THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

FINANCIAL REPORT 2024 - 2025

PART OF THE University of Alabama System

The University of Alabama in Huntsville
2024-2025 Annual Financial Report

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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.

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, 2025 and 2024, 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, which collectively comprise the University's basic 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 as of September 30, 2025 and 2024, 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 $144.3 million and $131.7 million as of September 30, 2025 and 2024, and changes in net position of $16.1 million and $13.8 million for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, 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 where applicable, the cash flows of only that portion of the business-type activities and the discretely presented component unit of the financial reporting entity of The University of Alabama System that are attributable to the transactions of 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, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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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 4 through 15 and the required supplemental information for the pension and postemployment benefits plans on pages 59 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

Birmingham, Alabama
February 4, 2026

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

The following discussion and analysis provide an overview of the financial performance and activities of The University of Alabama in Huntsville ("UAH" or "the University") for the fiscal years ended September 30, 2025, and 2024. Prepared by University management, this section, along with the accompanying financial statements and note disclosures, should be read in conjunction with those statements and disclosures. Management assumes full responsibility for the financial statements, notes, and this discussion.

Introduction

The University of Alabama in Huntsville ("UAH" or the "University") is a public, co-educational, state-supported research university and an autonomous campus within The University of Alabama System. During fiscal year 2025, UAH continued to demonstrate strong national research performance, maintaining multiple research programs ranked among the top 25 nationally for federally funded research, including recognized strengths in aerospace engineering, atmospheric and earth sciences, computer and information sciences, and astrophysics. The University remained a leading institution in NASA and Department of Defense sponsored research, reflecting strategic alignment with federal priorities and long-standing partnerships.

For the fiscal year ended September 30, 2025, the University sustained a robust externally sponsored research enterprise supported by a diversified portfolio of federal and state agencies, industry partners, academic collaborators, and private foundations. Research expenditures remained significant and consistent with prior-year levels, supporting faculty research activity, graduate education, research infrastructure, and interdisciplinary initiatives across the campus. Research was conducted within the University's eight colleges and through its seventeen independent research centers, laboratories, and institutes.

UAH offers more than 100 degree-granting academic programs, including undergraduate, master's, and doctoral programs, through its colleges of Arts, Humanities and Social Sciences; Business; Education; Engineering; Graduate School; Honors; Nursing; and Science. During fiscal year 2025, the University continued to emphasize academic quality, student success, and workforce relevance through curriculum enhancements, experiential learning opportunities, and the integration of research into instruction.

The University serves as the anchor tenant of Cummings Research Park, the second largest university research park in the United States, providing significant opportunities for collaborative research, technology transfer, student internships, and regional economic development. During fiscal year 2025, UAH advanced strategic interdisciplinary research thrusts including modeling and simulation; cybersecurity; systems engineering; aerospace and propulsion; optics and space physics; earth and atmospheric system science; information technology; materials science; biotechnology; nanotechnology; advanced manufacturing; artificial intelligence; and selected humanities and social science initiatives.

Management believes the University remains well positioned for continued growth and stability. Entering fiscal year 2026, UAH continues to focus on expanding sponsored research activity, strengthening academic programs, enhancing student outcomes, and maintaining sound financial stewardship while monitoring external funding environments, enrollment trends, and operational efficiencies to support long-term sustainability.

Overview of Financial Statements

The financial statements provide comparative financial information for the University and its discretely presented component unit, The University of Alabama in Huntsville Foundation ("UAHF"). While UAHF's financial information is presented separately, it is not included in the University's MD&A, financial statements, or footnotes. However, UAHF's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are discretely presented on pages 20–21.

Statements of Net Position

The Statements of Net Position provide a snapshot of the University's financial position as of September 30, 2025 and 2024, presenting its assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. These statements offer readers a fiscal overview of the University at the end of each fiscal year.

The Statements of Net Position outline the University's available assets to support ongoing operations. They also detail the University's obligations to vendors, bondholders, and lending institutions. Additionally, these statements provide insight into net position and the availability of resources for future expenditures.

Net position is classified into three categories:

1. **Net Investment in Capital Assets** – This consists of capital assets, net of accumulated depreciation, and the outstanding principal balances of debt incurred for their acquisition, construction, or improvement.

2. **Restricted Net Position** – This is further divided into:
   - **Nonexpendable**: Primarily related to endowments, where the principal must be maintained in perpetuity, while investment income is generally used for scholarships and fellowships.
   - **Expendable**: Available for University expenditures but restricted by donors or external entities for specific purposes or time periods.

3. **Unrestricted Net Position** – Available for general University use. This category is reduced by the recording of the University's share of the State of Alabama's unfunded pension and OPEB plan liabilities. Accordingly, this net position category has been negative in prior years.

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

	(dollars in thousands)		
	2025	2024	2023
Current assets	$ 305,372	$ 256,141	$ 191,133
Noncurrent assets:			
Restricted cash	1,456	1,496	1,807
Endowment and other investments	140,496	163,672	155,236
Capital assets, net	311,715	308,845	307,153
Other	10,210	13,974	17,889
Total assets	769,249	744,128	673,218
Deferred outflows of resources	147,348	106,247	115,691
Current liabilities	98,027	93,570	83,367
Noncurrent liabilities	410,612	383,380	389,433
Total liabilities	508,639	476,950	472,800
Deferred inflows of resources - leases	5,233	5,239	5,968
Deferred inflows of resources - pension and OPEB	91,513	76,979	74,463
Total deferred inflows of resources	96,746	82,218	80,431
Net position			
Net investment in capital assets	177,967	169,486	165,913
Restricted	110,456	109,684	106,030
Unrestricted	22,788	12,039	(36,265)
Total net position	$ 311,211	$ 291,209	$ 235,678

For the year ended September 30, 2025, current assets increased by $49.2 million, primarily due to higher cash and cash equivalents and short-term investments. Cash and cash equivalents increased by $25.0 million, driven by increased enrollment, higher grants and contracts revenue, and the receipt of a $12.0 million state capital appropriation. Short-term investments increased by $23.6 million as the University strategically invested a portion of the state capital appropriation for future capital and operating expenditures. For the year ended September 30, 2024, current assets increased $65.0 million largely driven by a $48.9 million increase in cash and cash equivalents. The improved cash position resulted from supplemental appropriations of $33.8 million received from the State of Alabama that were passed through the UA System Office as intergovernmental transfers. Other key drivers for the increase to current assets were an increase of nearly $4.6 million in accounts receivable associated with contracts and grants and an $8.9 million increase in short-term investments.

For the year ended September 30, 2025, other non-current investments decreased by $26.4 million due to the classification of a higher amount of investments expected to be used in fiscal 2026 for capital and other uses, offset by earnings on those investments. For the year ended September 30, 2024, endowment and other non-current investments increased $8.4 million due to earnings on the endowment and other investments for capital activities. Capital assets, net of depreciation, increased by approximately $2.9 million in fiscal year 2025. Other noncurrent assets decreased by $3.8 million largely due to the reclassification of $3.0 million of non-current pledges receivable to current accounts receivable and $780.5 thousand of non-current leases receivable to current leases receivable. For the year ended September 30, 2024, endowment and other non-current investments increased $8.4 million due to earnings on the endowment and other investments for capital activities. Capital assets, net of depreciation, increased by approximately $1.7 million in fiscal year 2024. Other noncurrent assets decreased by $3.9 million largely due to the reclassification of $3.0 million of non-current pledges receivable to current accounts receivable and $708.5 thousand of non-current leases receivable to current leases receivable.

Deferred outflows represent the consumption of net assets attributable to a future period and consists of pension obligations (Note 9), and other post-employment benefits (“OPEB”) obligations (Note 10). At September 30, 2025, deferred outflows from pension obligations decreased from $60.3 million to $38.1 million, and deferred outflows related to OPEB obligations increased from $46.0 million to $109.3 million. The decrease in deferred outflows related to pension obligations and the increase in deferred outflows related to OPEB obligations is due to actuarial changes at the Plan level as reported by the Teachers’ Retirement System of Alabama (“TRS”) and the Alabama Public Education Employee Health Insurance Plan (PEEHIP”), respectively, along with the change in UAH’s respective proportionate shares thereof. During 2024, deferred outflows related to the pension obligation decreased $22.1 million to $60.3 million and deferred outflows related to the OPEB obligation increased $12.8 million to $46.0 million. These changes were due to actuarial changes at the Plan level as reported by TRS and PEEHIP, along with the change in UAH’s respective proportionate shares thereof. As discussed in Notes 9 and 10, total deferred outflows related to pension and OPEB, net of total deferred inflows related to pension and OPEB (discussed below) at September 30, 2025 of $36.9 will be recognized in UAH’s statements of revenue, expenses, and changes in net position over multiple years, with the impact to the year ended September 30, 2026 estimated to be a net expense of $8.8 million.

For the year ended September 30, 2025, current liabilities increased $4.5 million largely due to an increase in accounts payable and accrued liabilities. Noncurrent liabilities increased approximately $27.2 million in fiscal year 2025 primarily due to an increase in the OPEB liability of $83.4 million, offset by a decrease in the pension liability of $47.5 million and payments on long-term debt of $8.6 million. The increase in the reported OBEP liability at September 30, 2025 is due to actuarial assumption fluctuations and the University's proportionate share of the increase in total OPEB liability of PEEHIP. PEEHIP reported a net OPEB liability of $9.19 billion, an increase of 378% from September 30, 2024, due to the impact of certain provisions of the Inflation Reduction Act which went into effect during 2025. These changes significantly increased premiums, which, when combined with other normal actuarial changes, resulted in the fiduciary net position of PEEHIP not being sufficient to cover the total OPEB liability. Then, pursuant to GASB 75, PEEHIP changed the discount rate from a rate equal to the long-term expected rate of return on the plan’s investments to be used to finance the payment of benefits to one based on an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The decrease in the reported pension liability at September 30, 2025 is due to actuarial assumption fluctuations and the University's proportionate share of the decrease in net pension liability reported by TRS Pension Plan at the measurement date September 30, 2024. TRS reported a fiduciary net position of 71.41% of total pension liability an increase of 7.84% from September 30, 2024. For the year ended September 30, 2024, current liabilities increased $10.2 million largely due to an increase in accounts payable and accrued liabilities as well as an increase in unearned revenues resulting from the fall academic term beginning later in the year. Noncurrent liabilities decreased approximately $6.0 million in fiscal year 2024 primarily due to payments on capital -related debt.

Deferred inflows represent the acquisition of net assets attributable to a future period and are associated with future lease payments, pension obligations (Note 9) and OPEB obligations (Note 10). At September 30, 2025, deferred inflows related to leases were consistent with the prior years. During 2025, deferred inflows related to the pension obligation increased $29.6 million to $41.5 million per note 9 and deferred inflows related to the OPEB obligation decreased $15.0 million to $50.0 million. These changes in deferred inflows related to the pension and OPEB obligations are due to actuarial changes at the Plan level as reported by TRS and PEEHIP, respectively, along with changes in UAH's respective proportionate shares thereof. At September 30, 2024, deferred inflows related to leases decreased $729 thousand to $5.2 million as a result of recognizing lease revenue through the amortization of the deferred inflow of resources for leases. During 2024, deferred inflows related to the pension obligation increased $2.3 million to $11.9 million and deferred inflows related to the OPEB obligation increased $214 thousand to $65.0 million. These increases in deferred inflows related to the pension and OPEB obligations are due to actuarial changes at the Plan level as reported by TRS and PEEHIP, respectively, along with changes in UAH's respective proportionate shares thereof.

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

The employer contribution rates for both plans are established annually by TRS and PEEHIP and adopted by the Alabama Legislature. The TRS employer contribution rate and the University's PEEHIP retiree coverage cost are determined based on actuarial valuations performed by TRS and PEEHIP, respectively. Although the liabilities recognized under GASB Statements No. 68 and 75 meet GASB's definition of a liability within its accounting standards framework, UAH does not consider these recorded liabilities to be legal obligations of the University, nor do they expose the University to additional claims on its resources. For further details, refer to Notes 9 and 10 to the financial statements.

For the year ended September 30, 2025, the University's total net position increased $20.0 million. The University's net investment in capital assets increased approximately $8.5 million. Restricted net position increased approximately $772 thousand. Unrestricted net position increased $10.7 million primarily due to residual income from operating and nonoperating revenues and expenses. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for capital projects and various academic and research initiatives.

For the year ended September 30, 2024, the University's total net position increased $55.5 million. The University's net investment in capital assets decreased approximately $3.6 million. Restricted net position increased approximately $3.7 million. Unrestricted net position increased $48.3 million primarily due to state supplemental appropriations received by the UA System and transferred to UAH and unrestricted investment income. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for capital projects and various academic and research initiatives.

Capital Assets

For the years ended September 30, 2025, 2024, and 2023, the University had approximately $687.5 million, $663.2 million, and $651.7 million invested in capital assets and accumulated depreciation of $375.8 million, $354.4 million, and $344.6 million, respectively. Depreciation charges for the years ended September 30, 2025, 2024, and 2023, were $21.6 million, $21.6 million, and $20.3 million, respectively. The following table summarizes the University's capital assets, net of accumulated depreciation, as of September 30:

Capital Assets, Net

	(dollars in thousands)		
	2025	2024	2023
Land	$ 14,051	$ 14,051	$ 14,051
Land improvements and infrastructure, net	7,513	8,819	8,410
Buildings and building improvements, net	255,804	248,400	251,686
Equipment, net	24,459	25,497	20,685
Library books, net	1,090	1,137	1,209
Computer Software	-	-	-
Right of use assets - Leases	5,243	6,214	7,896
Right of use assets - SBITAs	2,356	3,529	2,015
Collections	1,199	1,199	1,199
Total capital assets, net	$ 311,715	$ 308,846	$ 307,151

No major capital renovation projects reached substantial completion during fiscal year 2025. Construction activity during the year was primarily focused on projects still in progress rather than finalized renovations. A signature project during the year was the Raymond B. Jones Engineering Building, a new state-of-the-art engineering facility designed to expand and modernize the University's engineering capacity. The building will encompass multiple levels of advanced research laboratories, collaborative teaching spaces, and flexible classrooms equipped to support experiential learning and cutting-edge research in disciplines such as unmanned systems, big data, hypersonics, and artificial intelligence, and will serve the University's flagship College of Engineering — the largest academic unit on campus. Construction progressed substantially in fiscal year 2025, and the facility is anticipated to be completed and open for occupancy in the fall of 2026.

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. Principal and interest on these revenue bonds are collateralized by a pledge of revenues produced by student housing and student tuition and fees.

	(dollars in thousands)		
	2025	2024	2023
Bonds - Current	$ 6,480	$ 6,193	$ 5,942
Bonds - Long Term	106,985	113,465	119,658
Lease - Current	878	826	877
Lease - Long Term	4,926	5,804	7,283
SBITA - Current	850	966	416
SBITA - Long Term	1,091	1,837	814
Premium, net	9,004	9,596	10,189
Total debt outstanding	$ 130,214	$ 138,687	$ 145,179

Statements of Revenues, Expenses, and Changes in Net Position

Changes in total net position, as presented in the Statements of Net Position, reflect the activity reported in the Statements of Revenues, Expenses, and Changes in Net Position, which detail the University's results of operations. These statements present both operating and non-operating revenues and expenses, along with other changes in net position.

State educational appropriations are classified as non-operating revenues in accordance with GASB accounting standards because they are provided by the State Legislature to the University without the Legislature receiving commensurate goods or services in return. Without these non-operating revenues, particularly state appropriations, the University would be unable to cover its operational costs. These sources are vital to the University's financial stability and directly influence 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

	(dollars in thousands)		
	2025	2024	2023
Operating revenues:			
Tuition and fees	$ 108,323	$ 105,739	$ 116,180
Less: scholarship allowances	(40,429)	(37,031)	(40,452)
Tuition and fees, net	67,894	68,708	75,728
Federal, state and private grants and contracts	132,457	126,042	133,492
Sales and services of educational activities	5,587	4,641	4,032
Auxiliary, net of $1,060 in 2025, $821 in 2024, and $795 in 2023 of scholarship allowances	16,751	15,308	16,141
Total operating revenues	222,689	214,698	229,393
Operating expenses	321,432	300,701	300,920
Operating loss	(98,743)	(86,003)	(71,527)
Nonoperating revenues (expenses):			
State educational appropriations	72,682	71,328	73,678
Private gifts	3,812	2,835	3,398
Net investment (loss) income	21,183	28,257	14,686
Grant revenue	12,628	10,033	9,171
Other non-operating revenue/expense	688	489	(446)
Interest expense	(4,419)	(4,783)	(5,404)
Net nonoperating revenues	106,574	108,159	95,083
Other changes in net position	12,171	33,376	65,078
Increase in net position	20,002	55,532	88,634
Net position, beginning of year	291,209	235,677	147,043
Net position, end of year	$ 311,211	$ 291,209	$ 235,677

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

(dollars in thousands)

	2025		2024		2023	
State educational appropriations	$ 72,682	21.0%	$ 71,328	19.8%	$ 73,678	18.7%
Net investment income (loss)	21,183	6.1%	28,257	7.8%	14,686	3.7%
Grants and contracts	132,457	38.3%	126,041	34.9%	133,492	33.8%
Private gifts	3,812	1.1%	2,835	0.8%	6,590	1.7%
Auxiliary	16,751	4.8%	15,308	4.2%	16,141	4.1%
Net tuition and fees	67,894	19.6%	68,708	19.0%	75,729	19.2%
Sales and services	5,587	1.6%	4,641	1.3%	4,032	1.0%
Capital gifts, grants and appropriations	12,171	3.5%	33,376	9.2%	61,886	15.7%
Non-operating grant revenue	12,628	3.7%	10,033	2.8%	9,171	2.3%
Other non-operating revenue (expense)	688	0.2%	489	0.1%	(446)	-0.1%
Total revenues	$ 345,853		$ 361,016		$ 394,959	

Approximately $72.6 million in state educational appropriations were received for the year ended September 30, 2025, consistent with previous years' educational appropriations of $71.3 million and $73.7 million in 2024 and 2023, respectively.

Favorable market conditions benefited UAH in both fiscal year 2025 and 2024, resulting in net investment income of $21.2 million and $28.3 million, respectively. Although net investment income decreased from 2024 to 2025, investment returns were still positive as a result of the strong capital markets in 2025. Market conditions in 2024 were improved over those in 2023, which contributed to the $13.5 million increase in net investment income in 2024 as compared to 2023.

The University receives grant and contract revenue from federal, state, and local governments, as well as private agencies. These funds support the University's mission of research, education, and public service and are recorded as operating revenues. Grants and contracts revenue increased $6.4 million in fiscal year 2025 primarily due to increases in National Aeronautics and Space Administration, Department of Defense and National Science Foundation funding and decreased $7.4 million in fiscal year 2024 primarily due to Department of Defense contracts that were not renewed.

The University received gifts of approximately $3.8 million for fiscal year 2025 that will be used to support various academic programs and provide scholarships and fellowships to UAH students as stipulated by our generous donors. UAH received gifts of $2.8 million in 2024 and $6.6 million in 2023.

The University's auxiliary operations, which primarily include food service, housing, and bookstore sales, increased by a net $1.4 million in fiscal year 2025, driven by higher housing occupancy and increased meal plan revenue, offset by higher scholarships offered to students. In fiscal year 2024, auxiliary operations declined by $832 thousand, primarily due to lower enrollment, partially offset by a modest increase in rental rates.

Net tuition and fees decreased approximately $814 thousand in fiscal year 2025 primarily due to an increase in scholarships offered during 2025 as compared to 2024, which more than offset the approximately 3.0% increase in tuition rates from 2024 to 2025. Net tuition and fees decreased approximately $7.0 million in fiscal year 2024 primarily due to a decline in enrollment and credit hour production particularly among out-of-state students.

For the year ended September 30, 2025, sales and services revenue increased $945 thousand driven primarily by revenues received from parking services, increase in health services office visits and an increase in lease revenue. For the year ended September 30, 2024, sales and services revenue increased $609 thousand driven primarily by revenues received from parking services and from athletic events.

UAH received supplemental appropriations from the State of Alabama in 2025, 2024, and 2023. In 2025 and 2023, amounts received were restricted by the State for use on capital projects in the amounts of $12.0 million and $19.2 million, respectively, and thus these amounts are classified as State Capital Appropriations on the Statements of Revenues, Expenses, and Changes in Net Position. In 2024, the supplemental appropriations from the State of Alabama were allocated by the Board of Trustees of the System to UAH for purposes of supporting initiatives including cybersecurity research, enrollment management, Ph.D. programs, and deferred maintenance, and are thus classified as Intergovernmental Transfers. In fiscal year 2023, UAH also received a $20.0 million pledge from the UAH Foundation and a $19.6 million transfer from the UA System Office to support construction of the Raymond B. Jones Engineering Building.

In fiscal years 2025 and 2024, non-operating grant revenue increased by $2.6 million and $861 thousand, respectively, with federal and State of Alabama student financial aid programs remaining the primary sources of UAH's non-operating grant revenue. Pell Grant revenue was $11.1 million, $9.2 million, and $8.2 million in 2025, 2024, and 2023, respectively. Changes in Pell Grant revenue are a function of the mix of students applying for and receiving such federal assistance.

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

	(dollars in thousands)		
	2025	2024	2023
National Aeronautics and Space Administration	$ 38,811	$ 37,077	$ 36,886
Department of Defense	64,933	63,980	67,473
National Science Foundation	13,301	10,048	10,827
Department of Education	34	804	566
Other	8,509	7,477	9,387
Total	$ 125,588	$ 119,386	$ 125,138

In fiscal year 2025, operating revenues from federal grants and contracts increased to $125.6 million, and the University continued to receive research funding from federal agencies, including increases in funding from the National Aeronautics and Space Administration of $1.7 million and the National Science Foundation of $3.3 million.

In fiscal year 2025, Department of Defense ("DoD") funding increased slightly by $9.5 thousand. The University continues to receive federal funding from a variety of federal agencies and partners.

Operating Expenses (by natural classification)

	(dollars in thousands)		
	2025	2024	2023
Salaries, wages, and benefits	$ 224,488	$ 211,953	$ 204,316
Supplies and services	73,074	63,837	72,065
Depreciation	21,646	21,554	20,327
Scholarships and fellowships	2,224	3,357	4,212
Total operating expenses	$ 321,432	$ 300,701	$ 300,920

Operating Expenses (by functional classification)

	(dollars in thousands)		
	2025	2024	2023
Instruction	$ 69,739	$ 69,729	$ 68,980
Research	120,757	115,817	121,915
Public service	6,876	3,752	3,867
Academic support	20,460	17,883	16,094
Student services	19,979	18,836	18,308
Institutional support	33,100	26,684	23,674
Operations and maintenance of plant	18,547	15,112	15,733
Scholarships and fellowships	2,224	3,357	4,212
Auxiliary enterprises	8,104	7,977	7,810
Depreciation	21,646	21,554	20,327
Total operating expenses	$ 321,432	$ 300,701	$ 300,920

The University reports expenses by natural classification in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). Salaries, wages, and benefits increased by $12.5 million in fiscal year 2025, totaling approximately $224.5 million, compared to an increase of $7.6 million in fiscal year 2024 to approximately $212 million. The increase in both years was primarily driven by faculty and staff merit increases of 2.5% (2025) and 3.0% (2024), the impact of pension and other post employment benefits (OPEB) expense adjustments under GASB Statements No. 68 and 75, and rising benefit costs.

Supplies and services expenses increased by $9.2 million to $73.0 million for the year ended September 30, 2025, primarily due to increased grants and contracts activity. For the year ended September 30, 2024, supplies and services expenses decreased by $8.2 million to $63.8 million, largely reflecting reduced grants and contracts activity.

Scholarships and fellowships expenses reflect the net cost after applying scholarship allowances to gross tuition and fees. Scholarship allowances represent institutional scholarships and financial aid, including Pell Grant assistance, which is reported as nonoperating revenue. In fiscal year 2025, scholarships and fellowships expenses decreased by $1.1 million, primarily due to an increase in scholarship allowances provided to support students. In fiscal year 2024, scholarships and fellowships expenses decreased by $9 thousand, driven by enrollment declines and adjustments to the University's scholarship and tuition discounting strategies.

Economic Factors That Will Affect the Future

Looking ahead, The University of Alabama in Huntsville will continue to face economic and demographic pressures that may affect its financial performance and strategic priorities. Ongoing uncertainty in the higher education landscape, including shifting student demand, increased competition for a declining pool of traditional college-age students, and sensitivity to tuition pricing, may impact future enrollment and revenue growth. Inflationary pressures and rising personnel and operating costs could further constrain financial flexibility, while continued reliance on tuition, state appropriations, and auxiliary revenues heightens exposure to economic volatility. UAH's ability to strengthen student recruitment, improve retention and completion outcomes, expand non -traditional and graduate enrollment, and align academic offerings with workforce needs will be critical to sustaining enrollment levels and supporting long-term financial stability.

State appropriations remain a critical revenue source for the University and directly influence its ability to manage tuition rates and fund strategic initiatives. Variations in funding levels may affect operating budgets and UAH's capacity to invest in its academic and research missions. Increased state support enhances the University's ability to moderate tuition increases, which is essential to maintaining student access and affordability.

UAH's research enterprise is fundamental to its mission and long-term sustainability. Continued growth in research activity depends on the University's success in securing external grants and contracts, which may be impacted by changes in federal funding priorities or broader economic conditions. UAH's location in Huntsville provides a competitive advantage through collaboration and economic development partnerships within the region's aerospace, defense, and technology sectors, which are integral to sustaining high research output and advancing economic development in North Alabama.

UAH is also focused on modernizing administrative operations to improve efficiency, decision-making, and financial reporting. The University plans to replace its legacy enterprise resource planning system with Oracle AI Database for Higher Education, an initiative that is expected to enhance operational capabilities but will require careful planning and effective resource allocation to ensure successful implementation.

In addition to modernization initiatives, the University must address aging infrastructure and deferred maintenance, which are essential to supporting its mission and maintaining a competitive and functional campus environment. Inflationary pressures and rising costs for goods, services, and utilities continue to constrain budgets, necessitating cost-containment measures and the evaluation of alternative revenue sources. Workforce challenges, including increasing compensation costs in a competitive labor market, further emphasize the importance of effective recruitment and retention strategies.

Despite these challenges, UAH remains well positioned to navigate the evolving economic landscape. Its strong research profile, strategic location within a growing regional economy, and continued commitment to student success and operational excellence provide a solid foundation for long-term financial stability and growth. The University remains committed to advancing knowledge, fostering innovation, and serving the needs of Alabama and beyond.

The University of Alabama in Huntsville
Statements of Net Position
September 30, 2025 and 2024

	(dollars in thousands)	
	2025	**2024**
Assets		
Current Assets:		
Cash and cash equivalents	$ 203,466	$ 178,489
Short-term investments	36,984	13,415
Accounts receivable, net	45,554	45,328
Leases receivable, current portion	781	734
Other current assets	18,587	18,175
Total current assets	305,372	256,141
Noncurrent Assets:		
Restricted cash and cash equivalents	1,456	1,496
Endowment investments	55,692	52,518
Investments for capital activities	84,804	111,154
Leases receivable	4,330	5,087
Capital assets, net	311,715	308,845
Other noncurrent assets	5,880	8,887
Total noncurrent assets	463,877	487,987
Total Assets	**769,249**	**744,128**
Deferred Outflows of Resources		
Pension and OPEB obligations	147,348	106,247
Total Deferred Outflows of Resources	**147,348**	**106,247**
Total Assets and Deferred Outflows of Resources	**$ 916,597**	**$ 850,375**

See accompanying notes to financial statements

The University of Alabama in Huntsville
Statements of Net Position -- Continued
September 30, 2025 and 2024

	(dollars in thousands)	
Liabilities and Net Position	**2025**	**2024**
Current Liabilities:		
Accounts payable and accrued liabilities	$ 45,035	$ 41,466
Unearned revenue	43,189	43,463
Current portion of long-term debt	8,208	7,985
Deposits held for others	1,595	656
Total current liabilities	98,027	93,570
Noncurrent Liabilities:		
Long-term debt	122,006	130,702
Federal advances - loan funds	981	981
Pension liability	184,435	231,952
OPEB liability	103,190	19,745
Total noncurrent liabilities	410,612	383,380
Total Liabilities	**508,639**	**476,950**
Deferred Inflows of Resources		
Leases	5,234	5,239
Pension and OPEB obligations	91,513	76,979
Total Deferred Inflows of Resources	**96,747**	**82,218**
Total Liabilities and Deferred Inflows of Resources	**$ 605,386**	**$ 559,168**
Net Position:		
Net investment in capital assets	177,967	169,486
Restricted:		
Nonexpendable	17,409	18,055
Expendable	93,047	91,629
Unrestricted	22,788	12,039
Total Net Position	311,211	291,209
Total Liabilities and Net Position	**$ 916,597**	**$ 850,377**

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, 2025 and 2024

	2025	2024
	(dollars in thousands)	
Operating Revenues		
Tuition and fees	$ 108,323	$ 105,739
Less: scholarship allowances	(40,429)	(37,031)
Tuition and fees, net	67,894	68,708
Grants and contracts		
Federal	125,588	119,386
State	3,894	4,391
Private	2,975	2,264
Sales and services of educational activities	5,587	4,641
Auxiliary, net of $1,060 in 2025 and $821 in 2024 of scholarship allowances	16,751	15,308
Total Operating Revenues	**222,689**	**214,698**
Operating Expenses		
Salaries, wages and benefits	224,488	211,953
Supplies and services	73,074	63,837
Depreciation	21,646	21,554
Scholarships and fellowships	2,224	3,357
Total Operating Expenses	**321,432**	**300,701**
Operating loss	(98,743)	(86,003)
Nonoperating Revenues (Expenses)		
State educational appropriations	72,682	71,328
Private gifts	3,812	2,835
Net investment income	21,183	28,257
Grant revenue	12,628	10,033
Other nonoperating revenues (expenses), net	688	489
Interest expense	(4,419)	(4,783)
Net Nonoperating Revenues	106,574	108,159
Income before other changes in net position	7,831	22,156
Other Changes in Net Position		
Capital gifts, grants and appropriations	20	26
State capital funds	88	2,450
State capital appropriations	12,000	-
Intergovernmental transfers	-	30,750
Additions to permanent endowments	63	150
Other changes in net position	**12,171**	**33,376**
Increase in net position	20,002	55,532
Net Position, Beginning of Year	291,209	235,677
Net Position, End of Year	**$ 311,211**	**$ 291,209**

See accompanying notes to financial statements

The University of Alabama in Huntsville
Statements of Cash Flows
Years Ended September 30, 2025 and 2024

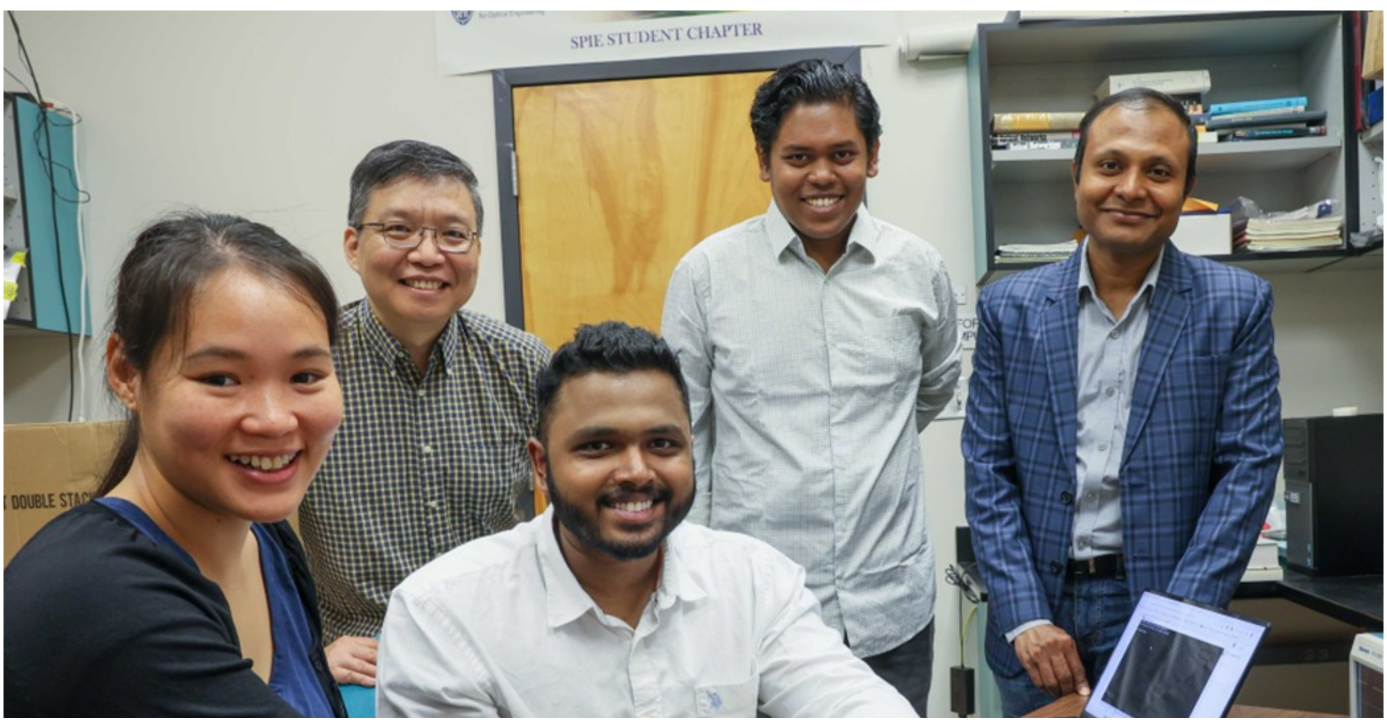
	(dollars in thousands) 2025	2024
Cash Flows from Operating Activities		
Student tuition and fees	$ 67,805	$ 70,393
Federal grants and contracts	126,112	116,033
State and local grants and contracts	3,894	4,391
Private grants and contracts	2,975	2,105
Sales and services of educational and other departmental activities	3,732	4,527
Auxiliary enterprises	16,786	15,714
Payments to suppliers	(70,761)	(62,938)
Payments to employees and related fringes	(213,849)	(195,033)
Payments for scholarships and fellowships	(4,631)	(5,818)
Net Cash Used in Operating Activities	**(67,937)**	**(50,626)**
Cash Flows from Noncapital Financing Activities		
State educational appropriations	72,682	71,328
Intergovernmental transfers	-	30,750
Private gifts	3,905	3,351
Student direct lending receipts	21,887	22,943
Student direct lending disbursements	(22,685)	(23,319)
Amounts received from affiliates	939	398
Grant fund receipts	12,764	10,033
Net Cash Provided by Noncapital Financing Activities	**89,492**	**115,484**
Cash Flows from Investing Activities		
Investment income	10,361	8,487
Proceeds from sales and maturities of investments	91,320	91,340
Purchases of investments	(80,841)	(88,681)
Net Cash Provided by Investing Activities	**20,840**	**11,146**
Cash Flows from Capital and Related Financing Activities		
Payments received for lease principal and interest	1,004	1,033
Purchase of capital assets	(21,230)	(18,411)
Capital gifts, grants and appropriations	3,020	3,026
State capital funds	-	351
State capital appropriations	12,000	-
Principal payments on capital debt	(8,072)	(7,834)
Interest payments on capital debt	(4,180)	(5,555)
Net Cash Used by Capital and Related Financing Activities	**(17,458)**	**(27,390)**
Net increase in cash and cash equivalents	24,937	48,614
Cash and Cash Equivalents, Beginning of Year	179,985	131,371
Cash and Cash Equivalents, End of Year	**$ 204,922**	**$ 179,985**
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and cash equivalents in current assets	203,466	178,489
Restricted cash and cash equivalents	1,456	1,496
Total Cash and Cash Equivalents	**$ 204,922**	**$ 179,985**

See accompanying notes to financial statements

The University of Alabama in Huntsville
Statements of Cash Flows -- Continued
Years Ended September 30, 2025 and 2024

	(dollars in thousands)	
	2025	**2024**
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (98,743)	$ (86,002)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	21,646	21,554
Pension expense	21,995	34,859
OPEB expense	7,158	(4,506)
Adjustment for lease payments	(725)	(787)
Changes in assets and liabilities:		
Accounts receivable, net	572	(4,485)
Other current assets	(412)	(3,178)
Pension obligations	(17,646)	(15,745)
OPEB obligations	(2,146)	(1,461)
Accounts payable and accrued liabilities	637	5,390
Unearned revenues	(273)	3,735
Net Cash Used in Operating Activities	**$ (67,937)**	**$ (50,626)**
Supplemental Noncash Activities Information		
Increase in fair value of investments	10,822	19,770
Capital asset purchases accrued at year end	3,609	672
Capital assets acquired with State capital funds	88	2,450
Capital assets acquired through SBITAs	155	3,120

See accompanying notes to financial statements



University of Alabama Huntsville Foundation
Discretely Presented Component Unit
Statements of Net Position
September 30, 2025 and 2024

	(dollars in thousands)	
	2025	**2024**
Assets		
Current assets		
Cash and cash equivalents	$ 3,728	$ 24,529
Accrued interest	621	600
Total current assets	**4,349**	**25,129**
Noncurrent assets		
Investments	116,624	85,156
Investment in real estate	221	221
Investment in trust	19,461	18,646
Pledges receivable, net	3,169	2,217
Trust receivable	242	242
Prepaid income taxes	212	-
Other receivable	8	75
Total noncurrent assets	**139,937**	**106,557**
Total Assets	**$ 144,286**	**$ 131,686**
Liabilities		
Current liabilities		
Accounts payable	$ 685	$ 735
Annuity payable	7	6
Pledge payable, related party	3,000	3,465
Total current liabilities	**3,692**	**4,206**
Noncurrent liabilities		
Pledge payable, related party, net of current portion	3,000	6,000
Total noncurrent liabilities	3,000	6,000
Total Liabilities	**$ 6,692**	**$ 10,206**
Net Position		
Unrestricted	72,145	63,617
Restricted		
Expendable	29,362	25,266
Nonexpendable	36,087	32,597
Total Net Position	**137,594**	**121,480**
Total Liabilities and Net Position	**$ 144,286**	**$ 131,686**

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, 2025 and 2024

	(dollars in thousands)	
	2025	**2024**
Operating Revenues		
Contributions	$ 6,167	$ 3,110
Other Income	171	259
Total Operating Revenues	**6,338**	**3,369**
Operating Expenses		
Scholarships to UAH	360	1,438
Contributions to UAH	2,624	2,351
Professional Services	163	63
Other Expenses	1,552	1,806
Total Operating Expenses	**4,699**	**5,658**
Operating Income (Loss)	**1,639**	**(2,289)**
Nonoperating Revenues (Expenses)		
Investment Income, Net	11,002	12,358
Rent Income	1	1
Equity in earnings of trust	4,226	4,772
Change in value of split-interest agreement	(1)	76
Income tax expense	(753)	(1,144)
Net Nonoperating Revenues (Expenses)	**14,475**	**16,063**
Increase in Net Position	16,114	13,774
Net Position, Beginning of Year	121,480	107,706
Net Position, End of Year	**$ 137,594**	**$ 121,480**

See Note 2

Notes to Financial Statements
Years Ended September 30, 2025 and 2024

Note 1 – Organization and Summary of Significant Accounting Policies

Financial Reporting Entity - The University of Alabama in Huntsville (the “University”) is one of three universities of The University of Alabama System (the “System”), a component unit of the State of Alabama (the “State”). These financial statements include individual schools, colleges and departments, and certain affiliated operations determined to be a part of the University’s financial reporting entity. The financial statements of the University are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the financial reporting entity of the System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the System, its changes in financial position, or its cash flows. The System is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code.

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

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

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

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 2025 and 2024, UAHF distributed $3.0 million and $3.8 million, 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 University of Alabama in Huntsville Research and Technology Corporation (the “RTC”). This entity does not meet the definition of a component unit under GASB guidance. Therefore, the RTC has not been included within the University’s financial statements.

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. Accordingly, the financial statements of the University have been prepared in 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. 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.

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

- **Net investment in capital assets**: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- **Restricted**:

  Nonexpendable – Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the corpus of the University’s permanent endowment funds.

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

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

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

Investments: The University’s investment portfolio is primarily invested in investment pools maintained by The University of Alabama System. Fair value for the investment pools is determined by the System, based on the fair value of the underlying investment securities held by each investment pool. Fair value of the underlying securities held in each investment pool is based on quoted market prices or dealer quotes, where available, or determined using net asset values provided by underlying investment partnerships or companies. Fair value for investments held directly by the University is determined from quoted market prices or market prices of similar instruments. Net investment income or loss, including realized and unrealized gains and losses, is reported as non-operating revenues (expenses) in the statements of revenues, expenses and changes in net position.

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

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

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

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

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

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

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

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

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

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

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

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

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

Endowment Spending: For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Alabama, permits The Board of Trustees of the University of Alabama (the Board) to appropriate an amount of realized and unrealized endowment appreciation as the Board determines to be prudent. UPMIFA also prescribes the guidelines for the expenditure of donor-restricted endowment funds in the absence of overriding, explicit donor stipulations.

UPMIFA focuses on the entirety of a donor-restricted endowment fund, that is, both the original gift amount(s) and net appreciation. UPMIFA includes a robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. The University's policy is to retain the endowment realized and unrealized appreciation with the endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board has adopted a spending rate of 4.5%, based on a moving five-year average of the market (unit) value, and return of gains for underwater endowments.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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, 2025 and 2024:

	(dollars in thousands)			
	2025		2024	
	Reported Value	Cost	Reported Value	Cost
Certificates of deposit	$ 6,381	$ 6,381	$ 6,099	$ 6,099
Pooled Endowment Fund	67,647	50,606	61,408	48,785
Liquidity and Capital Reserve Fund	23,083	21,454	3,009	3,133
Marketable debt securities	2,587	2,278	5,563	5,536
Marketable equity securities	6,380	5,335	6,471	5,509
Mutual funds	10,546	10,428	2,606	2,486
Total	$ 116,624	$ 96,482	$ 85,156	$ 71,548

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.

The Liquidity and Capital Reserve Pool Fund 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, 2025 and 2024, UAHF recorded its proportionate share of earnings of each company (on a combined basis) of $4.2 and $4.7 million, respectively. In addition, UAHF received distributions from Chambers of $3.4 million and $4.3 million in FY 2025 and FY 2024, respectively.

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, 2025 and 2024:

	(dollars in thousands)			
	2025		2024	
Current Assets	$	34,215	$	30,287
Noncurrent Assets		12,385		12,473
Current Liabilities		(7,193)		(4,909)
Noncurrent Liabilities		(55)		(535)
Equity	$	39,352	$	37,315
Net Sales	$	87,133	$	81,745
Operating Income	$	9,492	$	10,693
Net Income	$	10,794	$	12,181

The Foundation, as a result of a related party donation in fiscal year 2022, holds ownership interests in three unconsolidated entities that each hold investment property. During the years ended September 30, 2024 and 2023 the entities sold certain properties which resulted in the foundation receiving funds totaling $91 thousand and $52 thousand, respectively and recognizing a gain of $10 thousand in 2024 and a loss of $13.5 thousand in 2023. The market value of the three unconsolidated entities as of September 30, 2025 is $3.5 million.

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 $753 thousand and $1.1 million for the years ended September 30, 2025 and 2024, 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, 2025 and 2024, the University had cash and cash equivalents totaling $205 million and $180 million respectively. Included in the amounts are deposits with trustees held for reserves, which totaled $1.5 million and $1.5 million in fiscal years 2025 and 2024, respectively.

Note 4 – Investments

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

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

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

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

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

- **Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.
- **Level 2** – Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the assets or liabilities;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

- **Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's own data.

GASB 72 allows for the use of net asset value ("NAV") as a practical expedient for valuation purposes. Investments that use NAV in determining fair value are disclosed separately from the valuation hierarchy as presented herein.

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

The determination of what constitutes observable requires judgment by the University's management. University management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to University management's perceived risk of that investment.

The following is a description of the valuation methods and assumptions used by the University to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at September 30, 2024. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. University management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

During 2023, the University invested excess cash that will be used for future capital expenditures in a Regions Bank Government Enhanced Cash Strategy Investment Account. At September 30, 2025, this account held $411 thousand in a money market account that is classified as Level 1 and $35.1 million of U.S. Treasury Notes and Treasury Bills that are classified as Level 2.

At September 30, 2025 and 2024, the fair value of the University's investments based on the inputs used to value them is summarized as follows:

(dollars in thousands) 2025	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
PNC	$ 136	-	-	$ 136
Wind Trust	-	-	-	-
Durkee Trust	660	-	-	660
Pei Ling Fund for Excellence	707	-	-	707
Government-Enhanced Cash Strategy Investment Account	411	35,069	-	35,480
	1,914	35,069	-	36,983
UAH Portion of System Pool Investments:				
Pooled Endowment Fund				55,692
Liquidity and Capital Reserve Fund				84,804
Total Net Asset Value with System Pool Investments				$ 177,479

(dollars in thousands) 2024	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
PNC	$ 136	-	-	$ 136
Wind Trust	41	-	-	41
Durkee Trust	601	-	-	601
Pei Ling Fund for Excellence	577	-	-	577
Government-Enhanced Cash Strategy Investment Account	2,752	42,840	-	45,592
	4,107	42,840	-	46,947
UAH Portion of System Pool Investments:				
Pooled Endowment Fund				52,518
Liquidity and Capital Reserve Fund				77,622
Total Net Asset Value with System Pool Investments				$ 177,087

At September 30, 2025 and 2024, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

(dollars in thousands)

	Pooled Endowment 2025				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Receivables:					
Accrued Income Receivables	-	-	-	-	1,651
Total Receivables	**-**	**-**	**-**	**-**	**1,651**
Cash Equivalents:					
Money Market Funds	109,406	-	-	-	109,406
Total Cash Equivalents	**109,406**	**-**	**-**	**-**	**109,406**
Equities:					
U.S. Common Stock	201,253	-	-	-	201,253
U.S. Preferred Stock	-	-	-	-	-
Foreign Stock	40,017	-	-	-	40,017
Total Equities	**241,270**	**-**	**-**	**-**	**241,270**
Fixed Income Securities:					
U.S. Government Obligations	-	16,782	-	-	16,782
Mortgage Backed Securities	-	33,448	-	-	33,448
Collateralized Mortgage Obligations	-	-	-	-	-
Corporate Bonds	-	50,451	-	-	50,451
Non-U.S. Bonds	-	6,401	-	-	6,401
Total Fixed Income Securities	**-**	**107,082**	**-**	**-**	**107,082**
Commingled Funds:					
U.S. Equity Funds	-	157,976	-	-	157,976
Non-U.S. Equity Funds	-	364,627	-	-	364,627
U.S. Bond Funds	-	-	-	-	-
Non-U.S. Bond Funds	-	-	-	-	-
Hedge Funds	-	-	-	915,552	915,552
Private Equity Funds	-	-	2,383	571,680	574,063
Timberland Funds	-	-	-	-	-
Real Asset Funds	-	-	1,419	261,571	262,990
Total Commingled Funds	**-**	**522,603**	**3,802**	**1,748,803**	**2,275,208**
Total Fund Investments	**$ 350,676**	**$ 629,685**	**$ 3,802**	**1,748,803**	**2,732,966**
Total Fund Assets					**2,734,617**
Total Fund Liabilities					-
Total Net Asset Value					**$ 2,734,617**

(dollars in thousands)

	Pooled Endowment 2024				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Receivables:					
Accrued Income Receivables	-	-	-	-	1,601
Total Receivables	**-**	**-**	**-**	**-**	**1,601**
Cash Equivalents:					
Money Market Funds	81,234	-	-	-	81,234
Total Cash Equivalents	**81,234**	**-**	**-**	**-**	**81,234**
Equities:					
U.S. Common Stock	234,136	-	-	-	234,136
U.S. Preferred Stock	-	-	-	-	-
Foreign Stock	84,571	-	-	-	84,571
Total Equities	**318,707**	**-**	**-**	**-**	**318,707**
Fixed Income Securities:					
U.S. Government Obligations	-	18,271	-	-	18,271
Mortgage Backed Securities	-	29,102	-	-	29,102
Collateralized Mortgage Obligations	-	-	-	-	-
Corporate Bonds	-	49,944	-	-	49,944
Non-U.S. Bonds	-	6,327	-	-	6,327
Total Fixed Income Securities	**-**	**103,644**	**-**	**-**	**103,644**
Commingled Funds:					
U.S. Equity Funds	-	143,552	-	-	143,552
Non-U.S. Equity Funds	-	211,605	-	-	211,605
U.S. Bond Funds	-	-	-	-	-
Non-U.S. Bond Funds	-	-	-	-	-
Hedge Funds	-	-	-	833,404	833,404
Private Equity Funds	-	-	2,018	513,428	515,446
Timberland Funds	-	-	-	-	-
Real Asset Funds	-	-	2,919	280,206	283,126
Total Commingled Funds	**-**	**355,157**	**4,938**	**1,627,038**	**1,987,132**
Total Fund Investments	**$ 399,940**	**$ 458,800**	**$ 4,938**	**1,627,038**	**2,490,716**
Total Fund Assets					**2,492,317**
Total Fund Liabilities					(456)
Total Net Asset Value					**$ 2,491,861**

(dollars in thousands)

	Liquidity and Capital Reserve Pool 2025				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Receivables:					
Accrued Income Receivables	-	-	-	-	11,508
Total Receivables	**-**	**-**	**-**	**-**	**11,508**
Cash Equivalents:					
Money Market Funds	58,721	-	-	-	58,721
Total Cash Equivalents	**58,721**	**-**	**-**	**-**	**58,721**
Equities:					
U.S. Common Stock	524,119	-	-	-	524,119
Foreign Stock	59,730	-	-	-	59,730
Total Equities	**583,849**	**-**	**-**	**-**	**583,849**
Fixed Income Securities:					
U.S. Government Obligations	-	435,673	-	-	435,673
Mortgage Backed Securities	-	362,288	-	-	362,288
Collateralized Mortgage Obligations	-	14,824	-	-	14,824
Corporate Bonds	-	289,899	-	-	289,899
Non-U.S. Bonds	-	72,106	-	-	72,106
Other Fixed Income Assets	-	7,442	-	-	7,442
Total Fixed Income Securities	**-**	**1,182,232**	**-**	**-**	**1,182,232**
Commingled Funds:					
U.S. Equity Funds	-	142,800	-	-	142,800
Non-U.S. Equity Funds	-	241,608	-	-	241,608
U.S. Bond Funds	-	547,769	-	-	547,769
Hedge Funds	-	-	-	1,420,047	1,420,047
Real Asset Funds	-	-	-	177,486	177,486
Total Commingled Funds	**-**	**932,177**	**-**	**1,597,533**	**2,529,710**
Total Fund Investments	**$ 642,570**	**$ 2,114,409**	**$ -**	**$ 1,597,533**	**$ 4,354,512**
Total Fund Assets					**4,366,020**
Total Fund Liabilities					-
Total Net Asset Value					**$ 4,366,020**

	Liquidity and Capital Reserve Pool 2024				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
receivables:					
accrued income receivables	-	-	-	-	10,640
line of credit - Crimson Tide Foundation	-	-	-	-	-
total receivables	**-**	**-**	**-**	**-**	**10,640**
cash equivalents:					
money market funds	105,429	-	-	-	105,429
total cash equivalents	**105,429**	**-**	**-**	**-**	**105,429**
equities:					
u.s. common stock	537,941	-	-	-	537,941
u.s. preferred stock	-	-	-	-	-
foreign stock	113,728	-	-	-	113,728
total equities	**651,669**	**-**	**-**	**-**	**651,669**
fixed income securities:					
u.s. government obligations	-	380,205	-	-	380,205
mortgage backed securities	-	353,125	-	-	353,125
collateralized mortgage obligations	-	17,222	-	-	17,222
corporate bonds	-	275,255	-	-	275,255
non-u.s. bonds	-	95,358	-	-	95,358
other fixed income assets	-	9,701	-	-	9,701
total fixed income securities	**-**	**1,130,866**	**-**	**-**	**1,130,866**
commingled funds:					
u.s. equity funds	-	132,811	-	-	132,811
non-u.s. equity funds	-	195,781	-	-	195,781
u.s. bond funds	-	540,780	-	-	540,780
non-u.s. bond funds	-	-	-	-	-
hedge funds	-	-	-	1,274,176	1,274,176
private equity funds	-	-	-	-	-
timberland funds	-	-	-	-	-
real asset funds	-	-	-	171,629	171,629
total commingled funds	**-**	**869,372**	**-**	**1,445,805**	**2,315,177**
total fund investments	**$ 757,098**	**$ 2,000,238**	**$ -**	**$ 1,445,805**	**4,203,141**
total fund assets					**4,213,781**
total fund liabilities					(1,163)
total net asset value					**$ 4,212,618**

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV at September 30, 2025 and 2024 is as follows:

	(dollars in thousands)				
September 30, 2025	**Pooled Endowment**				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	$ 915,552	$ 5,007	No limit	Monthly,Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	571,680	329,018	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure			No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	261,571	129,560	1-15 years	Partnerships ineligible for redemption	Not redeemable
	$ 1,748,803	$ 463,585			

	(dollars in thousands)				
September 30, 2024	**Pooled Endowment**				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	$ 833,404	$ 18,000	No limit	Monthly,Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	513,428	277,411	1-15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	1,278	-	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	278,928	103,603	1-15 years	Partnerships ineligible for redemption	Not redeemable
	$ 1,627,038	$ 399,014			

(dollars in thousands)

September 30, 2025	Liquidity and Capital Reserve Pool				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	$ 1,420,047	$ 10,014	No limit	Monthly,Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	177,486	-	No limit	Monthly and Quarterly	None
	$ 1,597,533	$ 10,014			

(dollars in thousands)

September 30, 2024	Liquidity and Capital Reserve Pool				
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	$ 1,274,176	$ 36,000	No limit	Monthly,Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	171,629	-	No limit	Monthly and Quarterly	None
	$ 1,445,805	$ 36,000			

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 $328.5 million and $283.6 million in the PEF and LCRP, collectively, at September 30, 2025 and 2024, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately $715.9 million and $727.4 million in the PEF and LCRP, collectively, at September 30, 2025 and 2024, respectively.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2025 and 2024 are as follows:

	(dollars in thousands) Pooled Endowment Fund		(dollars in thousands) LCRP Fund	
	2025	2024	2025	2024
Fixed or Variable Income Securities				
U.S. Government Obligations	$ 16,782	$ 18,271	$ 435,673	$ 380,205
Other U.S. Denominated:				
AAA	3,940	4,616	62,667	84,783
AA	3,198	2,107	43,370	47,401
A	10,673	15,877	157,391	169,666
BBB	34,803	28,238	163,022	166,297
BB	8,210	8,030	10,158	10,810
B	-	1,059	8,711	11,302
C and < C	-	-	2,170	2,260
Unrated	29,475	25,445	299,069	258,141
Commingled Funds:				
U.S. Bond Funds: Unrated	-	-	547,769	540,780
Non-U.S. Bond Funds: Unrated	-	-	-	-
Money Market Funds: Unrated	109,406	81,234	58,721	105,429
TOTAL	**$ 216,487**	**$ 184,877**	**$ 1,788,721**	**$ 1,777,074**

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a corporate failure of a custodian, the investment securities may not be returned. Investment securities in the System Pools and UAH's separately held investments are registered in the Board's name by the custodial bank as an agent for the System. Other types of investments (i.e. open-ended mutual funds, money market funds) represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. As previously mentioned, credit risk in each investment pool and UAH's separately held portfolio is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities. The total assets (investments and receivables) of the PEF and LCRP portfolios were $7,100,636,036 at September 30, 2025 and $6,707,479,974 at September 30, 2024. In order for an investment to represent 5% or more of the total investments, the concentrated investment would have to be over $355.0 million for September 30, 2025 and $335.4 million for September 30, 2024. US Government Obligation totals across funds were $452.5 million at September 30, 2025 and $398.5 million at September 30, 2024. Municipal Government Obligations totals across all funds were both $0 at September 30, 2025 and September 30, 2024. Mortgage Obligation totals across funds was $410.6 million at September 30, 2025 and $399.4 million at September 30, 2024. Mortgage Obligation funds include investments in JP Morgan, Loop Capital, DoubleLine, PNC and Regions for the LCRP and Regions for the PEF. These accounts were combined and sorted by assets and no one issuer was over $355.0 million or 5% at September 30, 2025 and $335.4 million at September 30, 2024.

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, 2025

	(dollars in thousands) Pooled Endowment Fund		(dollars in thousands) LCRP Fund	
	2025	2024	2025	2024
U.S. GOVERNMENT OBLIGATIONS	11.4	12.9	3.2	3.4
CORPORATE BONDS	4.8	4.6	2.8	2.7
NON-US BONDS	4.8	4.6	2.8	2.7
COMMINGLED BOND FUNDS	-	-	3.6	2.9
OTHER FIXED INCOME	-	-	-	0.1

The effective durations for fixed or variable income securities for UAH's separately held investments at September 30, 2025 and 2024 are as follows:

	Government Enhanced Cash Strategy Investment	
	2025	2024
U.S. Government Obligations	0.39	0.63

Investments may also include mortgage pass through securities and collateralized mortgage obligations that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. As of September 30, 2025 and 2024 the fair market value of these investments held by the System Pools are as follows:

	(dollars in thousands) Pooled Endowment Fund		(dollars in thousands) LCRP Fund	
	2025	2024	2025	2024
MORTGAGE BACKED SECURITIES	$ 33,448	$ 29,102	$ 362,288	$ 353,125
COLLATERALIZED MORTGAGE OBLIGATIONS	-	-	14,824	17,222
TOTAL	**$ 33,448**	**$ 29,102**	**$ 377,112**	**$ 370,347**

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 obligors 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.

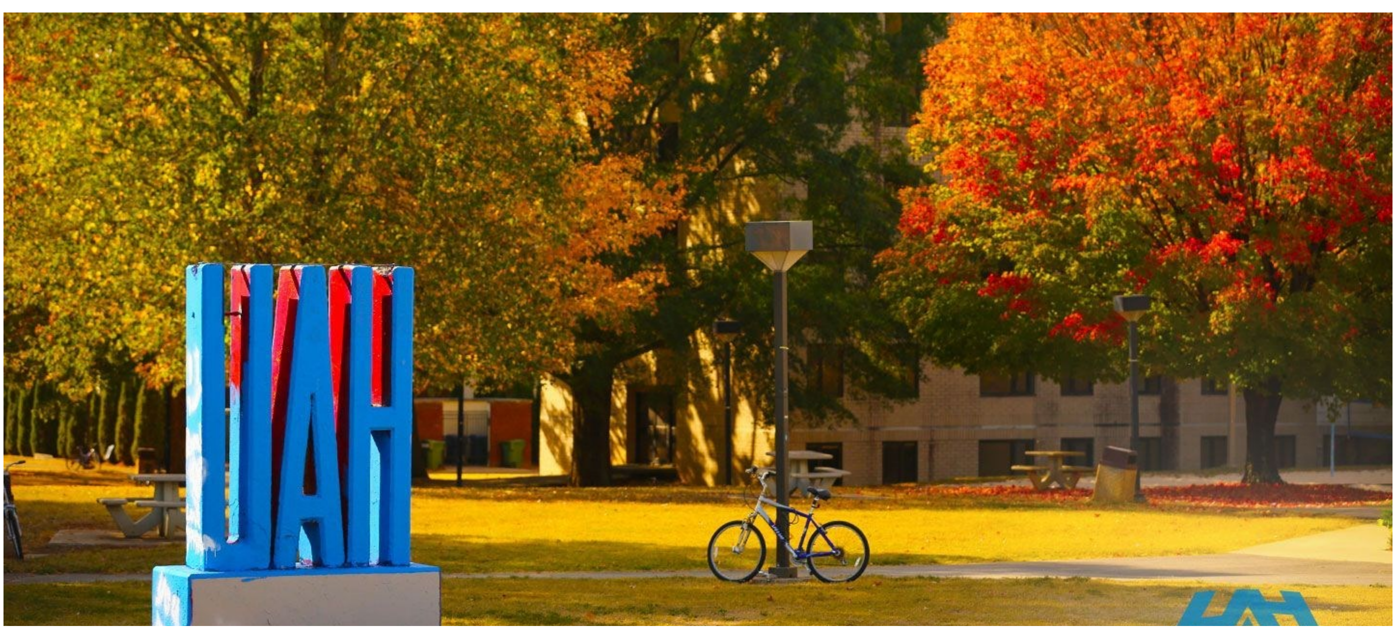
As of September 30, 2025 and 2024, the effective durations for securities held in the System Pools are as follows:

	(dollars in thousands)		(dollars in thousands)	
	Pooled Endowment Fund		**LCRP Fund**	
	2025	**2024**	**2025**	**2024**
MORTGAGE BACKED SECURITIES	5.9	6.3	2.7	2.7
COLLATERALIZED MORTGAGE OBLIGATIONS	-	-	5.7	4.7

There are no mortgage backed securities or CMOs in UAH’s separately held investments at September 30, 2025 and 2024.

Foreign Currency Risk: The strategic asset allocation policy for the PEF, the LCRP, and UAH’s separately held investments includes an allocation to non-United States equity securities and fixed income securities. Currency hedging of foreign bonds and stocks is allowed under System Policy. As of September 30, 2025 and 2024 all foreign investments in the System Pools and UAH’s separately held investments are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for foreign stock and non-U.S. bond funds denominated in U.S. dollars and held by each of the two pools as disclosed in the previous tables. At September 30, 2025 and 2024, 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, 2025 and 2024, there were no securities on loan from the investment pools.



Note 5 – Receivables

Accounts receivable
Accounts receivable consist primarily of amounts for student tuition and fees and contract and grant reimbursements from third parties.

The composition of accounts receivable as of September 30, 2025 and 2024 is summarized as follows:

	(dollars in thousands)	
	2025	2024
Tuition and fees	$ 16,594	$ 15,984
Federal, state, and private grants and contracts	29,045	29,767
Pledge receivable	3,200	3,200
Other	1,144	14
Total accounts receivable	49,983	48,965
Less allowance for doubtful accounts	(4,429)	(3,637)
Accounts receivable, net	$ 45,554	$ 45,328

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, 2025 and 2024 is summarized as follows:

	(dollars in thousands)	
	2025	2024
Leases receivable	$ 5,111	$ 5,821
Less: current portion	(781)	(734)
Total Leases receivable, noncurrent	$ 4,330	$ 5,087

Note 6 – Capital Assets

Capital assets activity for the years ended September 30, 2025 and 2024 is summarized as follows:

(dollars in thousands)

	October 1, 2024	Additions	Retirements	Adjustments	September 30, 2025
Land	$ 14,051	$ -	$ -	$ -	$ 14,051
Land improvements and infrastructure	33,011	157	-	-	33,168
Buildings and building improvements	479,533	62	-	-	479,595
Construction in progress	6,221	18,903	-	-	25,124
Equipment	87,973	5,515	(597)	-	92,891
Library books	27,062	93	(4)	-	27,151
Software	-	-	-	-	-
Right of use assets - Leases	7,962	-	-	-	7,962
Right of use assets - SBITAs	6,212	155	(8)	-	6,359
Collections	1,199	-	-	-	1,199
Total cost of capital assets	663,224	24,885	(609)	-	687,500
Less accumulated depreciation	354,379	21,646	(240)	-	375,785
Capital assets, net	$ 308,845	$ 3,239	$ (369)	$ -	$ 311,715

(dollars in thousands)

	October 1, 2023	Additions	Retirements	Adjustments	September 30, 2024
Land	$ 14,051	$ -	$ -	$ -	$ 14,051
Land improvements and infrastructure	30,988	2,023	-	-	33,011
Buildings and building improvements	474,368	113	-	5,052	479,533
Construction in progress	2,236	9,082	(45)	(5,052)	6,221
Equipment	89,777	9,649	(11,453)	-	87,973
Library books	27,027	37	(2)	-	27,062
Software	-	-	-	-	-
Right of use assets - Leases	8,774	-	(812)	-	7,962
Right of use assets - SBITAs	3,332	3,120	(240)	-	6,212
Collections	1,199	-	-	-	1,199
Total cost of capital assets	651,752	24,024	(12,552)	-	663,224
Less accumulated depreciation	344,600	21,554	(11,775)	-	354,379
Capital assets, net	$ 307,152	$ 2,470	$ (779)	$ -	$ 308,845

Note 7 – Long-Term Debt

Long-term debt activity for the years ended September 30, 2025 and 2024 is summarized as follows:

	(dollars in thousands)			
Type/Supported by	October 1, 2024	New Debt	Principal Repayment	September 30, 2025
Bonds:				
General fee revenue	$ 119,658	$ -	$ 6,193	113,465
Other obligations	9,433	447	2,135	7,745
Total debt	129,091	447	8,328	121,210
Less current portion	(7,985)			(8,208)
Premium, net	9,596			9,004
Total long-term debt	$ 130,702			$ 122,006

	(dollars in thousands)			
Type/Supported by	October 1, 2023	New Debt	Principal Repayment	September 30, 2024
Bonds:				
General fee revenue	$ 125,600	$ -	$ 5,942	$ 119,658
Other obligations	9,390	3,120	3,077	9,433
Total debt	134,990	3,120	9,019	129,091
Less current portion	(7,235)			(7,985)
Premium, net	10,189			9,596
Total long-term debt	$ 137,944			$ 130,702

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

	(dollars in thousands) General Revenue Bonds		
	Principal	Interest	Total
2026	$ 6,480	$ 4,386	$ 10,866
2027	6,740	4,163	10,903
2028	5,035	3,967	9,002
2029	5,250	3,774	9,024
2030	4,880	3,571	8,451
2031-2035	25,130	15,022	40,152
2036-2040	26,375	10,346	36,721
2041-2045	22,940	5,293	28,233
2046-2048	10,635	1,081	11,716
	$ 113,465	$ 51,603	$ 165,068

	(dollars in thousands) Lease & SBITA Obligations		
	Principal	Interest	Total
2026	$ 1,728	$ 237	$ 1,965
2027	1,742	261	2,003
2028	1,276	477	1,753
2029	509	258	767
2030	551	92	643
2031-2035	1,939	-	1,939
2036-2040	-	-	-
2041-2045	-	-	-
2046-2048	-	-	-
	$ 7,745	$ 1,325	$ 9,070

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

(dollars in thousands)

Description and Purpose	Date Issued	Final Maturity	Interest Rate - %	Original Indebtedness	Outstanding Indebtedness September 30, 2025	Outstanding Indebtedness September 30, 2024
Bonds Payable:						
General Fee Revenue Bonds-Series 2014-A	12/15/2014	9/1/2034	3.00-5.00	11,860	5,645	6,160
General Fee Revenue Bonds-Series 2015-A	3/25/2015	6/1/2025	1.96	5,175	-	563
General Fee Revenue Bonds-Series 2018-A-1	3/22/2018	9/1/2027	5.00	5,400	1,415	2,070
General Fee Revenue Bonds-Series 2018-A-2	3/22/2018	9/1/2048	5.00	27,115	27,115	27,115
General Fee Revenue Bonds-Series 2018-B-1	10/30/2018	9/1/2028	5.00	5,290	1,840	2,395
General Fee Revenue Bonds-Series 2018-B-2	10/30/2018	9/1/2048	5.00	22,310	22,310	22,310
General Fee Revenue Bonds-Series 2019	10/16/2019	6/1/2042	3.00-5.00	30,845	24,440	25,685
General Fee Revenue Bonds-Series 2022B	3/11/2022	10/1/2031	1.75	6,380	3,845	4,485
General Fee Revenue Bonds-Series 2022C	3/11/2022	12/1/2026	1.50	6,815	3,275	4,235
General Fee Revenue Bonds-Series 2023A	1/19/2023	4/1/2043	2.18	25,735	23,580	24,640
Total Bonds Payable				146,925	113,465	119,658
Other Obligations:						
Lease obligations, 2.97% to 6.95% due annually through 2033					5,801	6,630
SBITA obligations, 3.25% to 13% due annually through 2029					1,944	2,803
Total Other Obligations					7,745	9,433

The University's general fee bonds are subject to certain covenants. These covenants, among other things, require the University to establish and maintain reasonable fees, rates, and other charges to ensure pledged revenues are sufficient for debt service coverage; to maintain books and records pertaining to the pledged revenues; to furnish annual audits and other periodic reports that reflect the financial condition of the University, the project, other pledged facilities, and other pledged assets; and to comply with certain restrictions as to additional indebtedness. The University is in compliance with all restrictive financial covenants as of September 30, 2025.

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 $618,995 and $386,176 for general liability for fiscal years 2025 and 2024.

The University also maintains a self-insured health plan. During 2025, the University paid $29.00 and $22.47 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 $2,150,522 and $1,721,519 for health insurance for 2025 and 2024, 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:

	(dollars in thousands)	
	2025	2024
Balance, beginning of year	$ 2,108	$ 2,013
Claims paid	(17,204)	(13,772)
Contributions and adjustments	17,866	13,867
Balance, end of year	$ 2,770	$ 2,108

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. Effective October 1, 2021, the covered Tier 2 members' contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. All regular employees of the University are members of the TRS with the exception of temporary employees.

The University's contractually required contribution rate for the year ended September 30, 2025 was 13.57% of annual pay for Tier 1 members and 12.60% of annual pay for Tier 2 members. The University's contribution rate for the year ended September 30, 2024 was 12.59% of annual pay for Tier 1 members and 11.57% of annual pay for Tier 2 members.

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:

	(dollars in thousands) 2025	2024
University contributions	$ 17,637	$ 15,114
Employee contributions	9,116	8,504
Total contributions	$ 26,753	$ 23,618

	2025 Tier 1	2025 Tier 2	2024 Tier 1	2024 Tier 2
University contribution regular rate	13.57%	12.60%	12.59%	11.57%
Employee contribution rate	7.50%	6.20%	7.50%	6.20%
Employee contribution law enforcement rate	8.50%	7.20%	8.50%	7.20%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2025 and 2024, the financial statements of the University reflected a liability of $184.4 million and $232.0 million, respectively, for its proportionate share of the collective net pension liability, as prescribed by GASB 68. For the 2025 reported amounts the collective net pension liability was measured as of September 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023.

For the year ended September 30, 2025, the University recognized pension expense of $22.0 million. At September 30, 2025 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollars in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 18,340	$ 1,330
Changes of assumptions	2,829	-
Net difference between projected and actual earnings on pension plan investments	-	30,246
Changes in proportion and differences between Employer contributions and proportionate share of contributions	4	9,969
Employer contributions subsequent to the measurement date	16,921	-
Total	$ 38,094	$ 41,545

For the year ended September 30, 2024, the University recognized pension expense of $34.9 million. At September 30, 2024 the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(dollars in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,740	$ 3,131
Changes of assumptions	6,525	
Net difference between projected and actual earnings on pension plan investments	15,908	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,053	8,804
Employer contributions subsequent to the measurement date	15,123	-
Total	$ 60,349	$ 11,935

$16.9 million 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(dollars in thousands)		
Year ending September 30:		
2026	$	(3,686)
2027	$	5,546
2028	$	(12,031)
2029	$	(10,201)
2030	$	-
Thereafter	$	-

Actuarial assumptions. The total pension liability as of September 30, 2024 was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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, 2023 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-2020 adjusted by 66-2/3% beginning with year 2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.00%.

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

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
University's proportionate share of collective net pension liability (Dollar amounts in thousands)	$256,441	$184,435	$123,825

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, 2024. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. 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 2025 and 2024, excluding amounts not eligible for matching, are summarized as follows:

	(dollars in thousands)	
	2025	2024
University contributions	$ 4,251	$ 3,999
Employee contributions	8,803	8,569
Total contributions	$ 13,054	$ 12,568

The University's total salaries and wages subject to benefit plan participation for the years ended September 30, 2025 and 2024 are summarized in the table below:

	(dollars in thousands)	
	2025	2024
Total Salaries and Wages	$ 158,370	$ 148,249
Salaries and Wages of employees participating in:		
TRS	$ 148,992	$ 138,062
TIAA - CREF	$ 97,851	$ 91,526

Compensated Absences

Certain University employees accrue vacation and sick leave at varying rates depending upon their years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. The statement of net position includes vacation pay and salary-related payments associated with vacation pay accruals of $5.4 million and $5.0 million for fiscal years 2025 and 2024, respectively. There is no such accrual recognized for sick leave benefits because no terminal cash benefit is available to employees for accumulated sick leave.

Note 10 – Post-Employment Benefits

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

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

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan.

The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

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

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

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

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

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

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

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% percent for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2025, the financial statements of the University reflected a liability of $103.2 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, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2023. 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, 2025, the University's proportion was 1.12%, which was an increase of 0.095% from its proportion measured as of September 30, 2024.

For the year ended September 30, 2025, the University recognized OPEB expense of ($7.2 million). At September 30, 2025 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(dollars in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 48,124	$ 22,271
Changes of assumptions	35,538	14,600
Net difference between projected and actual earnings on OPEB plan investments	-	2,546
Changes in proportion and differences between Employer contributions and proportionate share of contributions	23,594	10,551
Employer contributions subsequent to the measurement date	1,998	-
Total	$ 109,254	$ 49,968

For the year ended September 30, 2024, the University recognized an OPEB expense of ($4.6) million. At September 30, 2024 the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	(dollars in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 386	$ 31,157
Changes of assumptions	16,635	19,533
Net difference between projected and actual earnings on OPEB plan investments	674	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	26,889	14,353
Employer contributions subsequent to the measurement date	1,313	-
Total	$ 45,898	$ 65,044

$2.0 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, 2026.

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

(dollars in thousands)	
Year ending September 30:	
2026	$ 12,486
2027	$ 10,797
2028	$ 5,594
2029	$ 8,985
2030	$ 14,907
Thereafter	$ 4,519

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases[1]	5.00%-3.25%
Long-Term Investment Rate of Return[2]	7.00%
Municipal Bond Index Rate at the Measurement Date	3.89%
Municipal Bond Index Rate at the Prior Measurement Date	4.53%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	4.32%
Single Equivalent Interest Rate at the Prior Measurement Date	7.00%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033
Medicare Eligible	4.50% in 2033
Optional plans trend rate	2.00%

[1]Includes 2.75% wage inflation.

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

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

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

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

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

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

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

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

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

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

Discount rate. The discount rate (also known as the Single Equivalent Interest Rate ("SEIR"), as described by GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) used to measure the PEEHIP total OPEB liability at September 30, 2024 was 4.32%. The discount rate used to measure the total OPEB liability at the prior measurement date was 7.00%. Premiums paid to the PEEHI Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately 9.751% of the employer contributions were used to assist in funding retiree benefit payments in 2024 and it is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will remain flat until, based on budget projections, it increases to \$904 in fiscal year 2026, \$1,114 in fiscal year 2027 and then will increase with inflation at 2.50% starting in 2028. 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 are projected through 2122.

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:

	(dollars in thousands)		
	1% Decrease (5.75% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Net OPEB Liability	$ 83,008	$ 103,190	$ 129,216

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 4.32%, 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:

	(dollars in thousands)		
	1% Decrease (3.32%)	Current Discount Rate (4.32%)	1% Increase (5.32%)
Net OPEB Liability	$ 125,353	$ 103,190	$ 85,480

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, 2024. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 11 – Federal Direct Student Loan Program

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLP on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. During the years ended September 30, 2025 and 2024, the University disbursed $22.7 million and $23.4 million respectively, under the FDSLP.

Note 12 – Contracts and Grants

As of September 30, 2025 and 2024, the University was awarded approximately $106.6 million and $109.8 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 2025 and 2024 are summarized as follows:

(dollars in thousands)

	Year Ended September 30, 2025					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 44,507	$ 20,529	$ 4,703	$ -	$ -	$ 69,739
Research	68,107	24,024	28,626	-	-	120,757
Public service	3,523	1,283	2,070	-	-	6,876
Academic support	11,102	4,817	4,541	-	-	20,460
Student services	9,774	4,247	5,958	-	-	19,979
Institutional support	14,456	7,594	11,050	-	-	33,100
Operations and maintenance of plant	5,006	2,468	11,073	-	-	18,547
Scholarships and fellowships	-	-	-	-	2,224	2,224
Auxiliary enterprises	1,894	1,157	5,053	-	-	8,104
Depreciation	-	-	-	21,646	-	21,646
Total Operating Expenses	$ 158,369	$ 66,119	$ 73,074	$ 21,646	$ 2,224	$ 321,432

(dollars in thousands)

	Year Ended September 30, 2024					
	Salaries and Wages	Fringe Benefits	Supplies and Services	Depreciation	Scholarships and Fellowships	Total
Instruction	$ 45,460	$ 19,272	$ 4,997	$ -	$ -	$ 69,729
Research	64,087	26,338	25,392	-	-	115,817
Public service	1,487	595	1,670	-	-	3,752
Academic support	9,651	3,777	4,455	-	-	17,883
Student services	8,939	3,699	6,198	-	-	18,836
Institutional support	12,194	6,846	7,644	-	-	26,684
Operations and maintenance of plant	4,458	2,160	8,494	-	-	15,112
Scholarships and fellowships	-	-	-	-	3,357	3,357
Auxiliary enterprises	1,973	1,017	4,987	-	-	7,977
Depreciation	-	-	-	21,554	-	21,554
Total Operating Expenses	$ 148,249	$ 63,704	$ 63,837	$ 21,554	$ 3,357	$ 300,701

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.

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

The University has contracted for the construction and renovation of several facilities. At September 30, 2025, the estimated remaining costs to complete the construction and renovation of these facilities was approximately $104.4 million which is expected to be financed from bond proceeds, grants, university funds, and private gifts.

Note 15 – Recently Issued Pronouncements

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 unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023. UAH has determined there was no material impact from its adoption of GASB Statement No. 101.

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

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Although UAH has not completed its evaluation of the impact of adoption GASB Statement No. 103, management expects to make certain reclassifications on the Statement of Revenues, Expenses, and Changes in Net Position to conform to new required sections and subtotals created by the standard. For instance, State Educational Appropriations will be reclassified from Nonoperating Revenues to a new section titled "Noncapital Subsidies" and Pell grant revenue will be reclassified from Nonoperating Revenues to Operating Revenues.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets to be disclosed separately in the capital assets note disclosures, as well as additional disclosures for capital assets held for sale. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged. UAH does not expect there will be any material impact from its adoption of GASB Statement No. 104.

The GASB issued Statement No. 105, *Subsequent Events*, in December 2025. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing the consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. UAH is evaluating whether there will be material impact from its adoption of GASB Statement No. 105.

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

(dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the collective net pension liability	1.417839%	1.453527%	1.526341%	1.556525%	1.556335%	1.459237%	1.518226%	1.500009%	1.525333%	1.532529%
Employer's proportionate share of the collective net pension liability	$184,435	$231,952	$237,205	$146,630	$192,513	$161,346	$150,951	$147,428	$165,132	$160,390
Employer's covered payroll during measurement period	$138,062	$122,727	$131,851	$115,213	$112,136	$105,412	$103,210	$100,416	$98,671	$97,999
Employer's proportionate share of the collective net pension liability as percentage of its covered payroll	133.59%	189.00%	179.90%	127.27%	171.68%	153.06%	146.26%	146.82%	167.36%	163.67%
Plan fiduciary net position as a percentage of the total collective pension liability	71.41%	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%

Schedule of University Contributions
Teachers' Retirement System of Alabama

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	$17,637	$15,123	$14,659	$14,782	$13,605	$13,403	$12,186	$12,185	$11,712	$11,474
Contributions in relation to the contractually required contribution	($17,637)	($15,123)	($14,659)	($14,782)	($13,605)	($13,403)	($12,186)	($12,185)	($11,712)	($11,474)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
University's covered payroll	$148,992	$138,062	$122,727	$131,851	$115,213	$112,136	$105,412	$103,210	$100,416	$98,671
Contributions as a percentage of covered payroll	11.84%	10.95%	11.94%	11.21%	11.81%	11.95%	11.56%	11.81%	11.66%	11.63%

Notes to Schedules

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

Measurement period: For fiscal year 2025, the measurement period is October 1 2023 - September 30, 2024.

Measurement period: For fiscal year 2024, the measurement period is October 1 2022 - September 30, 2023.

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

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

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

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

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

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

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

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

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

(dollars in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Employer's proportion of the net OPEB liability	1.122431%	1.027249%	0.763471%	1.023499%	0.946468%	0.617266%	0.686596%	0.724951%
Employer's proportionate share of the net OPEB liability	$103,190	$19,745	$13,303	$52,882	$61,424	$23,288	$56,429	$53,845
Employer's covered payroll during measurement period	$138,062	$122,727	$131,851	$115,213	$112,136	$105,412	$103,210	$100,416
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.74%	16.09%	10.09%	45.90%	54.78%	22.09%	54.67%	53.62%
Plan fiduciary net position as a percentage of the total OPEB liability	20.41%	49.42%	48.39%	27.11%	19.80%	28.14%	14.81%	15.37%

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

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	$2,146	$1,461	$1,599	$1,460	$1,664	$1,877	$1,754	$1,685
Contributions in relation to the contractually required contribution	($2,146)	($1,461)	($1,599)	($1,460)	($1,664)	($1,877)	($1,754)	($1,685)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$148,992	$138,062	$122,727	$131,851	$115,213	$112,136	$105,412	$103,210
Contributions as a percentage of covered payroll	1.44%	1.06%	1.30%	1.11%	1.44%	1.67%	1.66%	1.63%

Notes to Schedules

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

Measurement period: For fiscal year 2025, the measurement period is October 1, 2023 - September 30, 2024.

Measurement period: For fiscal year 2024, the measurement period is October 1, 2022 - September 30, 2023.

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

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

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

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

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

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

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