 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:	
2023	\$ (1,426,000)
2024	\$ (1,302,000)
2025	\$ (4,146,000)
2026	\$(10,096,000)
2027	\$ -
Thereafter	\$ -

Actuarial assumptions. The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, 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, 2020, 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.

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 System's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the System'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)	\$215,825	\$146,630	\$88,350

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, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. 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 2022 and 2021, excluding amounts not eligible for matching, are summarized as follows:

	<u>2022</u>	<u>2021</u>
University contributions	\$ 3,849,426	\$ 3,312,035
Employee contributions	8,244,630	7,297,561
Total contributions	<u>\$ 12,094,055</u>	<u>\$ 10,609,596</u>

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:

	<u>2022</u>	<u>2021</u>
Total Salaries and Wages	\$ 142,363,453	\$ 135,651,445
Salaries and Wages of employees participating in:		
TRS	\$ 131,851,279	\$ 115,212,970
TIAA - CREF	\$ 85,312,938	\$ 74,127,434

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 \$4,966,555 and \$5,159,685 for fiscal years 2022 and 2021, 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 Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the 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, 2022, the financial statements of the University reflected a liability of \$52.9 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, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. 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, 2021, the University's proportion was 1.02%, which was an increase of 0.08% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the University recognized 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>\$ 46,586,017</u>	<u>\$ 44,696,348</u>

For the year ended September 30, 2021, the University recognized an OPEB expense of \$3.0 million. At September 30, 2021 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,557,681	\$ 22,083,563
Changes of assumptions	21,455,082	11,405,960
Net difference between projected and actual earnings on OPEB plan investments	-	2,590
Changes in proportion and differences between Employer contributions and proportionate share of contributions	25,627,677	5,618,615
Employer contributions subsequent to the measurement date	1,664,437	-
Total	<u>\$ 50,304,877</u>	<u>\$ 39,110,728</u>

\$1.5 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, 2023.

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:		
2023	\$	(2,118,358)
2024	\$	(2,144,831)
2025	\$	(2,452,582)
2026	\$	4,866,037
2027	\$	3,182,196
Thereafter	\$	(902,446)

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

Inflation	2.50%
Salary Increases*	3.25 - 5.00%, 2.75%
Long-Term Investment Rate of Return**	7.00%
Municipal Bond Index Rate at the Measurement Date	2.29%
Municipal Bond Index Rate at the Prior Measurement Date	2.25%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2051
Single Equivalent Interest Rate at the Measurement Date	3.97%
Single Equivalent Interest Rate at the Prior Measurement Date	3.05%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2028
Medicare Eligible	4.75% in 2025

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

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.

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, 2020 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 3.97%. 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 non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. 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. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

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	\$ 41,495,282	\$ 52,882,284	\$ 67,553,332

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 3.05%, 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 (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
Net OPEB Liability	\$ 65,047,547	\$ 52,882,284	\$ 43,124,399

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, 2021. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2021. 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 ("FDSLPL") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLPL enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLPL 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, 2022 and 2021, the University disbursed \$26,954,346 and \$29,035,114, respectively, under the FDSLPL.

Note 12 – Contracts and Grants

As of September 30, 2022 and 2021, the University was awarded approximately \$95.1 million and \$119.1 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 2022 and 2021 are summarized as follows:

	Year Ended September 30, 2022					Total
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	
Instruction	\$ 45,339,570	\$ 15,406,165	\$ 5,308,211	\$ -	\$ -	\$ 66,053,946
Research	61,031,715	18,698,727	36,840,029	-	-	116,570,471
Public service	2,236,558	672,061	2,921,421	-	-	5,830,040
Academic support	7,077,175	2,233,701	3,856,321	-	-	13,167,197
Student services	8,590,660	2,934,727	8,651,305	-	-	20,176,692
Institutional support	11,559,657	4,190,864	5,310,431	-	-	21,060,952
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	6,854,181	-	-	9,830,158
Depreciation	-	-	-	18,948,582	-	18,948,582
Total Operating Expenses	\$142,363,453	\$ 46,315,605	\$ 78,992,740	\$ 18,948,582	\$ 12,911,599	\$ 299,531,979

	Year Ended September 30, 2021					Total
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	
Instruction	\$ 43,811,274	\$ 18,609,641	\$ 3,757,895	\$ -	\$ -	\$ 66,178,810
Research	57,397,883	21,059,323	31,422,554	-	-	109,879,760
Public service	3,288,361	1,271,930	5,193,456	-	-	9,753,747
Academic support	7,021,899	2,905,304	3,168,608	-	-	13,095,811
Student services	7,778,590	3,466,127	7,395,618	-	-	18,640,335
Institutional support	10,066,994	4,926,096	5,965,275	-	-	20,958,365
Operations and maintenance of plant	3,979,275	2,079,934	8,228,776	-	-	14,287,985
Scholarships and fellowships	-	-	-	-	14,399,645	14,399,645
Auxiliary enterprises	2,307,170	511,559	6,281,108	-	-	9,099,837
Depreciation	-	-	-	18,273,914	-	18,273,914
Total Operating Expenses	\$135,651,446	\$ 54,829,914	\$ 71,413,290	\$ 18,273,914	\$ 14,399,645	\$ 294,568,209

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 the renovation and addition of the Shelby Center, Altenkirch Greenway phase III & IV, and campus pavement & roofing replacement projects. At September 30, 2022, the estimated remaining cost to complete these projects was \$558 thousand, \$3.1 million, and \$2.6 million, respectively, and is expected to be funded from a combination of University bond proceeds, donations, and state sources.

The University has entered into future lease commitments for certain space and equipment effective October 1, 2022, which expire at various dates through 2033. Future lease payments, including both principal and interest on these commitments for the next five years and in subsequent five-year periods are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 404,561	\$ 301,014	\$ 705,575
2024	\$ 411,800	\$ 307,874	\$ 719,674
2025	\$ 450,883	\$ 283,184	\$ 734,067
2026	\$ 491,619	\$ 257,130	\$ 748,749
2027	\$ 534,976	\$ 228,748	\$ 763,724
2028-2032	\$ 3,133,979	\$ 641,717	\$ 3,775,696
2033-2037	\$ 695,723	\$ 21,046	\$ 716,769
	\$ 6,123,539	\$ 2,040,713	\$ 8,164,252

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 will be no material impact from its adoption of GASB 91.

The GASB issued Statement No. 92, Omnibus 2020, in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The statement is effective for reporting periods beginning after June 15, 2021. The University has determined there was no material impact from its adoption of GASB 92.

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

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

The GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, in May 2020. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements 83, 84, 87, 88, 89, 90, 91, 92 and 93. The University will apply the GASB 95 postponement of effective dates. The aforementioned effective dates are those set forth in GASB 95.

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. The University is evaluating whether there will be any material impact from its adoption of GASB 96.

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

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

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 are 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. The University has determined there was no material impact from its adoption of the portions of GASB 99 which were effective immediately, and the University 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, 2022.

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. This statement is based on an unknown possible future event, and therefore the impact to the financial statements cannot be determined at this time. The University will continue to evaluate 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. The University is evaluating whether there will be any material impact from its adoption of GASB 101.



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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the collective net pension liability	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	\$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	\$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	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	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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$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	(\$14,781,769)	(\$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	\$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	11.21%	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 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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the net OPEB liability	1.023499%	0.946468%	0.617266%	0.686596%	0.724951%
Employer's proportionate share of the net OPEB liability	\$52,882,284	\$61,424,456	\$23,288,013	\$56,429,447	\$53,845,219
Employer's covered payroll during measurement period	\$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	45.90%	54.78%	22.09%	54.67%	53.62%
Plan fiduciary net position as a percentage of the total OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$1,459,653	\$1,664,437	\$1,876,852	\$1,753,547	\$1,685,254
Contributions in relation to the contractually required contribution	(\$1,459,653)	(\$1,664,437)	(\$1,876,852)	(\$1,753,547)	(\$1,685,254)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$131,851,279	\$115,212,970	\$112,135,896	\$105,412,352	\$103,210,401
Contributions as a percentage of covered payroll	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 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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