

2020

FINANCIAL REPORT

UAB
THE UNIVERSITY OF
ALABAMA AT BIRMINGHAM

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

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

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

University of Alabama at Birmingham

2020 Financial Report

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Introduction to UAB

Vision

To be an internationally renowned research university — a first choice for education and health care.

Mission

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

The University of Alabama at Birmingham (UAB) became an autonomous campus within The University of Alabama System in 1969 and, in the five decades since, has grown into a world-renowned research university and medical center, occupying more than 100 city blocks in Alabama's largest metropolitan area. UAB is the state's largest single-site employer with more than 23,000 employees. One in four Birmingham residents are UAB employees, students or patients.

2020 Overview

In fall 2020 UAB achieved a fifth consecutive year of record enrollment with 22,536 students as well as record retention of 86.4 percent. The freshman class is the most academically prepared ever, with an average ACT of 25.9 and an average high school GPA of 3.83. Underrepresented students make up 43 percent of the enrollment and 21 percent of undergraduates are first-generation college students.

UAB's research enterprise is more competitive than ever. In FY20, research awards reached a record \$638 million, marking the most successful five-year period of research funding in the university's history, with an increase of \$190 million (42 percent) from 2015 to 2020.

UAB ranks 15th (top 4 percent) in federal research funding and 9th (top 2 percent) in NIH funding, with nine School of Medicine departments ranked in the top 15 nationally.

UAB received the 2020 Higher Education Excellence in Diversity Award from INSIGHT into Diversity Magazine and is one of only 14 universities named a Diversity Champion.

As a globally respected academic medical center, UAB excels at translating research into leading-edge patient care. UAB is home to the 18th largest hospital in the U.S. (and 3rd largest public), the state's only Level 1 Adult Trauma Center, and the only National Cancer Institute-designated comprehensive cancer center in Alabama and a four-state region.

The new Proton Therapy Center, which opened in January 2020, offers the most advanced radiation technology available for treating cancer, and is one of only 36 such centers in the U.S. and the first in Alabama. *U.S. News & World Report* ranked UAB the number one hospital in Alabama, with 10 specialties among the nation's top 50.

At the same time, UAB continues to offer unrivaled research opportunities and novel academic programs, such as a new BS in cancer biology and PhD in neuro-engineering, the first programs of their kind in the nation. UAB graduate programs continue to rank highly in *US News & World Report*, with 17 programs in the top 25, including a Master's in Health Administration that is number one nationally.

UAB has an economic impact on Alabama that exceeds \$7.15 billion annually and is key in growing a robust tech and knowledge-based economy for the Birmingham region and Alabama.

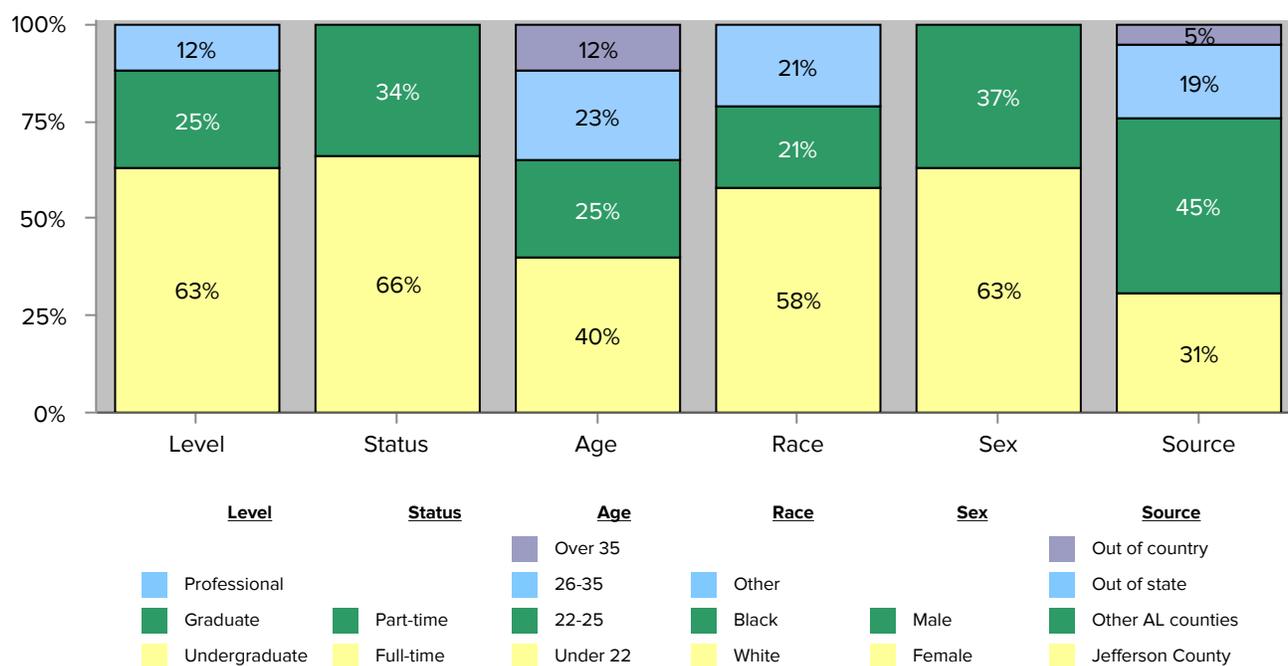
The UAB Harbert Institute for Innovation and Entrepreneurship generated 83 intellectual property disclosures, 16 U.S. patents and seven start-up companies in FY2020 alone—the Institute's sixth straight year to achieve a positive bottom line, among only 20 percent of university tech transfer offices nationally to do so. Innovation Depot, in which UAB is a founding partner, is the largest high-tech business incubator in the Southeast, with 100 start-up companies and more than 1,000 employees.

UAB has been a leader in combating the COVID-19 pandemic through frontline patient care, research and shared expertise. Through November 2020, UAB treated over 2,000 COVID-positive patients, offering many of them the opportunity to take part in studies of new treatments available at only a handful of medical centers worldwide, including the first clinical trials of the antiviral drug Remdesivir as well as promising vaccines. UAB Infectious disease experts are routinely interviewed on major media outlets such as CNN, FOX News, and NBC with an estimated audience of 2.7 billion around the U.S. and the globe.

The information included in this introduction (pages 2-7) does not include data related to component units of UAB that are discussed in the notes to the financial statements.

Highlights

Student Profile
Total 22,080
As of Fall 2019



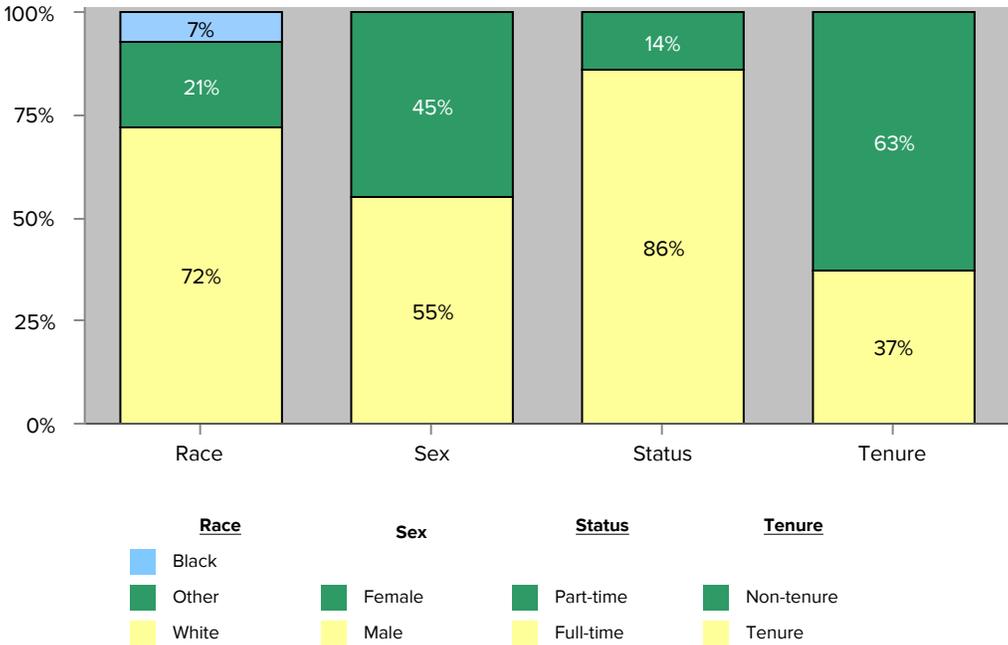
Student Headcount

Enrollment for the fall semester of the 2019-2020 school year is outlined in the following table.

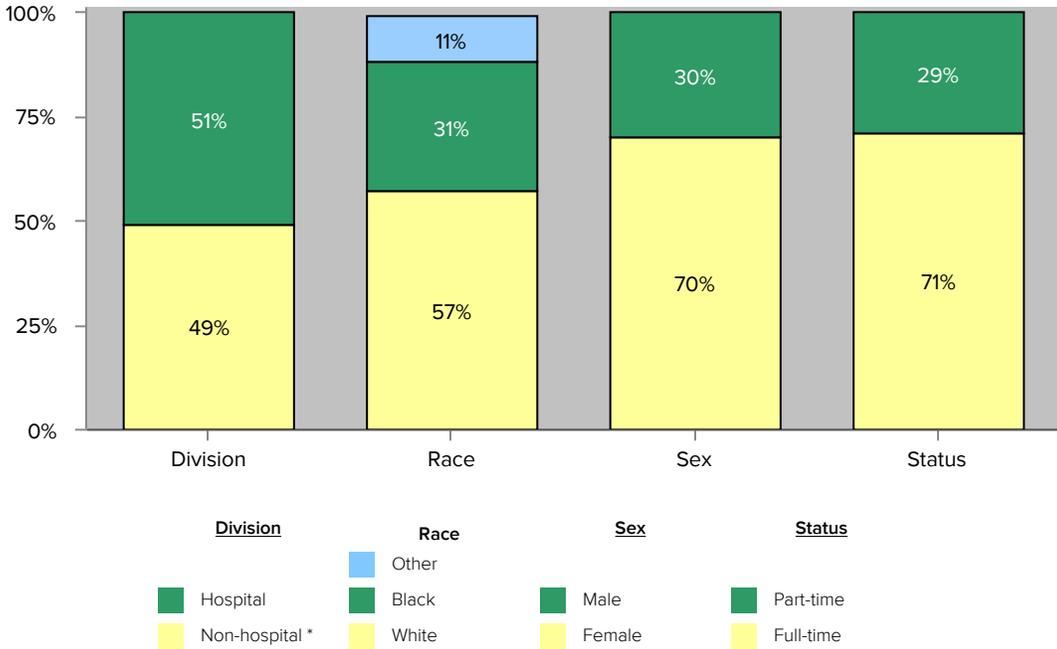
Fall 2019				
	UNDERGRADUATE	GRADUATE	ADVANCED PROFESSIONAL *	TOTAL
SCHOOL OF ARTS AND SCIENCES	6,780	612	278	7,670
SCHOOL OF BUSINESS	2,659	704	—	3,363
SCHOOL OF EDUCATION	1,075	634	103	1,812
SCHOOL OF ENGINEERING	860	456	112	1,428
UNCLASSIFIED	—	156	2	158
SUBTOTAL	11,374	2,562	495	14,431
ACADEMIC HEALTH CENTER:				
SCHOOL OF MEDICINE	—	—	1,901	1,901
SCHOOL OF DENTISTRY	17	—	384	401
SCHOOL OF OPTOMETRY	—	1	219	220
SCHOOL OF NURSING	1,010	1,434	413	2,857
SCHOOL OF HEALTH PROFESSIONS	1,088	1,089	297	2,474
SCHOOL OF PUBLIC HEALTH	347	364	89	800
JOINT HEALTH SCIENCES	—	54	379	433
SUBTOTAL, ACADEMIC HEALTH CENTER	2,462	2,942	3,682	9,086
TOTAL ENROLLMENT	13,836	5,504	4,177	23,517

* Includes 1,146 first professionals and 1,437 advanced professionals.

Faculty Profile
 Total 2,966
 As of Fall 2019



Staff Profile *
 Total 20,825
 As of Fall 2019



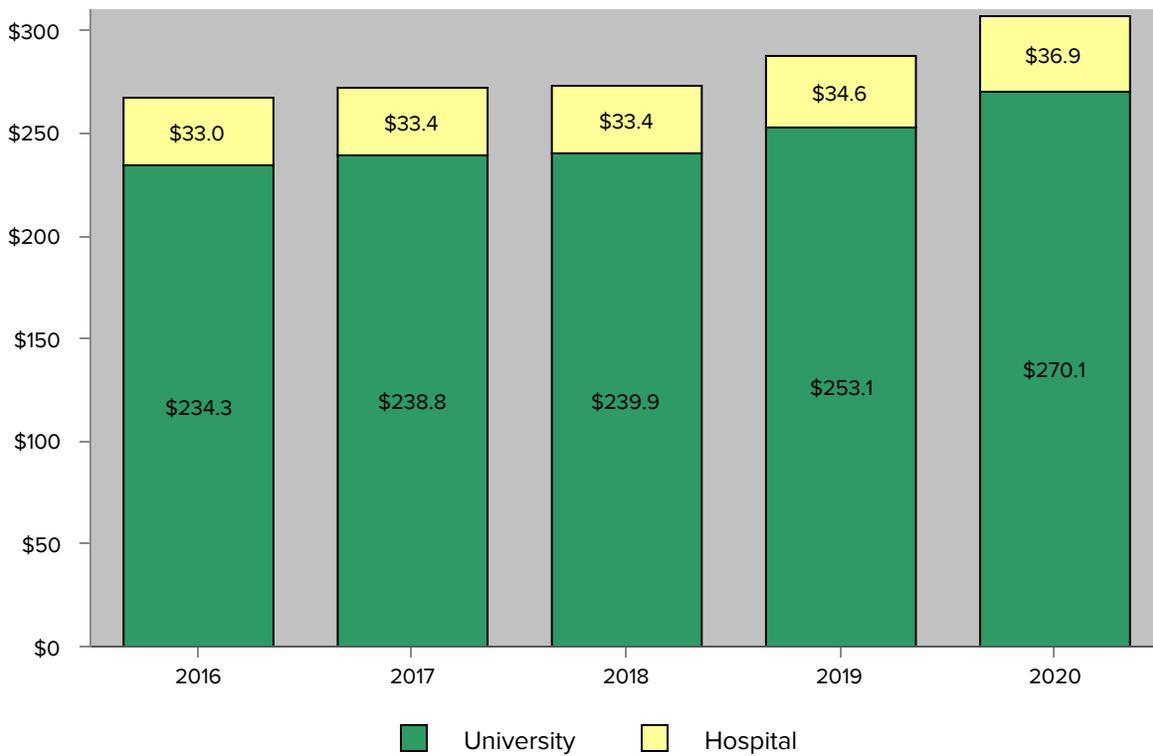
* Non-Hospital includes Hospital Management LLC.

State Appropriations

State Appropriations for UAB are made by the Alabama State Legislature based upon a process which involves requests from the Board of Trustees of The University of Alabama, and budget recommendations by the Alabama Commission on Higher Education and the Governor. State funds are appropriated annually from the Educational Trust Fund (ETF) to UAB.

For the fiscal year ended September 30, 2020, UAB received \$307.0 million in State educational appropriations for operating purposes.

Appropriations Received
Fiscal Years Ended September 30
(Dollars in millions)

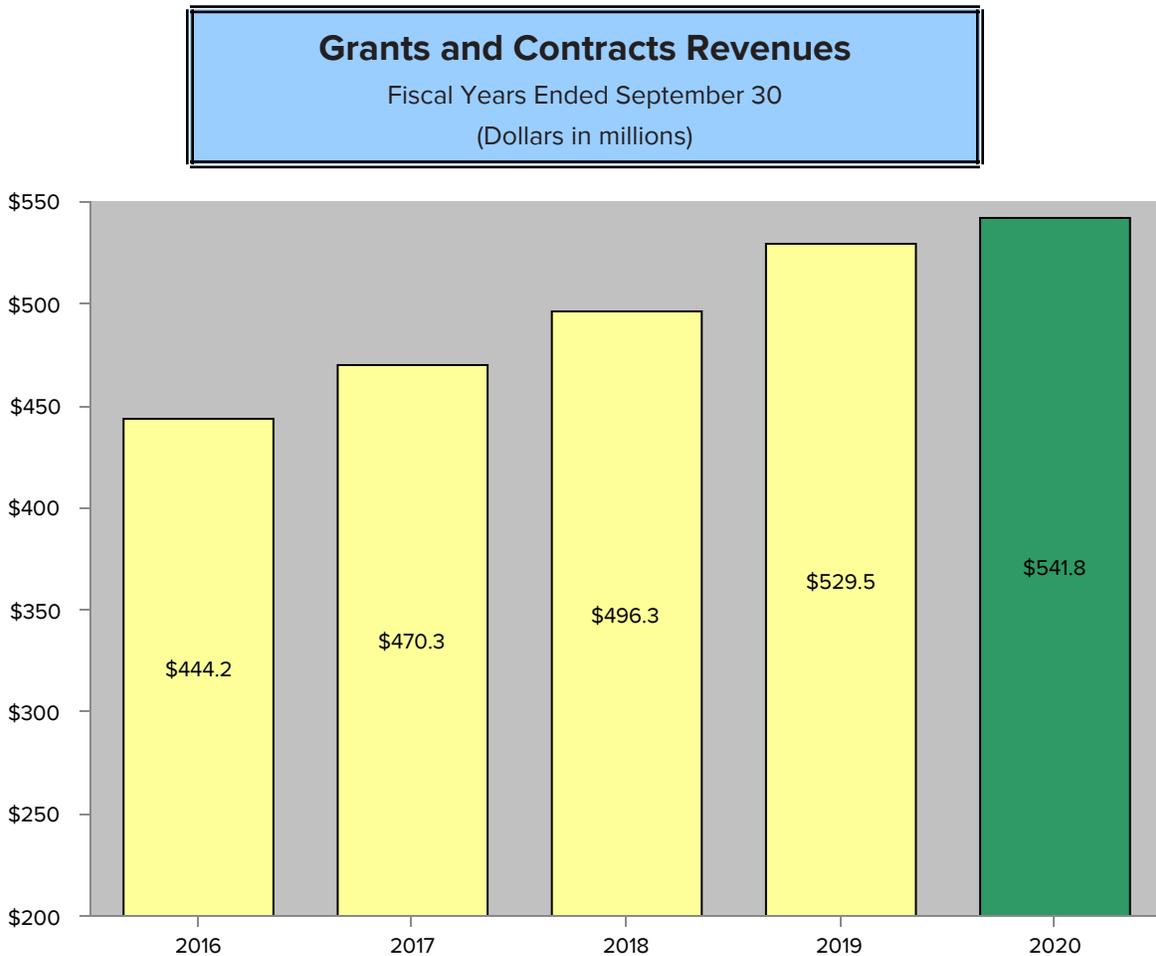


Sponsored Grants and Contracts

During fiscal year 2020, UAB recognized \$541.8 million in sponsored grants and contracts revenues (including \$100.6 million of indirect cost recovery). Various federal agencies provided the majority of support for these projects, with the National Institutes of Health (NIH) being the primary sponsor. Nonfederal funding sources include state agencies, local governmental agencies, and a wide variety of private sponsors.

Revenues from grants and contracts (including indirect cost recovery) increased from \$529.5 million during fiscal year 2019 to \$541.8 million during fiscal year 2020, an increase of 2.3% for the period.

Refer to Note 1 for COVID-19 non-operating grants and contract funding received during 2020.



Hospital

Overview

The University of Alabama Hospital (the "Hospital" or "University Hospital"), a 1,157-bed quaternary and tertiary care medical facility is the flagship facility of the UAB Health System and is the primary teaching hospital for University of Alabama School of Medicine. Its facilities consist of the UAB Women and Infants Center, the Hazelrig-Salter Radiation Oncology Center, the North Pavilion Diagnostic and Treatment Center, Spain Rehabilitation Center, the Center for Psychiatric Medicine, UAB Highlands, and the Gardendale Freestanding Emergency Department. University Hospital operates The Kirklin Clinic and The Whitaker Clinic. The University Hospital also has strong ties with other governmental and private non-profit institutions located within and adjacent to the UAB campus, including Veterans Affairs Medical Center and Children's Hospital. Other healthcare facilities in the UAB Health System include the UAB Callahan Eye Hospital Authority, Medical West Hospital Authority, and The Health Care Authority for Baptist Health.

University Hospital Awards and Accolades

This year's U.S. News and World Report's "Best Hospitals" special edition issue ranked eight UAB Medicine specialties among the nation's top 50 and six specialties among the top 25. U.S. News and World Report also ranked hospitals in adult procedures and conditions. University Hospital is ranked high performing, which is the highest ranking conferred, in eight adult procedures and conditions. Becker's Hospital Review named University Hospital as one of the 2020 "100 Great Hospitals in America," a compilation of hospitals that are considered industry innovators and known nationally for excellence in clinical care. In November 2019, University Hospital was named a Magnet-designated organization for the fifth consecutive time by the American Nurses Credentialing Center Magnet Recognition Program®. University Hospital is only the 21st hospital worldwide to receive this designation five consecutive times. Magnet hospitals are recognized for excellence in nursing care and patient outcomes. Additionally, University Hospital was named Best in Class, and designated as one of the top 10 hospitals in the country on the Consumer Loyalty list, based on results from NRC Health's Market Insights survey, the largest database of health care consumer responses in the country. Once again, University Hospital was named as an LGBTQ Healthcare Equality Leader for 2020, scoring a perfect 100 in the organization's five criteria.

Operations

In January 2020, the World Health Organization declared the novel Coronavirus (COVID-19) a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for healthcare organizations. These disruptions were evident in the decreases in the University Hospital's data points disclosed below:

For the fiscal year 2020, inpatient discharges decreased 3.8% and adjusted patient discharges decreased 6.6%. Operating room cases decreased 7.2% over fiscal year 2019. Also emergency room visits decreased 5.0% during fiscal year 2020. The Hospital had an increase in net position of \$138 million in fiscal year 2020.

Selected Hospital operating statistics are outlined below:

	2020	2019
Beds in service	1,126	1,128
Patient discharges	50,579	52,602
Adjusted patient discharges	82,418	88,273
Patient days	363,854	378,744
Adjusted patient days	592,899	635,578
Operating room cases	34,811	37,529
Emergency department visits	118,839	125,065
Patient origin:		
Jefferson County	47.2%	46.6%
Other Alabama counties	47.2%	47.3%
Out of state	5.6%	6.1%

Management's Responsibility for Financial Reporting

The accompanying financial statements of the University of Alabama at Birmingham (UAB) for the years ended September 30, 2020 and 2019 were prepared by UAB's management in conformity with accounting principles generally accepted in the United States of America.

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

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



G. Allen Bolton, Jr.
Senior Vice President for Finance
and Administration



Stephanie Mullins
UAB Chief Financial Officer

1030 Administration Building
701 20th Street South
205.934.5493
Fax 205.934.3610

Mailing Address:
AB 1030
1720 2ND AVE S
BIRMINGHAM AL 35294-0110



Report of Independent Auditors

To the Board of Trustees of The University of Alabama:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of The University of Alabama at Birmingham (“UAB”), a campus of The University of Alabama System, which is a component unit of the State of Alabama, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and of cash flows (where applicable) for the years then ended, and the related notes to the financial statements, which collectively comprise UAB’s basic financial statements.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express opinions on the financial statements based on our audits. We did not audit the financial statements of Southern Research Institute (“SRI”), UAB’s discretely presented component unit, as of December 27, 2019 and December 28, 2018 and for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for SRI, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to UAB’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UAB’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of The University of Alabama



at Birmingham as of September 30, 2020 and 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of UAB are intended to present the financial position, the changes in financial position and, where applicable, the cash flows of only that portion of the business-type activities of the financial reporting entity of The University of Alabama System that is attributable to the transactions of UAB. They do not purport to, and do not, present fairly the financial position of The University of Alabama System as of September 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying management's discussion and analysis on pages 11 through 19 and the accompanying supplementary information on pages 70 through 72 are required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise UAB's basic financial statements. The introductory information on pages 2 through 7 and the management's report on page 8 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

Birmingham, Alabama
January 21, 2021

The University of Alabama at Birmingham

Management's Discussion and Analysis (Unaudited)

The objective of management's discussion and analysis is to help readers of UAB's financial statements better understand the financial position and operating activities for the fiscal years ended September 30, 2020 and 2019. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, required supplementary information, and this discussion are the responsibility of management. In January 2020, the World Health Organization declared the novel Coronavirus ("COVID-19") a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and healthcare organizations and has impacted several areas of UAB and University Hospital's financial statements as further discussed within the MD&A and Note 1.

Overview of Financial Statements

UAB's financial statements present the financial position, changes in financial position, and the cash flows of the University, the University of Alabama Hospital (the "Hospital" or "University Hospital"), and UAB's blended component units. Condensed financial information of UAB's reportable segments is presented at Note 15. GASB Statement No. 14, *The Financial Reporting Entity* (GASB Statement No. 14), as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* (GASB Statement No. 61), requires governmental entities to include in their financial statements as component units, organizations that are legally separate entities for which the governmental entity, as a primary organization, is financially accountable.

Southern Research Institute (SRI) is a discretely presented component unit of UAB. SRI's performance is not discussed below. However, SRI's Statement of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are disclosed on pages 25-26.

Blended component units included within the financial information of UAB are UAB Research Foundation (UABRF), UAB Athletics Foundation (UABAF), Alabama Care Plan (ACP), Hospital Management L.L.C. (LLC), and Triton Health Systems, L.L.C. (Triton).

The following discussion and analysis provides an overview of UAB's financial activities. UAB's financial position remained strong, as assets totaled \$5.93, \$5.53, and \$5.05 billion at September 30, 2020, 2019, and 2018, respectively. Increases of \$399.6 million or 7.2% from September 30, 2019 to September 30, 2020 were primarily due to increases in cash and cash equivalents, investments, and capital assets. Increases of \$479.0 million or 9.5% from September 30, 2018 to September 30, 2019 were primarily due to increases in investments, cash designated for capital activities, and capital assets.

Total liabilities decreased \$101.4 million or 2.9% from September 30, 2019 to September 30, 2020. The decrease results primarily from a decrease in the OPEB liability. Total liabilities increased \$255.7 million or 7.8% from September 30, 2018 to September 30, 2019. The increase results primarily from the issuance of bonds during fiscal year 2019. The increase also relates to growth in accounts payable and accrued liabilities as well as an increase in the OPEB liability.

The change in net position reflects the operating, nonoperating and other activity of UAB, which results from revenues, expenses, and gains and losses, and is summarized for the years ended September 30, 2020, 2019, and 2018, as follows:

	2020	2019	2018
TOTAL OPERATING REVENUES	\$ 3,712,470,836	\$ 3,602,383,812	\$ 3,404,474,421
TOTAL OPERATING EXPENSES	3,953,876,475	3,772,700,839	3,583,867,788
NET OPERATING LOSS	(241,405,639)	(170,317,027)	(179,393,367)
TOTAL NONOPERATING INCOME, CAPITAL, ENDOWMENT AND OTHER ACTIVITIES	450,349,699	403,275,983	415,697,356
INCREASE IN NET POSITION	\$ 208,944,060	\$ 232,958,956	\$ 236,303,989

Statements of Net Position

The statement of net position presents the financial position of UAB at the end of the fiscal year, and includes all assets, deferred outflows, liabilities, and deferred inflows recorded on the accrual basis of accounting. The changes in net position are indicators of whether the overall financial condition of UAB has improved or

worsened during the year. A summarized comparison of UAB's assets, deferred outflows, liabilities, deferred inflows, and net position at September 30, 2020, 2019, and 2018, is as follows:

	2020	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets	\$ 2,536,697,047	\$ 2,071,860,183	\$ 1,829,451,447
Capital assets, net	\$ 1,784,230,411	\$ 1,723,027,158	\$ 1,647,560,771
Other assets	1,610,622,655	1,737,076,833	1,575,960,784
TOTAL ASSETS	5,931,550,113	5,531,964,174	5,052,973,002
Deferred outflows from debt refundings	13,336,713	12,305,553	13,259,304
Deferred outflows pension and OPEB related	305,494,017	301,435,989	284,267,363
TOTAL DEFERRED OUTFLOWS OF RESOURCES	318,830,730	313,741,542	297,526,667
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,250,380,843	\$ 5,845,705,716	\$ 5,350,499,669
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities	\$ 800,205,475	\$ 544,331,398	\$ 532,298,414
Noncurrent liabilities	2,640,898,752	2,998,164,006	2,754,500,058
TOTAL LIABILITIES	3,441,104,227	3,542,495,404	3,286,798,472
Deferred inflows from debt refundings	—	40,878	54,307
Deferred inflows pension and OPEB related	521,937,116	224,773,994	218,210,406
TOTAL DEFERRED INFLOWS OF RESOURCES	521,937,116	224,814,872	218,264,713
Net position	2,287,339,500	2,078,395,440	1,845,436,484
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 6,250,380,843	\$ 5,845,705,716	\$ 5,350,499,669

At September 30, 2020, the major categories of current assets consist primarily of cash and cash equivalents, short-term investments, and accounts receivable, which totaled \$2.40 billion of the \$2.54 billion and increased \$464.8 million or 22.4% from 2019. The increase is a result of more cash held on hand, some growth in short term investments due to an increase in earnings reinvested, temporary cost cutting measures out of precaution of pandemic impact, and deferred payments of the employer share of Social Security taxes allowable under the CARES Act

At September 30, 2019, the major categories of current assets consist primarily of cash and cash equivalents, short-term investments, and accounts receivable, which totaled \$1.95 billion of the \$2.07 billion and increased \$242.4 million or 13.3% from 2018. The increase is a result of growth in short term investments and accounts receivable.

At September 30, 2020, total current liabilities of \$800.2 million consist primarily of accounts payable, accrued payroll and related benefits, and unearned revenue, which totaled \$746.4 million, compared to \$493.2 million

at September 30, 2019, an increase of \$253 million or 51.3% from 2019. The increase is primarily due to an increase in hospital related payables.

At September 30, 2019, total current liabilities of \$544.3 million consist primarily of accounts payable, accrued payroll and related benefits, and unearned revenue, which totaled \$493.2 million, compared to \$483.4 million at September 30, 2018, an increase of \$10 million or 2.0% from 2018. The increase is a result of an increase in salary and benefits related accruals.

UAB's endowment and life income investments increased \$2.5 million or 0.5% to \$540.0 million from September 30, 2019 to September 30, 2020. This increase resulted from the establishment of new endowment funds through gifts and the creation of Board-designated quasi-endowments throughout the year, offset by investment performance.

UAB's endowment and life income investments increased \$12.7 million or 2.4% to \$537.5 million from September 30, 2018 to September 30, 2019. This increase resulted from the establishment of new endowment funds through gifts and the creation of Board-

designated quasi-endowments throughout the year, offset by investment performance.

UAB's endowment funds are invested in common investment pools established by The Board of Trustees of The University of Alabama (the Board). The funds are invested to maximize total return over the long term, with an appropriate level of risk. Any short term reduction in the fair value of the endowment portfolio will not have a meaningful immediate impact on the portion of investment income available to support current year operating expenses since such distributions are made pursuant to The University of Alabama System's (the System) spending rate policy. UAB's endowment funds consists of both permanent and quasi-endowments. Permanent endowment funds are those funds received from donors with the requirement that the principal remain unspent and invested in perpetuity to produce income to be expended for the purposes specified by the donor. Quasi- endowments consist of restricted or unrestricted funds that have been set aside by actions of the Board to produce income for an established purpose until the time the Board reverses its action. Endowment income supports scholarships, fellowships, professorships, research efforts, and other programs and activities of UAB.

At September 30, 2020, 2019, and 2018 respectively, UAB's investment in the Professional Liability Trust Fund (PLTF) totaled approximately \$59.9, \$60.3, and \$67.3 million. The \$0.4 million decrease from September 30, 2019 to September 30, 2020 is a result of a decline in investment values at September 30, 2020. The \$7.0 million decrease from September 30, 2018 to September 30, 2019 is a result of a decline in investment values at September 30, 2019.

At September 30, 2020, deferred outflows from pension obligations were \$198.6 million and deferred inflows from pension obligations were \$90.2 million. At September 30, 2019, deferred outflows from pension obligations were \$185.1 million and deferred inflows from pension obligations were \$142.7 million. The increase in deferred outflows from pension obligations is a result of the net difference between projected and actual earnings on pension plan investments. The decrease in deferred inflows from pension obligations is the result of the net difference between projected and actual earnings on pension plan investments.

At September 30, 2019, deferred outflows from pension obligations were \$185.1 million and deferred inflows from pension obligations were \$142.7 million. At September 30, 2018, deferred outflows from pension obligations were \$160.5 million and deferred inflows from pension obligations were \$147.1 million. The increase in deferred outflows from pension obligations is a result of an increase in differences between expected and actual experience. The decrease in deferred inflows from pension obligations is the result of a decrease in

differences between expected and actual experience, changes in proportion, and differences between employer contributions and proportionate share of contributions.

At September 30, 2020, deferred outflows from OPEB obligations were \$106.9 million and deferred inflows from OPEB obligations were \$431.8 million. At September 30, 2019, deferred outflows from OPEB obligations were \$116.4 million and deferred inflows from OPEB obligations were \$82.1 million. The decrease in the deferred outflows from OPEB obligations is a result of a changes in proportion and differences between employer contributions and proportionate share of contributions. The increase in deferred inflows from OPEB obligation is a result of a difference between expected and actual experience.

At September 30, 2019, deferred outflows from OPEB obligations were \$116.4 million and deferred inflows from OPEB obligations were \$82.1 million. At September 30, 2018, deferred outflows from OPEB obligations were \$123.7 million and and deferred inflows from OPEB obligations were \$71.1 million. The decrease in the deferred outflows from OPEB obligations is a result of changes in proportion and differences between employer contributions and proportionate share of contributions. The increase in deferred inflows from OPEB obligation is a result of a change in proportion and differences between employer contributions and proportionate share of contributions.

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

The employer contribution rates for both plans are established annually by TRS and PEEHIP, and adopted by the Alabama Legislature. Both the TRS employer contribution rate and the employer's PEEHIP cost for retiree coverage are based upon the actuarial valuations performed by TRS and PEEHIP, respectively. Although the liabilities recognized under GASB 68 and 75 meet GASB's definition of a liability within GASB's framework for accounting standards, UAB does not believe that the associated recorded liabilities constitute legal liability for UAB, nor do they open UAB to other claims on its resources.

At September 30, 2020, deferred outflows from debt refundings were \$13.3 million with no deferred inflows from debt refundings. At September 30, 2019, deferred outflows from debt refundings were \$12.3 million and deferred inflows from debt refundings were \$41 thousand. The increase of \$1.0 million in deferred outflows from September 30, 2019 to September 30, 2020 is the result of new debt issuances.

At September 30, 2019, deferred outflows from debt refundings were \$12.3 million and deferred inflows from debt refundings were \$41 thousand. At September 30, 2018, deferred outflows from debt refundings were \$13.3 million and deferred inflows from debt refundings were \$54 thousand. These changes from September 30, 2018 to September 30, 2019 are related to the annual amortization of these balances.

Capital and Debt Activities

An aspect of UAB's continued growth is an emphasis on the expansion and maintenance of capital assets. UAB continues to implement its long-range capital plan. Capital assets primarily include land, buildings, fixed equipment systems, and inventoried equipment. The original costs of capital assets increased approximately \$184.3 million and \$188.3 million from September 30, 2019 to September 30, 2020 and from September 30, 2018 to September 30, 2019, respectively. The year over year increase consists primarily of additions totaling \$214.4 million (offset primarily by \$30.0 million in disposals) and \$227.0 million (offset primarily by \$38.7 million in disposals) in 2020 and 2019, respectively. Capital additions are comprised primarily of renovation and new construction of student, research and health care facilities, as well as additions to improve information technology systems.

Annual additions were funded with capital funds, grants, gifts of \$1.9 million and \$0.8 million, debt proceeds of \$63.1 million and \$29.6 million, and the remainder by UAB

funds designated for capital purchases in 2020 and 2019, respectively.

Capital projects in process at September 30, 2020 include Central Utilities, McCallum Building renovations, Green Hall (a new residence hall) and Information and Technology Center. Capital projects in process at September 30, 2019 include Central Utilities, McCallum Building renovations, Science and Engineering Building, Honors College, and Information and Technology Center.

UAB's long-term debt related to capital assets, consisting of bonds and capital leases, totaled \$1.13, \$1.16, and \$0.94 billion at September 30, 2020, 2019, and 2018, respectively. The decrease in debt during 2020 consisted primarily of the principal payments made in accordance with the debt instruments. The increase in debt during 2019 consisted primarily of the \$170.7 million General Revenue Bonds, Series 2019 issued during the year.

Net Position

Net position represents the residual interest in UAB's assets and deferred outflows after liabilities and deferred inflows are deducted.

UAB's net position at September 30, 2020, 2019, and 2018, is summarized as follows:

	2020	2019	2018
NET INVESTMENT IN CAPITAL ASSETS	\$ 769,281,767	\$ 759,496,749	\$ 744,768,861
RESTRICTED			
Nonexpendable	405,615,948	401,733,396	386,738,832
Expendable	353,055,159	377,422,933	354,341,414
UNRESTRICTED	759,386,626	539,742,362	359,587,377
TOTAL NET POSITION	\$ 2,287,339,500	\$ 2,078,395,440	\$ 1,845,436,484

Net position invested in capital assets represent UAB's capital assets, net of accumulated depreciation and outstanding principal of debt in excess of related bond proceeds attributable to the acquisition, construction, or improvement of those assets. The \$9.8 million increase in 2020 reflects the growth in capital assets net of annual depreciation expense, along with the decrease in total debt related to the annual principal payments. The \$14.7 million increase in 2019 reflects continued

capital asset development in accordance with UAB's long-range capital plan, offset by the increase in debt related to the bonds issued during the year.

Restricted nonexpendable net position includes UAB's permanent endowment funds and annuity and life income assets that will ultimately become pure endowment funds. The \$3.9 million increase in 2020 and the \$15.0 million increase in 2019 relates to contributions made and investment performance at year-end.

Restricted expendable net position is subject to externally imposed restrictions governing its use. Restricted expendable net position includes UAB's assets whose use is restricted by an external restriction. The \$24.4 million decrease in 2020 is the result of fewer new gifts received during the year. The \$23.1 million increase in 2019 resulted primarily from new gifts received during the year.

Unrestricted net position includes UAB's assets whose use is not restricted by an external entity. Unrestricted net

position increased by \$219.6 million or 40.7% in 2020 and increased by \$180.2 million or 50.1% in 2019, respectively. Although unrestricted net position is not subject to externally imposed restrictions, UAB has designated available unrestricted net position to be used for academic and research programs as well as capital projects.

Statements of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents UAB's results of operations, as well as the nonoperating revenues and expenses. Annual state appropriations are classified as nonoperating revenues according to governmental accounting standards, even though the state-appropriated funds are used to support the operations of UAB.

Without the nonoperating revenues, in particular the state appropriations and private gifts, UAB would not be able to cover its costs of operations. A summarized comparison of UAB's revenues, expenses and changes in net position for the years ended September 30, 2020, 2019, and 2018 is presented below:

	2020	2019	2018
OPERATING REVENUES			
Student tuition and fees, net	\$ 244,929,737	\$ 239,912,344	\$ 253,707,923
Grants and contracts	483,921,582	494,047,342	461,633,394
Sales and services	2,931,632,967	2,791,635,652	2,623,643,380
Other revenues	51,986,550	76,788,474	65,489,724
TOTAL OPERATING REVENUES	3,712,470,836	3,602,383,812	3,404,474,421
OPERATING EXPENSES			
Operating expenses	3,953,876,475	3,772,700,839	3,583,867,788
OPERATING LOSS	(241,405,639)	(170,317,027)	(179,393,367)
NONOPERATING REVENUES (EXPENSES)			
Economic relief funds	71,281,070	—	—
State educational appropriations	306,964,712	287,691,735	273,351,124
Grants and contracts	57,856,589	35,451,482	34,611,638
Private gifts	18,705,016	48,327,432	37,989,901
Investment income	15,735,962	32,247,107	90,152,323
Interest expense	(40,126,392)	(29,755,042)	(28,964,461)
Net other nonoperating revenue (expense)	322,621	419,384	(11,334,915)
NET NONOPERATING REVENUES	430,739,578	374,382,098	395,805,610
OTHER CHANGES IN NET POSITION	19,610,121	28,893,885	19,891,746
INCREASE IN NET POSITION	208,944,060	232,958,956	236,303,989
Net Position, beginning of year as previously reported	2,078,395,440	1,845,436,484	2,147,505,940
Adoption of GASB 75	—	—	(538,373,445)
Net Position, beginning of year as restated as of October 1, 2017	2,078,395,440	1,845,436,484	1,609,132,495
NET POSITION, END OF YEAR	\$ 2,287,339,500	\$ 2,078,395,440	\$ 1,845,436,484

Figures A and A1 are graphic illustrations of revenues by source (both operating and nonoperating), which are used to fund UAB’s operating activities for the years ended September 30, 2020 and 2019, respectively.

Figure A : Revenue Streams 2020

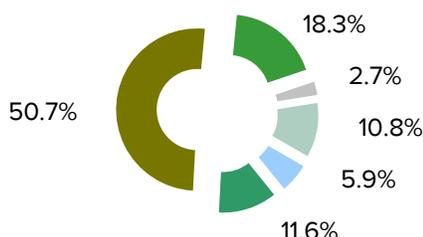
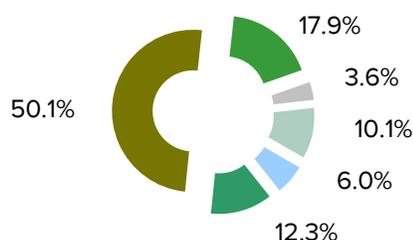


Figure A1: Revenue Streams 2019



- Tuition and Fees, Net
- Federal, State, Local, Private Grants
- Sales and Services of Hospital Activities
- Sales and Services of Auxiliary Enterprises
- Other Sources
- Nonoperating

Operating revenues:

Gross tuition and fees revenue increased by \$10.2 million and \$17.1 million in 2020 and 2019, respectively. Total student headcount of 22,080 and 21,923 increased by 157 or 0.7% in Fall 2019 and increased by 1,021 or 4.9% in Fall 2018. Gross tuition and fees revenue in 2020 and 2019 is offset by scholarship allowances of \$85.5 million and \$80.2 million, respectively.

UAB receives grant and contract revenue from federal, state, local governments and private agencies totaling \$483.9, \$494.0, and \$461.6 million, a decrease of 2.0% from 2019 to 2020 and an increase of 7.0% from 2018 to 2019, respectively.

Net hospital sales and service revenue totaled \$2.11, \$2.01, and \$1.86 billion, an increase of 5.1% and 7.7% from 2019 to 2020 and 2018 to 2019, respectively. These increases resulted from increased volume, contract improvements, and ongoing revenue-cycle improvement activities.

Net auxiliary sales and service revenue totaled \$762.4, \$715.7, and \$690.4 million, an increase of 6.5% and 3.7% from 2019 to 2020 and 2018 to 2019, respectively. These increases resulted from Triton premium revenue growth offset by a decrease in University auxiliary revenues.

Other sources:

Net educational sales and service revenue totaled \$59.4, \$67.6, and \$68.5 million, a decrease of 12.2% and 1.2% from 2019 to 2020 and 2018 to 2019, respectively. The current year decrease is due to a decline in clinical activity revenues.

Other operating revenue totaled \$52.0, \$76.8, and \$65.5 million, a decrease of 32.3% from 2019 to 2020 and an increase of 17.3% from 2018 to 2019, respectively. The current year decrease is due to a decline in HSF support.

Nonoperating revenues:

UAB receives state educational appropriations and capital funding from the State of Alabama. UAB recognized educational appropriations and capital funding from the State of Alabama totaling \$307.0, \$287.7, and \$273.4 million, of which \$297.7, \$273.5, and \$265.0 million was primarily from the Educational Trust Fund (ETF), which is included as nonoperating revenue.

Economic relief funds primarily consisted of the University Hospital receiving and recognizing \$67.3 million in federal CARES Act provider relief funding and \$3.2 million State CARES Act funding through September, 2020.

Net investment income decreased \$16.5 million from 2019 to 2020 and decreased \$57.9 million from 2018 to 2019. The decrease was a result of a decrease in the fair value of investments at the end of the year.

UAB recognized \$38, \$77, and \$59 million in gift revenue (composed partially of \$18, \$28, and \$18 million and \$1.9, \$0.8, and \$2.3 million in capital and endowment gifts, respectively) for the years ended September 30, 2020, 2019, and 2018, respectively.

Figures B and B1 below are illustrations of the breakout of the funding sources for grant and contract revenue for the years ended September 30, 2020 and 2019, respectively. UAB receives grant and contract revenue from federal,

state, local, and private agencies. These funds are used to further the mission of UAB: research, education, and public service.

Figure B: Grants and Contract Revenues 2020

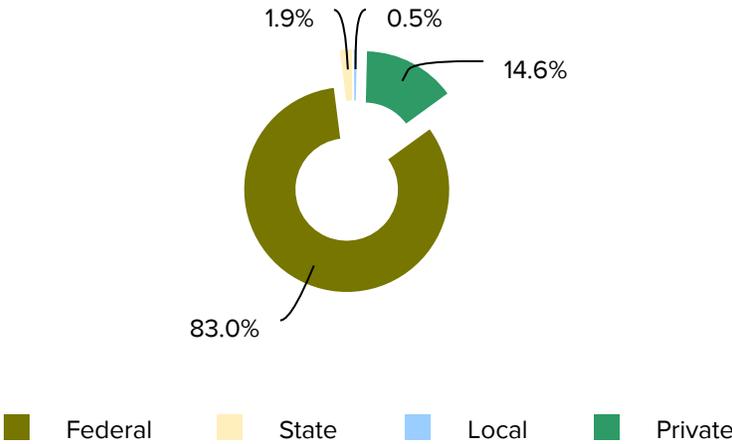
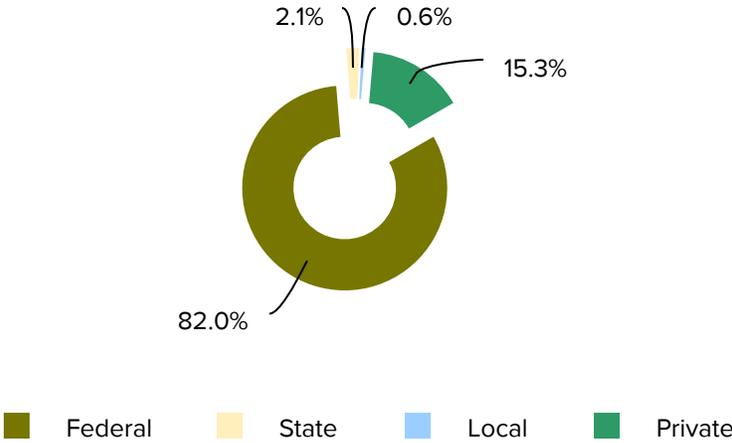


Figure B1: Grants and Contract Revenues 2019



Operating Expenses

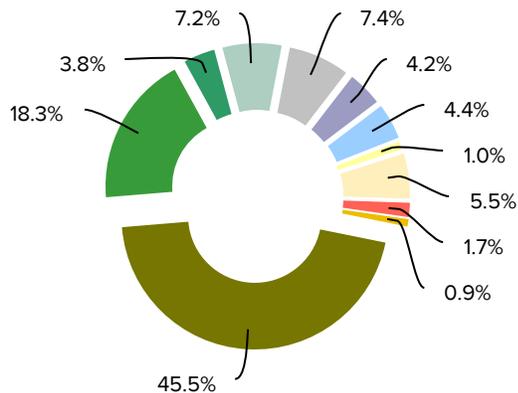
A comparative summary of UAB's operating expenses for the years ended September 30, 2020, 2019, and 2018, is as follows:

	2020	2019	2018
Salaries, wages, and benefits	\$ 1,766,044,825	\$ 1,749,060,938	\$ 1,674,990,688
Supplies and services	2,001,552,207	1,846,254,490	1,734,410,959
Depreciation	150,994,130	148,344,143	146,686,513
Scholarships and fellowships	35,285,313	29,041,268	27,779,628
TOTAL OPERATING EXPENSES	\$ 3,953,876,475	\$ 3,772,700,839	\$ 3,583,867,788

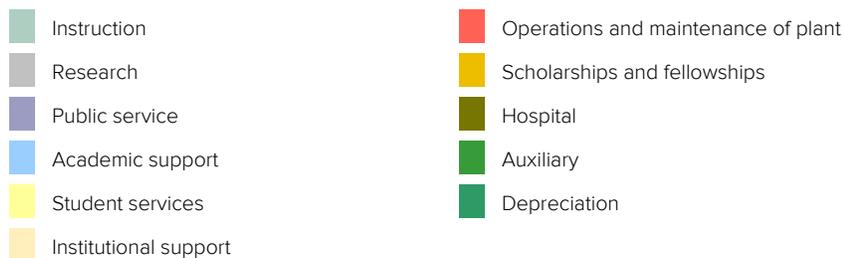
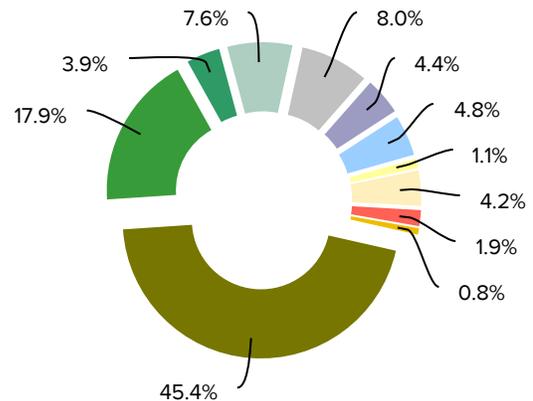
Salaries, wages, and benefits increased \$17.0 million or 1.0% during 2020 and \$74.1 million or 4.4% during 2019. These increases are primarily due to the growth of UAB's salary base and rising benefit costs related to growth in salary base. Supplies and services expenses increased \$155.3 million or 8.4% and \$111.8 million or 6.4% during 2020 and 2019, respectively. This increase is primarily attributable to UAB's continued growth. In addition to natural classifications, operating expenses are reported by functional classifications as defined by the National Association of College and University Business Officers ("NACUBO").

The functional classification of an operating expense (Instruction, Research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. This method reflects, by function of UAB's, amounts expended in areas such as instruction, research, and operations and maintenance and is used most commonly for comparative reporting purposes among colleges and universities. Graphic illustrations of UAB's operating expenses by function for the years ended September 30, 2020 and 2019, respectively, are presented as follows:

2020 Operating Expenses by Function



2019 Operating Expenses by Function



Economic Factors That Will Affect The Future

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

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

Private gifts are an important part of the fundamental support of UAB. Economic pressures affecting donors may also affect the future level of support UAB receives from corporate and individual giving. In fiscal year 2014, UAB launched its largest fundraising campaign to date known as “Give something change everything.” The fundraising goal of \$1 billion was surpassed by UAB in November 2018, reaching its stated goal of achieving the milestone by the end of 2018.

During fiscal year 2020, 67.6% of UAB students received financial aid, including \$194.3 million of Federal Financial Aid. In recent years, financial aid reform and reauthorization of existing aid programs have been topics in legislative sessions. Management is monitoring proposed future legislation in order to respond in a manner to assist current and future students.

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

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

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

The University of Alabama at Birmingham
Statements of Net Position
September 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 641,920,794	\$ 380,593,397
Short term investments	1,196,891,055	1,084,308,490
Accounts receivable, net	565,381,018	481,727,985
Loans receivable, current portion	1,994,471	2,272,848
Pledges receivable, current portion	10,732,083	18,436,977
Inventories	35,827,726	30,625,249
Prepaid expenses and unearned scholarships	71,948,834	62,681,894
Other current assets	12,001,066	11,213,343
Total current assets	2,536,697,047	2,071,860,183
Noncurrent Assets:		
Cash designated for capital activities	63,098,686	141,695,284
Restricted cash and cash equivalents	269,648	169,594
Investments for capital activities	797,791,901	825,529,381
Endowment and life income investments	539,974,716	537,457,828
Investment in Professional Liability Trust Fund	59,920,845	60,291,989
Other long-term investments	107,735,412	115,426,770
Loans receivable, net	8,347,250	10,980,614
Pledges receivable	29,408,901	45,409,739
Capital assets, net	1,784,230,411	1,723,027,158
Other noncurrent assets	4,075,296	115,634
Total noncurrent assets	3,394,853,066	3,460,103,991
Total Assets	5,931,550,113	5,531,964,174
DEFERRED OUTFLOWS OF RESOURCES		
Bond deferred refundings	13,336,713	12,305,553
Pension and OPEB related obligations	305,494,017	301,435,989
Total Deferred Outflows of Resources	318,830,730	313,741,542
Total Assets and Deferred Outflows of Resources	\$ 6,250,380,843	\$ 5,845,705,716

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Net Position
September 30, 2020 and 2019

	2020	2019
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 596,371,343	\$ 342,830,127
Deposits	15,078,378	15,788,813
Unearned revenue-grants	50,928,154	44,550,216
Unearned revenue-other	99,077,929	105,781,493
Long-term debt, current portion	38,749,671	35,380,749
Total current liabilities	800,205,475	544,331,398
Noncurrent Liabilities:		
Federal advances-loan funds	8,483,518	11,056,522
Long-term debt, noncurrent portion	1,087,186,699	1,127,090,695
Pension liability	1,245,083,000	1,168,305,000
OPEB liability	271,431,941	677,611,841
Other noncurrent liabilities	28,713,594	14,099,948
Total noncurrent liabilities	2,640,898,752	2,998,164,006
Total Liabilities	3,441,104,227	3,542,495,404
DEFERRED INFLOWS OF RESOURCES		
Bond deferred refundings	—	40,878
Pension and OPEB related obligations	521,937,116	224,773,994
Total Deferred Inflows Of Resources	521,937,116	224,814,872
NET POSITION		
Net investment in capital assets	769,281,767	759,496,749
Restricted		
Nonexpendable	405,615,948	401,733,396
Expendable	353,055,159	377,422,933
Unrestricted	759,386,626	539,742,362
Total Net Position	2,287,339,500	2,078,395,440
Total Liabilities, Deferred Inflows and Net Position	\$ 6,250,380,843	\$ 5,845,705,716

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Tuition and fees	\$ 330,385,766	\$ 320,141,055
Less: scholarship allowance	(85,456,029)	(80,228,711)
Tuition and fees, net	244,929,737	239,912,344
Grants and contracts:		
Federal	392,328,131	399,343,773
State	9,637,192	10,967,871
Local	2,743,274	2,535,753
Private	79,212,985	81,199,945
Sales and services:		
Educational activities	59,351,275	67,616,490
Hospital, net of bad debt expense of \$187.9 million in 2020 and \$157.7 million in 2019	2,109,833,577	2,008,319,151
Other auxiliary enterprises, net of scholarship allowance of \$2.4 million in 2020 and \$2.9 million in 2019	762,448,115	715,700,011
Other operating revenues	51,986,550	76,788,474
Total operating revenues	3,712,470,836	3,602,383,812
Operating Expenses		
Salaries, wages and benefits	1,766,044,825	1,749,060,938
Supplies and services	2,001,552,207	1,846,254,490
Depreciation	150,994,130	148,344,143
Scholarships and fellowships	35,285,313	29,041,268
Total operating expenses	3,953,876,475	3,772,700,839
Operating loss	(241,405,639)	(170,317,027)
Nonoperating Revenues (Expenses)		
Economic Relief Funds	71,281,070	—
State educational appropriations	306,964,712	287,691,735
Grants and contracts	57,856,589	35,451,482
Gifts	18,705,016	48,327,432
Investment income	15,735,962	32,247,107
Interest expense	(40,126,392)	(29,755,042)
Loss on asset dispositions, net	(567,152)	(112,196)
Other nonoperating income, net	889,773	531,580
Net nonoperating revenues	430,739,578	374,382,098
Income before other changes in net position	189,333,939	204,065,071
Other Changes in Net Position		
Capital gifts and grants	1,854,223	789,319
Endowment gifts	17,755,898	28,104,566
Total other changes in net position	19,610,121	28,893,885
Increase in net position	208,944,060	232,958,956
Net Position, beginning of year	2,078,395,440	1,845,436,484
Net Position, end of year	\$ 2,287,339,500	\$ 2,078,395,440

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Student tuition and fees	\$ 246,333,703	\$ 222,500,106
Grants and contracts:		
Federal	398,734,987	392,986,127
State	12,733,355	10,493,650
Local	1,981,861	3,007,393
Private	82,655,623	83,027,558
Receipts from sales and services of:		
Educational activities	59,175,998	68,089,396
Patient services	2,058,613,804	1,988,861,614
Auxiliary enterprises, net	35,084,704	47,914,492
Premium and administrative fees collected	716,906,063	669,167,299
Payment to employees and related benefits	(1,311,156,619)	(1,337,749,307)
Payment for contract labor	(448,114,236)	(402,775,436)
Payment to suppliers	(1,835,715,862)	(1,874,194,939)
Payment for scholarships and fellowships	(35,285,313)	(29,041,268)
Other receipts	50,574,552	71,385,889
Net cash provided by (used in) operating activities	32,522,620	(86,327,426)
Cash flows from noncapital financing activities		
Economic relief funds	67,325,616	—
State educational appropriations	306,964,712	287,691,735
Private gifts	59,428,944	74,368,931
Student direct lending receipts	167,856,685	169,048,223
Student direct lending disbursements	(166,625,040)	(167,141,859)
Other deposits	60,226,262	39,131,649
Deposits from affiliates	(5,468,313)	1,374,539
Net cash provided by noncapital financing activities	489,708,866	404,473,218
Cash flows from investing activities		
Interest and dividends from investments, net	96,970,912	90,095,472
Proceeds from notes receivable	85,697	139,076
Proceeds from sales and maturities of investments	8,342,944	30,531,014
Purchases of investments	(167,556,803)	(206,880,373)
Net cash used in investing activities	(62,157,250)	(86,114,811)
Cash flows from capital and related financing activities		
Proceeds from issuance of capital debt	11,037,858	217,842,498
Capital gifts, grants and contracts	2,591,924	3,517,265
Proceeds from sale of capital assets	380,128	3,267,701
Purchases of capital assets	(220,801,455)	(219,539,415)
Principal payments on capital debt	(35,296,312)	(35,308,922)
Interest payments on capital debt	(35,155,526)	(34,218,980)
Net cash used in capital and related financing activities	(277,243,383)	(64,439,853)
Net increase in cash and cash equivalents	182,830,853	167,591,128
Cash and cash equivalents, beginning of year	522,458,275	354,867,147
Cash and cash equivalents, end of year	\$ 705,289,128	\$ 522,458,275

See accompanying notes to financial statements.

The University of Alabama at Birmingham
Statements of Cash Flows (continued)
Years Ended September 30, 2020 and 2019

	2020	2019
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	\$ 641,920,794	\$ 380,593,397
Cash designated for capital activities	63,098,686	141,695,284
Restricted cash and cash equivalents	269,648	169,594
Total cash and cash equivalents	705,289,128	\$ 522,458,275
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (241,405,639)	\$ (170,317,027)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation expense	150,994,130	148,344,143
Pension expense	112,188,000	76,255,000
OPEB expense	(25,185,389)	52,845,769
Changes in assets and liabilities:		
Accounts receivable, net	165,975,517	(49,790,075)
Prepaid expenses and other assets	(17,806,662)	(17,744,379)
Accounts payable and accrued liabilities	9,577,611	(12,188,034)
Pension obligations	(98,485,000)	(97,999,000)
OPEB obligations	(22,187,000)	(21,360,942)
Unearned Revenue	(1,142,948)	5,627,119
Net cash provided by (used in) operating activities	32,522,620	\$ (86,327,426)
Supplemental noncash activities information		
Capital assets acquired included in accounts payable	\$ 22,430,684	\$ 23,431,082
Capital assets acquired through capital lease	109,947	341,253
Interest capitalized	—	2,722,115
Non-cash transfer of funds from the STLP to the LCRP	547,946,709	—
Debt proceeds immediately transferred into escrow	81,890,469	—
Payment of outstanding bonds principal and interest via escrow	80,027,733	—

See accompanying notes to financial statements.

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Net Position
December 28, 2019 and December 29, 2018

	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 470,327	\$ 24,474
Investments	15,321,444	19,911,409
Restricted cash and investments	11,933,466	10,721,291
Accounts receivable, net	17,182,332	16,109,295
Other receivables	1,411,383	2,008,305
Materials and supplies, net	986,730	1,073,368
Prepayments and other current assets	756,048	839,722
Total current assets	48,061,730	50,687,864
Noncurrent Assets:		
Net OPEB asset	1,187,434	623,594
Capital assets:		
Land and improvements	6,274,425	6,273,110
Buildings and major plant equipment	67,746,523	68,640,869
Laboratory equipment and fixtures	64,804,143	61,419,728
Office furniture and equipment	3,622,526	3,559,598
Intangible assets, net	1,707,790	2,466,397
	144,155,407	142,359,702
Less accumulated depreciation	(91,792,022)	(88,734,253)
	52,363,385	53,625,449
Construction-in-progress	667,583	1,777,846
Total capital assets, net	53,030,968	55,403,295
Total noncurrent assets	54,218,402	56,026,889
Total Assets	102,280,132	106,714,753
Deferred Outflows of Resources		
OPEB	319,792	403,238
Total Assets and Deferred Outflows of Resources	\$ 102,599,924	\$ 107,117,991
Current Liabilities:		
Accounts payable	\$ 4,400,559	\$ 5,382,732
Accrued liabilities	6,038,919	6,302,610
Unearned contract revenue	5,192,267	4,790,805
Current maturities of long-term debt and capital lease obligations	987,380	625,110
Note payable	172,370	806,353
Total current liabilities	16,791,495	17,907,610
Noncurrent Liabilities:		
Long-term debt and capital lease obligations	14,063,162	14,050,649
Total noncurrent liabilities	14,063,162	14,050,649
Total Liabilities	30,854,657	31,958,259
Deferred Inflows of Resources		
OPEB	1,472,708	1,079,066
Net Position		
Net investment in capital assets	37,980,426	40,727,536
Restricted		
Expendable	12,462,984	11,939,885
Unrestricted	19,829,149	21,413,245
Total Net Position	70,272,559	74,080,666
Total Liabilities, Deferred Inflows Of Resources, and Net Position	\$ 102,599,924	\$ 107,117,991

See accompanying notes to financial statements.

Southern Research Institute
(A Discretely Presented Component Unit)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 28, 2019 and December 29, 2018

	2019	2018
Operating Revenues		
Contract revenues	\$ 76,296,491	\$ 65,188,876
Intellectual property revenues, net of direct expenses	1,748,981	2,333,215
Total operating revenues	78,045,472	67,522,091
Operating Expenses		
Salaries, wages and benefits	46,123,903	46,596,897
Supplies and services	30,641,540	29,358,326
Depreciation and amortization	6,563,411	6,949,310
Total operating expenses	83,328,854	82,904,533
Operating loss	(5,283,382)	(15,382,442)
Nonoperating Revenues (Expenses)		
Contributions	312,507	491,792
Investment income (loss)	3,258,840	(1,724,659)
Interest expense	(384,463)	(369,510)
Gain (loss) on disposal of assets	(1,711,609)	(5,523,672)
Net nonoperating revenues (expenses)	1,475,275	(7,126,049)
Change in net position	(3,808,107)	(22,508,491)
Net Position, beginning of year	74,080,666	96,589,157
Net Position, end of year	\$ 70,272,559	\$ 74,080,666

See accompanying notes to financial statements.

The University of Alabama at Birmingham

Notes to Financial Statements

Years Ended September 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

The University of Alabama at Birmingham ("UAB") is one of three universities of The University of Alabama System ("the System"), which is a component unit of the State of Alabama ("the State"). The financial statements of UAB are intended to present the financial position, changes in financial position, and the cash flows of only that portion of the business-type activities of the financial reporting entity of the System that is attributable to the transactions of UAB. They do not purport to, and do not, present fairly the financial position of the System, its changes in financial position or cash flows in accordance with accounting principles generally accepted in the United States of America. The System is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code.

UAB, as a public institution, prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB).

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

- **Net Investment in Capital Assets:**

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

- **Restricted:**

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

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

- **Unrestricted:**

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

UAB reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those financed in whole or in part by fees charged to external parties for goods or services.

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

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

Scope of Statements

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

segments is presented at Note 15. Refer to Note 2 for information regarding UAB's component units.

UAB is affiliated with the UAB Educational Foundation ("UABEF"), the University of Alabama Health Services Foundation, P.C. ("HSF"), UAB Health System ("UABHS"), Medical West, Cooper Green Mercy Health Services Authority, and the Valley Foundation ("VF"). UAB is not financially accountable for UABEF, HSF, UABHS or VF; therefore, they do not constitute component units under the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended. These entities are not required to be presented as component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and No. 61, *The Financial Reporting Entity – an Amendment of GASB Statement No. 14 and 34*. More information regarding HSF, UABHS and VF can be found at Note 16.

UABEF provides funds and certain facilities to UAB for its educational and scientific functions. UABEF has 13 board members, including seven outside members not affiliated with UAB. UABEF leases certain facilities to UAB, with rental expense of approximately \$2.2 million for the year ended September 30, 2020 and \$2.1 million for the year ended September 30, 2019. UABEF made contributions to UAB which totaled approximately \$4.2 million for the year ended June 30, 2020 and approximately \$4.6 million for the year ended June 30, 2019.

Implementation of new standards: During 2020, UAB adopted GASB Statement No. 89, *Accounting for Interest Cost*, which aims to enhance comparability of capital assets information and simplify accounting for interest cost incurred before the end of a construction period. The impact from its adoption of GASB 89 was not material to the financial statements.

Other significant accounting policies are as follows:

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

Investments: UAB's investments are reported at fair value. The majority of UAB's investment portfolio is invested in separate investment pools sponsored by the System. Fair value for the investment pools is provided by the System, based on the fair value of the underlying investment securities held by each investment pool. Fair value of the underlying securities held in each investment pool is based on quoted market prices or dealer quotes, where available, or determined using net asset values provided by underlying investment partnerships or companies. Fair value for equity securities, debt securities, mutual funds and U.S. government and agency

obligations held by UAB is determined from quoted market prices or market prices of similar instruments. Real estate held as investments is reported at fair value based upon appraisals, acquisition value at the date of donation, and other valuations typically based on management assumptions or expectations. Investments received by gift are reported at fair value at date of receipt. Net investment income, including realized and unrealized gains and losses, is reported as nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position.

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

Inventories: Inventories are carried at the lower of cost or market. Inventories consist primarily of medical supplies and pharmaceuticals.

Accounts Receivable: Accounts receivable consist primarily of patient receivables, tuition charged to students and amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to UAB's contracts and grants.

Capital Assets: All capital assets are carried at cost on date of acquisition (or in the case of gifts, at acquisition value on the date of donation), less accumulated depreciation (or in the case of assets leased under capital leases, net of accumulated amortization). UAB computes depreciation for buildings and building improvements (15-40 years) and for fixed equipment systems (3-20 years) using a component method. Depreciation of land improvements (40 years), library collection (10 years), and inventoried equipment (3-20 years) is computed on a straight-line basis. The Hospital uses guidelines established by the American Hospital Association to assign useful lives to inventoried equipment.

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

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

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

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

UAB's policy is to retain the endowment realized and unrealized appreciation within an endowment after the spending rate distributions in a manner consistent with the standards of prudence prescribed by UPMIFA. The Board approved a spending rate for fiscal years September 30, 2020 and 2019 of 4.5%, based on a moving five-year average of the market (unit) value.

Prepaid Expenses and Unearned Scholarships: Prepaid expenses are composed of future expenses that have been paid in advance and include prepaid postage, travel, and other miscellaneous expenses. Unearned scholarship expense results from the Fall academic term spanning across the fiscal year-end. UAB prorates scholarship expense to recognize only the amounts incurred in each fiscal year.

Unearned Revenue: Unearned revenue consists primarily of student tuition and fees related predominantly to future fiscal years and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements and, therefore, have not yet been included in the net position.

Federal Refundable Loans: Certain loans to students are administered by UAB with funding primarily supported by the federal government. UAB's statements of net position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions and related activity owed upon termination of the program. The Federal Perkins Loan Program expired June 30, 2018. The University will continue operating the program and remit any excess cash annually for the pro rata federal and institutional capital contributions. As of September 30, 2020, \$1.4 million is payable to the Department of Education for its portion of the excess cash available at June 30, 2019.

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

Deferred Outflows of Resources: Deferred outflows of resources consist of bond deferred refunding amounts, pension obligations, and OPEB obligations (Trust and UAB Plan). Pension obligations include employer contributions to the Teachers' Retirement System subsequent to the Plan's measurement date, differences between expected and actual experience, and changes in actuarial and other assumptions. The Trust's obligations include employer contributions to the Alabama Retired Education Employees' Health Care Trust subsequent to the Trust's measurement date, differences between expected and actual experience, and changes in proportion and differences between employer contributions and proportionate share of contributions. The UAB Plan's obligations include employer contributions to the UAB Health Care Plan subsequent to the Plan's measurement date for eligible disabled retirees.

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

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

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

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

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

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

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

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

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

COVID-19 Pandemic: In January 2020, the World Health Organization declared the novel Coronavirus (COVID-19) a Public Health Emergency of International Concern. The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and healthcare organizations. The outbreak has also negatively impacted both the global financial markets and UAB's investments, including the investments held within the System Pools, and may continue to do so. Other adverse consequences of COVID-19 in the future may include, but are not limited to, decline in enrollment, decline in demand for University housing, decline in demand for University programs that

involve travel, and additional volatility within UAB's investments. UAB believes it has sufficient liquidity to meet its operating and financing needs; however, given the difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on UAB, the economy and the financial markets, the ultimate impact is unknown and cannot be reasonably quantified at this time.

The Coronavirus Aid, Relief and Economic Security ("CARES") Act: The CARES Act was signed into law in March 2020 in order to provide economic assistance for businesses and individuals that have been negatively impacted by the COVID-19 pandemic. During 2020, the University received payments primarily from two CARES Act programs, the Higher Education Emergency Relief Fund ("HEERF") and the Coronavirus Relief Fund ("CRF") which are included in nonoperating grants in the accompanying statements of revenues, expenses and changes in net position. The Higher Education Emergency Relief Fund is administered through the U.S. Department of Education and was designed to facilitate the distribution of emergency financial aid grants directly to students, as well as to provide funding for institutions negatively impacted by the COVID-19 pandemic. Under the terms of the student portion of this program, revenue is recognized once eligible expenditures associated with the distribution of aid to students have been incurred. For the institutional portions of this program, revenue is recognized as UAB identifies eligible expenditures or lost revenues which qualify for reimbursement. Revenue recognized from the HEERF totaled \$6.1 million student aid relief and \$5.0 million institutional relief. The Coronavirus Relief Fund is administered through the State of Alabama Department of Finance. The purpose of the Coronavirus Relief Fund appropriation is for the funds to be used to prevent, prepare for, and respond to coronavirus only. The CRF covers only those costs that are necessary expenditures incurred due to the public health emergency with respect to COVID-19. Eligibility to receive payment from the State's portion of funds from the CRF is contingent upon certifying that UAB will: (1) use the funds in a lawful manner consistent with Section 601(d) of the Coronavirus Relief Fund and (2) will comply with any and all policies and directives issued by the Alabama Department of Finance related to the Coronavirus Relief Funds. At September 30, 2020, UAB was awarded \$37.0 million of CRF funds to assist with state testing and exposure notifications, including a \$6.0 million advance payment. At September 30, 2020, UAB had recognized \$5.4 million of revenue for actual expenses incurred.

University Hospital received and recognized \$67.3 million in federal CARES Act provider relief funding through September, 2020 and recognized and recorded a receivable for \$3.2 million in CARES funds allocated from the State of Alabama.

In addition, University Hospital received \$180.2 million in advanced payments from the Centers for Medicare and

Medicaid Services ("CMS") Accelerated and Advanced Payments Program reported as due to third party payors and advances payable, net on the Statements of Net Position. The Medicare advance payment amount is classified as a current liability based on guidance as of September 30, 2020, however guidance issued subsequent to September 30, 2020 provides for the advance payments to be repaid over a period extending beyond 12 months.

(2) Component Unit(s)

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14*, No. 61, *The Financial Reporting Entity – an Amendment of GASB Statement No. 14 and 34* and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, requires governmental entities to include in their financial statements as a component unit, organizations that are legally separate entities for which the governmental entity, as a primary organization, is financially accountable. The primary objective of these statements is to determine whether all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. The statements as amended provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government.

The by-laws and corporate charter of the Southern Research Institute (SRI) allow UAB to appoint a majority of the board of directors. Management has determined that SRI is a discretely presented component unit of UAB under GASB Statements No. 14 and No. 61. SRI reports financial results under principles prescribed under the GASB. SRI offers research and technology services to support industry and federal government agencies primarily in the areas of drug design and evaluation, environmental controls, materials engineering, and chemical and biological defense. The activities of SRI are maintained using a fiscal calendar year-end that ends prior to UAB's fiscal year-end of September 30. The financial results of SRI are discretely presented in these financial statements.

UAB includes five blended component units, as follows: UAB Research Foundation ("UABRF"), UAB Athletics Foundation ("UABAF"), Alabama Care Plan ("ACP"), UAB Hospital Management, L.L.C. ("LLC") and Triton Health Systems, L.L.C. ("Triton"). The by-laws and corporate

charters of UABRF allow UAB to appoint a majority of the board of directors and allow UAB to impose its will on the entity. UABRF operates for the exclusive benefit of UAB. UABAF was organized to support the UAB Athletics Department in its quest for excellence in all programs. UABAF operates as an extension of the UAB Athletics Department and it almost exclusively benefits the University. The by-laws of ACP allow UAB to appoint a majority of the members of the Member Board, as defined, which operates in a consultative capacity with the ACP Board of Directors. The by-laws allow the ACP Member Board certain operational and financial protective rights. Additionally, LLC and Triton have governing bodies that are substantively the same as the governing body of UAB and there is a financial benefit or burden relationship between UAB and these entities. Therefore, management has determined that UABRF, UABAF, ACP, LLC and Triton (the Blended Component Units) constitute blended component units of UAB under GASB Statements No. 14 and No. 61. The Blended Component Units report financial results under principles prescribed under the GASB.

UABRF was organized exclusively for charitable, scientific, and educational purposes in order to benefit UAB. UABAF was formed in November 2015 as a nonprofit corporation organized to build loyalty and philanthropic support for the UAB athletic program and support the staff in coordinating, developing and improving a superior inter-collegiate athletics program. UABAF encourages alumni and friends to generously support the Athletics Department and contribute to scholarship funding for UAB's student athletes. ACP was formed in September 2014 to apply to become certified by the Alabama Medicaid Agency as a probationary regional care organization ("RCO"), with the goal at the time of being eligible to become a fully certified RCO by July 1, 2017. Effective October 17, 2016, ACP resolved to cease its pursuit of full regional care organization certification from the Alabama Medicaid Agency and cease efforts to enter into a risk contract with Medicaid to provide RCO services to Medicaid beneficiaries. On July 27, 2017, the Alabama Medicaid Agency abandoned its development of regional care organizations. The current Alabama Medicaid Health Home program ended on September 30, 2019 and the new Medicaid program Alabama Coordinated Health Network (ACHN), began October 1, 2019. ACP's members are the University Hospital, St. Vincent's Health System and Triton. Effective September 28, 2020, ACP was dissolved. The LLC was organized for the exclusive purpose of supporting UAB in connection with the management, administration, and operation of the University Hospital, including, without limitation, providing management, administrative, and staffing services to the University Hospital. Triton was formed to advance the educational and research mission of UAB and to educate and train physicians and other health care professionals. Triton is owned 99% by UAB and 1% by The UABEF.

UABRF, ACP and LLC maintain a September 30 year-end. UABAF maintains a June 30 year-end. The activities of Triton are maintained using a fiscal calendar year-end that ends prior to UAB's fiscal year-end of September 30. However, interfund cash transactions during the period

from January 1 through September 30 have been eliminated. Since Triton qualifies as a major component unit under GASB Statement No. 61, financial information for the years ended December 31, 2019 and 2018 is presented on the subsequent page.

TRITON HEALTH SYSTEMS, LLC	2020	2019
CONDENSED STATEMENT OF NET POSITION		
Current assets	\$ 261,535,804	\$ 238,243,098
Capital assets, net	3,946,551	4,242,844
Other assets	107,264,624	115,104,269
TOTAL ASSETS	372,746,979	357,590,211
Current liabilities	100,010,425	101,474,939
Other noncurrent liabilities	899,448	1,169,296
TOTAL LIABILITIES	100,909,873	102,644,235
Net investment in capital assets	3,946,551	4,242,844
Restricted nonexpendable	100,000	100,000
Unrestricted	267,790,555	250,603,132
TOTAL NET POSITION	271,837,106	254,945,976
TOTAL LIABILITIES AND NET POSITION	\$ 372,746,979	\$ 357,590,211
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 810,684,944	\$ 760,532,147
Operating expenses	(766,075,475)	(709,709,115)
Depreciation and amortization expense	(1,286,839)	(955,707)
OPERATING INCOME	43,322,630	49,867,325
Investment income	10,566,733	3,426,512
Interest expense	—	(200)
Income tax expense	(2,800,679)	(3,698,885)
INCOME BEFORE OTHER CHANGES IN NET POSITION	51,088,684	49,594,752
Distributions to members	(34,197,554)	(18,694,856)
INCREASE IN NET POSITION	16,891,130	30,899,896
Net position, beginning of year	254,945,976	224,046,080
NET POSITION, END OF YEAR	\$ 271,837,106	\$ 254,945,976
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ 833,764	\$ 20,705,580
Noncapital financing activities	(34,197,554)	(18,694,856)
Capital and related financing activities	(990,546)	(2,450,710)
Investing activities	7,670,724	(16,453,527)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,683,612)	(16,893,513)
Cash and cash equivalents, beginning of year	171,026,899	187,920,412
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 144,343,287	\$ 171,026,899

(3) Cash and Cash Equivalents

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for UAB funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama state treasurer as a qualified public depository under the Security for Alabama Funds Enhancement Act (SAFE). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository. In the past, the bank pledged collateral directly to each individual public entity. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all its public deposits on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the state treasurer, who would use the SAFE pool collateral or other means to reimburse the loss. As of September 30, 2020 and 2019, respectively, UAB had cash and cash equivalents totaling \$705.3 million and \$522.5 million

(4) Investments

The Board has the responsibility for the establishment of the investment policy and the oversight of the investments for the System and related entities. In order to facilitate System-wide investment objectives and achieve economies of scale, the Board previously established three distinct investment pools based primarily on the projected investment time-horizons for System funds: the Pooled Endowment Fund ("PEF"), Long Term Reserve Pool Fund ("LTRP") and the Short Term Liquidity Pool Fund ("STLP"); collectively, the "System Pools". In April 2020, the Board approved a merger of the STLP and the LTRP into one pool, the Liquidity and Capital Reserve Pool ("LCRP"). In July 2020, the Board closed the STLP and transferred the assets to the LTRP to create the new merged pool, with a new asset allocation. Pursuant to Board investment policies, each System or related entity may include all or a portion of their investments within the System sponsored investment pools. These investment funds are considered "internal" investment pools under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* with the assets pooled on a market value basis. Separately managed funds that reside with each entity are to be

invested consistent with the asset mix of the corresponding System investment pool. UAB applies the same investment policies for separately held investments as those of the System Pools.

The following disclosures relate to both the System Pools, which include the investments of other System entities and other affiliated entities, and the UAB-specific investment portfolio.

Pooled Endowment Fund

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

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

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

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

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

Liquidity and Capital Reserve Pool

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

Fair Value Measurements

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

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UAB has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect UAB's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include UAB's own data.

GASB 72 allows for the use of net asset value ("NAV") as a practical expedient for valuation purposes for investment that do not have readily determinable fair value. Investments that use NAV in determining fair value are disclosed separately from the valuation hierarchy as presented herein.

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

The determination of what constitutes observable requires judgment by UAB's management. UAB management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to UAB management's perceived risk of that investment.

The following is a description of the valuation methods and assumptions used by UAB to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at September 30, 2020. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. UAB management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. UAB's Level 1 investments primarily consist of investments in mutual funds, exchange traded funds, and both domestic and foreign equity funds. When quoted prices in active markets are not available, fair values are based on evaluated prices received from UAB's custodian of investments.

UAB's Level 2 investments consist of mutual funds that are priced or traded at the end of the day.

UAB's Level 3 investments primarily consist of very illiquid securities. The inputs or methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. Valuation techniques utilized by UAB are appraisals, entry price at the date of donation, and other valuations typically based on management assumptions or expectations.

At September 30, 2020 and 2019, the fair value of UAB's investments based on the inputs used to value them is summarized as follows:

	2020				Total
	Level 1	Level 2	Level 3	NAV	
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	422,310	—	—	—	422,310
Fixed Income Securities:					
Corporate bonds	—	139,341,911	—	—	139,341,911
Commingled Funds:					
U.S. equity funds	—	1,478,656	—	—	1,478,656
Non-U.S. equity funds	—	15,625	—	—	15,625
Real Estate	—	—	159,600	—	159,600
	\$ 522,310	\$ 140,836,192	\$ 159,600	\$ —	\$ 141,518,102
				Equity investments in partnerships	59,920,845
				UAB Portion of System Pool Investments:	
				Endowment Fund	541,012,824
				Liquidity and Capital Reserve Pool Fund	1,959,862,158
				Total Net Asset Value with System Pooled Investments	\$ 2,702,313,929

	2019				Total
	Level 1	Level 2	Level 3	NAV	
Cash and equivalents:					
Commercial paper	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
Equities:					
Common Stock	371,776	—	—	—	371,776
Fixed Income Securities:					
Corporate bonds	—	136,048,332	—	—	136,048,332
Commingled Funds:					
U.S. equity funds	—	1,197,867	—	—	1,197,867
Non-U.S. equity funds	—	278,220	—	—	278,220
Real Estate	—	—	159,600	—	159,600
	\$ 471,776	\$ 137,524,419	\$ 159,600	\$ —	\$ 138,155,795
				Equity investments in partnerships	60,291,989
				UAB Portion of System Pool Investments:	
				Endowment Fund	538,535,105
				Long Term Reserve Pool	1,347,111,275
				Short Term Liquidity Pool	538,920,294
				Total Net Asset Value with System Pooled Investments	\$ 2,623,014,458

At September 30, 2020 and 2019, the fair value of investments for the System Pools based on the inputs used to value them is summarized as follows:

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

POOLED ENDOWMENT FUND

	2019				NAV	Total
	Level 1	Level 2	Level 3			
Receivables:						
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ —	794,850
Total Receivables	—	—	—	—	—	794,850
Cash Equivalents:						
Money Market Funds	45,659,810	—	—	—	—	45,659,810
Total Cash Equivalents	45,659,810	—	—	—	—	45,659,810
Equities:						
U.S. Common Stock	74,012,517	—	—	—	—	74,012,517
U.S. Preferred Stock	190,932	—	—	—	—	190,932
Foreign Stock	32,734,298	—	—	—	—	32,734,298
Total Equities	106,937,747	—	—	—	—	106,937,747
Fixed Income Securities:						
U.S. Government Obligations	—	9,526,821	—	—	—	9,526,821
Mortgage Backed Securities	—	16,998,880	—	—	—	16,998,880
Corporate Bonds	—	23,590,299	—	—	—	23,590,299
Non-U.S. Bonds	—	4,633,620	—	—	—	4,633,620
Total Fixed Income Securities	—	54,749,620	—	—	—	54,749,620
Commingled Funds:						
Non-U.S. Equity Funds	—	230,373,319	—	—	—	230,373,319
U.S. Bond Funds	—	53,608,300	—	—	—	53,608,300
Hedge Funds	—	—	—	476,844,586	—	476,844,586
Private Equity Funds	—	—	—	183,800,862	—	183,800,862
Real Estate Funds	—	—	28,480,271	312,302,228	—	340,782,499
Total Commingled Funds	—	283,981,619	28,480,271	972,947,676	—	1,285,409,566
Total Fund Investments	152,597,557	338,731,239	28,480,271	972,947,676	—	1,492,756,743
Total Fund Assets	\$ 152,597,557	\$ 338,731,239	\$ 28,480,271	\$ 972,947,676	\$ —	\$ 1,493,551,593
Total Fund Liabilities						(283,955)
Affiliated Entity Investments						(237,774,790)
Total Net Asset Value						\$ 1,255,492,848

LIQUIDITY AND CAPITAL RESERVE POOL FUND

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

LONG TERM RESERVE POOL FUND

	2019				Total
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 1,432,688
Total Receivables	—	—	—	—	1,432,688
Cash Equivalents:					
Money Market Funds	67,436,949	—	—	—	67,436,949
Total Cash Equivalents	67,436,949	—	—	—	67,436,949
Equities:					
U.S. Common Stock	176,170,860	—	—	—	176,170,860
U.S. Preferred Stock	376,551	—	—	—	376,551
Foreign Stock	60,626,225	—	—	—	60,626,225
Total Equities	237,173,636	—	—	—	237,173,636
Fixed Income Securities:					
U.S. Government Obligations	—	17,123,633	—	—	17,123,633
Mortgage Backed Securities	—	28,505,448	—	—	28,505,448
Corporate Bonds	—	43,571,551	—	—	43,571,551
Non-U.S. Bonds	—	8,045,325	—	—	8,045,325
Total Fixed Income Securities	—	97,245,957	—	—	97,245,957
Commingled Funds:					
U.S. Equity Funds	—	80,732,164	—	—	80,732,164
Non-U.S. Equity Funds	—	443,683,561	—	—	443,683,561
U.S. Bond Funds	—	91,511,322	—	—	91,511,322
Non-U.S. Bond Funds	—	41,238,753	—	—	41,238,753
Hedge Funds	—	—	—	718,659,741	718,659,741
Real Asset Funds	—	—	—	194,011,040	194,011,040
Total Commingled Funds	—	657,165,800	—	912,670,781	1,569,836,581
Total Fund Investments	304,610,585	754,411,757	—	912,670,781	1,971,693,123
Total Fund Assets	\$ 304,610,585	\$ 754,411,757	\$ —	\$ 912,670,781	\$ 1,973,125,811
Total Fund Liabilities					(503,247)
Affiliated Entity Investments					(132,196,336)
Total Net Asset Value					\$ 1,840,426,228

SHORT TERM LIQUIDITY POOL FUND					
	2019				TOTAL
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 3,481,503
Total Receivables	—	—	—	—	3,481,503
Cash Equivalents:					
Money Market Funds	77,781,811	—	—	—	77,781,811
Total Cash Equivalents	77,781,811	—	—	—	77,781,811
Fixed Income Securities:					
U.S. Government Obligations	—	106,695,991	—	—	106,695,991
Mortgage Backed Securities	—	256,770,944	—	—	256,770,944
Collateralized Mortgage Obligations	—	18,530,989	—	—	18,530,989
Corporate Bonds	—	149,581,841	—	—	149,581,841
Non-U.S. Bonds	—	66,304,810	—	—	66,304,810
Total Fixed Income Securities	—	597,884,575	—	—	597,884,575
Commingled Funds:					
U.S. Bond Funds	—	185,315,252	—	—	185,315,252
Total Commingled Funds	—	185,315,252	—	—	185,315,252
Total Fund Investments	77,781,811	783,199,827	—	—	860,981,638
Total Fund Assets	\$ 77,781,811	\$ 783,199,827	\$ —	\$ —	\$ 864,463,141
Total Fund Liabilities					(286,331)
Affiliated Entity Investments					(100,903,160)
Total Net Asset Value					\$ 763,273,650

Additional information on fair values, unfunded commitments, remaining life, and redemption for investments measured at the NAV for the System Pools at September 30, 2020 and 2019 is as follows:

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

POOLED ENDOWMENT FUND					
2019					
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 476,844,586	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	183,800,862	151,340,710	1-10 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	147,852,025	—	No limit	Monthly and Quarterly	None
Real assets - private real estate, natural resources, and infrastructure	164,450,203	99,981,416	1-15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$ 972,947,676</u>	<u>\$ 251,322,126</u>			

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

LONG TERM RESERVE POOL FUND					
2019					
	Fair Value	Unfunded Commitments	Remaining Life	Redemption Notice Period	Redemption Restrictions
Hedge funds - absolute return, credit, long/short equities	\$ 718,659,741	\$ —	No limit	Monthly, Quarterly, and Annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	194,011,040	—	No limit	Monthly and Quarterly	None
	<u>\$ 912,670,781</u>	<u>\$ —</u>			

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation, and/or adverse political developments. Certain fixed income securities, primarily

obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have significant credit risk.

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the PEF and LCRP, and the credit quality of underlying fund investments is monitored on an ongoing basis. Fixed income investments within the PEF and LCRP include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds. In addition, approximately \$202.6 million and \$39.4 million in the PEF and LTRP (2019)/LCRP (2020), collectively, at September 30, 2020 and 2019, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$509.2 million and \$299.5 million in the PEF and LTRP (2019)/LCRP (2020), collectively, at September 30, 2020 and 2019, respectively.

The STLP fixed income investments included corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds. For September 30, 2019, approximately \$173.2 million was invested by the STLP in unrated fixed income securities, excluding commingled bond funds, and money market

funds. Fixed income commingled funds totaled approximately \$263.1 million at September 30, 2019.

The credit risk for fixed and variable income securities, for the System Pools, at September 30, 2020 and 2019 is as follows:

	POOLED ENDOWMENT FUND		LCRP FUND		LRTP FUND		STLP FUND	
	2020	2019	2020	2019	2019	2019	2019	
Fixed or Variable Income Securities								
U.S. Government Obligations	\$ 6,061,927	\$ 9,526,821	\$ 74,438,886	\$ 17,123,633	\$ 106,695,991			
Other U.S. Denominated:								
AAA	1,759,641	1,445,545	68,457,473	2,399,062	82,360,918			
AA	2,522,307	4,937,086	36,093,014	8,500,014	49,502,664			
A	6,820,070	8,922,674	113,181,471	16,639,285	87,465,527			
BBB	9,988,712	10,537,413	110,647,518	19,983,283	91,050,594			
BB	4,393,666	4,105,601	11,683,200	6,954,906	6,106,262			
B	—	595,375	150,423	963,425	1,140,474			
C and < C	—	—	46,695	—	343,702			
Unrated	11,051,069	14,679,105	191,594,402	24,682,349	173,218,443			
Commingled Funds:								
U.S. Bond Funds: Unrated	38,073,557	53,608,300	306,086,677	91,511,322	185,315,252			
Non-U.S. Bond Funds: Unrated	—	—	—	41,238,753	—			
Money Market Funds: Unrated	42,770,410	45,659,810	122,282,756	67,436,949	77,781,811			
TOTAL	\$ 123,441,359	\$ 154,017,730	\$ 1,034,662,515	\$ 297,432,981	\$ 860,981,638			

In accordance with the Board policy disclosed previously, credit risk for UAB's fixed and variable income securities held outside of the System Pools is managed by diversifying across issuers and limiting the amount of portfolio assets that are invested in non- investment grade securities.

The credit risk for fixed and variable income securities of UAB's separately held investments at September 30, 2020 and 2019 is as follows:

	2020	2019
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ —	\$ —
Other U.S. and Non U.S. Denominated:		
AAA	139,341,911	136,048,332
AA	—	—
A	—	—
BBB	—	—
BB	—	—
B	—	—
CCC	—	—
CC	—	—
Unrated	—	—
Commingled Funds:		
U.S. Bond Funds: Unrated	—	—
Non-U.S. Bond Funds: Unrated	—	—
Money Market Funds: Unrated	—	—
Commercial Paper: Unrated	100,000	100,000
TOTAL	\$ 139,441,911	\$ 136,148,332

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the corporate failure of the custodian, the investment securities may not be returned.

Investment securities in the System Pools and UAB's separately held investments are registered in the Board's name by the custodial bank as an agent for the System. Other types of investments (e.g. open-ended mutual funds, money market funds) represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

As previously mentioned, credit risk in each investment pool and UAB's separately held portfolio is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in non-investment grade securities.

As of September 30, 2020 and 2019, there was no investment in a single issuer that represents 5% or more of total investments held by any single investment manager of the System Pools or UAB's separately held investment portfolio except for investments issued by the U.S. government and money market fund investments.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

The Board does not have a specific policy relative to interest rate risk. As such, there are no restrictions on weighted average maturity for each investment pool as they are managed relative to the investment objectives and liquidity demands of the investors.

The effective durations in years for fixed or variable income securities, for the System Pools at September 30, 2020 and 2019 are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	LRTP FUND	STLP FUND
	2020	2019	2020	2019	2019
U.S. Government Obligations	11.9	9.2	3.4	9.2	2.1
Corporate Bonds	7.3	6.3	3.0	6.3	1.8
Non-US Bonds	7.3	6.3	3.0	6.3	1.8
Commingled Bond Funds	3.3	3.6	2.9	2.0	2.7

Investments may also include mortgage pass through securities and collateralized mortgage obligations that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features.

At September 30, 2020 and 2019, the fair market values of these investments in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	LRTP FUND	STLP FUND
	2020	2019	2020	2019	2019
Mortgage Backed Securities	\$ 13,435,270	\$ 16,998,880	\$ 253,871,960	\$ 28,505,448	\$ 256,770,944
Collateralized Mortgage Obligations	—	—	22,981,714	—	18,530,989
TOTAL FIXED	\$ 13,435,270	\$ 16,998,880	\$ 276,853,674	\$ 28,505,448	\$ 275,301,933

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

obligees of the underlying asset reduce the total expected rate of return.

Collateralized Mortgage Obligations. Collateralized mortgage obligations ("CMOs") generate a return based upon either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes the fair

value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

At September 30, 2020 and 2019, the effective durations for these securities held in the System Pools are as follows:

	POOLED ENDOWMENT FUND		LCRP FUND	L RTP FUND	STLP FUND
	2020	2019	2019	2019	2019
Mortgage Backed Securities	2.9	3.6	2.0	3.7	1.5
Collateralized Mortgage	—	—	2.6	—	1.7

There are no mortgage backed securities or CMOs in UAB's separately held investments at September 30, 2020 and 2019.

Foreign Currency Risk

The strategic asset allocation policy for the PEF, the LCRP, and UAB's separately held investments includes an allocation to non-United States equity and fixed income securities. Currency hedging of foreign bonds and stocks is allowed under System policy. As of September 30, 2020 and 2019, all foreign investments in the System Pools and UAB's separately held investments are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for foreign stock and non-U.S. bond funds denominated in U.S. dollars and held by each of the three pools as disclosed in previous tables.

Securities Lending

The System permits security lending as a mechanism to augment income. Loans of the securities are required to be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral. At September 30, 2020 and 2019, there were no securities on loan from the investment pools.

Joint Ventures

UAB accounts for its ownership of the PLTF as a joint venture, using the equity method in the amount of approximately \$59.9 million and \$60.3 million at September 30, 2020 and 2019, respectively. See Note 8 for further discussion of the PLTF.

(5) Receivables

Account receivable:

Accounts receivable consist of patient receivables, tuition charged to students and amounts due from federal, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to UAB's contracts and grants.

The composition of accounts receivable at September 30, 2020 and 2019 is summarized as follows:

	2020	2019
Patient care	\$ 473,302,106	\$ 397,838,014
Receivables from sponsoring agencies	89,713,630	84,934,092
Student accounts	56,979,455	64,237,628
Other	123,950,135	95,222,427
Total accounts receivable	\$ 743,945,326	\$ 642,232,161
Less: Allowances for doubtful accounts from patient care	172,792,838	153,011,998
Less: Allowances for doubtful accounts from student accounts	2,819,990	4,427,039
Less: Allowances for doubtful accounts, other	2,951,480	3,065,139
ACCOUNTS RECEIVABLE, NET	\$ 565,381,018	\$ 481,727,985

Loans receivable:

Loans receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs. The principal repayment and interest rate terms of federal and university loans vary considerably. The allowance for doubtful accounts only applies to University-funded notes and the University portion of federal student loans, since the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to UAB under the Perkins and various health professions loan programs.

The composition of loans receivable at September 30, 2020 and 2019 is summarized in the table as follows:

	2020	2019
Federal loan program	12,307,521	13,928,150
University loan funds	2,306,822	2,348,143
Other	139,751	317,153
Total loans receivable	\$ 14,754,094	\$ 16,593,446
Less allowance for doubtful accounts	4,412,373	3,339,984
Total loans receivable, net	\$ 10,341,721	\$ 13,253,462
Less: current portion	1,994,471	2,272,848
TOTAL LOANS RECEIVABLE OUTSTANDING, NONCURRENT	\$ 8,347,250	\$ 10,980,614

Pledges receivable:

Pledges receivable represent unconditional promises to give from third party donors. Pledges for permanent endowments do not meet eligibility requirements, as defined by GASB Statement No. 33, until the related gift is received. Due to uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

The composition of pledges receivable at September 30, 2020 and 2019 is summarized in the following table.

	2020	2019
Operations	29,874,012	52,842,041
Capital	10,266,972	11,004,675
Total gift pledges	\$ 40,140,984	\$ 63,846,716
Less: current portion	10,732,083	18,436,977
TOTAL GIFT PLEDGES, NONCURRENT	\$ 29,408,901	\$ 45,409,739

(6) Capital Assets

Capital assets as of September 30, 2020 and 2019 are summarized as follows:

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

	BEGINNING BALANCE	ADDITIONS	SALES/ RETIREMENTS/ TRANSFERS	ENDING BALANCE
	October 1, 2018			September 30, 2019
UNIVERSITY AND BLENDED COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 85,662,783	\$ 404,187	\$ —	\$ 86,066,970
Construction in progress	59,110,295	42,263,313	(49,061,333)	52,312,275
	144,773,078	42,667,500	(49,061,333)	138,379,245
Capital assets being depreciated				
Land Improvements	42,895,811	9,836,818	—	52,732,629
Buildings	1,602,407,782	108,657,687	(16,825,041)	1,694,240,428
Fixed Equipment Systems	88,052,934	546,789	—	88,599,723
Equipment	373,701,621	20,366,246	(9,764,929)	384,302,938
Library Materials	119,960,486	6,416,946	—	126,377,432
	2,227,018,634	145,824,486	(26,589,970)	2,346,253,150
Total Capital Assets	2,371,791,712	188,491,986	(75,651,303)	2,484,632,395
Less: Accumulated Depreciation	1,303,919,327	76,202,181	(23,938,072)	1,356,183,436
Total Net Capital Assets	\$ 1,067,872,385	\$ 112,289,805	\$ (51,713,231)	\$ 1,128,448,959
HOSPITAL				
Capital assets not being depreciated				
Land	\$ 20,813,545	\$ —	\$ —	\$ 20,813,545
Construction in progress	15,341,646	16,866,103	(12,357,791)	19,849,958
	36,155,191	16,866,103	(12,357,791)	40,663,503
Capital assets being depreciated				
Land Improvements	656,874	—	—	656,874
Buildings	929,151,630	24,598,102	—	953,749,732
Fixed Equipment Systems	10,217,842	—	—	10,217,842
Equipment	482,842,594	58,468,886	(12,082,244)	529,229,236
	1,422,868,940	83,066,988	(12,082,244)	1,493,853,684
Total Capital Assets	1,459,024,131	99,933,091	(24,440,035)	1,534,517,187
Less: Accumulated Depreciation	879,335,745	72,137,318	(11,534,075)	939,938,988
Total Net Capital Assets	\$ 579,688,386	\$ 27,795,773	\$ (12,905,960)	\$ 594,578,199
TOTAL UAB				
Capital assets not being depreciated				
Land	\$ 106,476,328	\$ 404,187	\$ —	\$ 106,880,515
Construction in progress	74,451,941	59,129,416	(61,419,124)	72,162,233
	180,928,269	59,533,603	(61,419,124)	179,042,748
Capital assets being depreciated				
Land Improvements	43,552,685	9,836,818	—	53,389,503
Buildings	2,531,559,412	133,255,789	(16,825,041)	2,647,990,160
Fixed Equipment Systems	98,270,776	546,789	—	98,817,565
Equipment	856,544,215	78,835,132	(21,847,173)	913,532,174
Library Materials	119,960,486	6,416,946	—	126,377,432
	3,649,887,574	228,891,474	(38,672,214)	3,840,106,834
Total Capital Assets	3,830,815,843	288,425,077	(100,091,338)	4,019,149,582
Less: Accumulated Depreciation	2,183,255,072	148,339,499	(35,472,147)	2,296,122,424
TOTAL NET CAPITAL ASSETS	\$ 1,647,560,771	\$ 140,085,578	\$ (64,619,191)	\$ 1,723,027,158

(7) Long-Term Debt

During fiscal year 2020, Standard & Poor's Ratings Services reaffirmed its AA rating on UAB's general revenue bonds. The outlook is stable. Long-term debt activity for the years ended September 30, 2020 and 2019 is summarized as follows:

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE	CURRENT PORTION
	October 1, 2019			September 30, 2020	
UNIVERSITY					
Direct Borrowings and Direct Placement Other					
Leases Payable, 3.19% due annually through 2020 and 4.47% due monthly through 2021	\$ 345,339	\$ 109,947	\$ 160,953	\$ 294,333	\$ 97,295
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2005A, 3.0% to 5.0% due annually through 2021	6,620,000	—	3,230,000	3,390,000	3,390,000
Birmingham General Revenue Bonds Series 2010A, 2.0% to 5.0% due annually through 2025	44,715,000	—	34,635,000	10,080,000	1,895,000
Birmingham General Revenue Bonds Series 2010B, 1.0% to 5.8% due annually through 2020	45,040,000	—	45,040,000	—	—
Birmingham General Revenue Bonds Series 2010C, 2.0% to 5.0% due annually through 2025	10,645,000	—	3,495,000	7,150,000	1,645,000
Birmingham General Revenue Bonds Series 2013A-1, 1.1% due annually through 2021	6,525,000	—	3,245,000	3,280,000	3,280,000
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2044	72,595,000	—	—	72,595,000	—
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	30,380,000	—	3,135,000	27,245,000	3,205,000
Birmingham General Revenue Bonds Series 2013C, 1.0% to 1.45% due annually through 2020	525,000	—	525,000	—	—
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	11,655,000	—	2,240,000	9,415,000	2,285,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually from 2025 through 2044	78,325,000	—	—	78,325,000	—
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028	24,485,000	—	2,730,000	21,755,000	2,865,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	24,495,000	—	—	24,495,000	3,300,000
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585,000	—	—	95,585,000	—
Birmingham General Revenue Bonds Series 2019A, 4.0% to 5.0% due annually from 2022 through 2030	24,775,000	—	—	24,775,000	—
Birmingham General Revenue Bonds Series 2019B, 3.0% to 5.0% due annually from 2031 through 2049	145,940,000	—	—	145,940,000	—
Birmingham General Revenue Bonds Series 2019C, 3.0% to 5.0% due annually from 2021 through 2041	—	39,820,000	—	39,820,000	1,325,000
Birmingham General Revenue Bonds Series 2019D, 2.15% to 4.0% due annually from 2021 through 2041	—	35,725,000	—	35,725,000	195,000
	\$ 622,650,339	\$ 75,654,947	\$ 98,435,953	\$ 599,869,333	\$ 23,482,295
Less (Plus): unamortized bond discount (premium)				(25,215,240)	—
TOTAL UNIVERSITY DEBT				\$ 625,084,573	\$ 23,482,295
HOSPITAL					
Direct Borrowings and Direct Placement Other					
Lease Payable, 2.0% to 3.75% due monthly through 2020	\$ 4,564,178	\$ —	\$ 1,590,544	\$ 2,973,634	\$ 1,512,694
Note payable UAB Health System, 3.0% to 5.0% due annually through 2048	76,861,182	—	1,106,762	75,754,420	1,149,682
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	11,989,000	—	1,363,000	10,626,000	1,400,000
UAB Medicine Financing Authority Revenue Bonds Series 2016A, 1.2% due annually through 2022	33,620,000	—	11,075,000	22,545,000	11,205,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	—	302,530,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385,000	—	—	18,385,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810,000	—	—	44,810,000	—
	\$ 492,759,360	\$ —	\$ 15,135,306	\$ 477,624,054	\$ 15,267,376
Less (Plus): unamortized bond discount (premium)				(23,227,743)	—
TOTAL HOSPITAL DEBT				\$ 500,851,797	\$ 15,267,376
TOTAL UAB	\$ 1,115,409,699	\$ 75,654,947	\$ 113,571,259	\$ 1,077,493,387	\$ 38,749,671
Less (Plus): unamortized bond discount (premium)				(48,442,983)	—
TOTAL UAB DEBT				\$ 1,125,936,370	\$ 38,749,671

	BEGINNING BALANCE	NEW DEBT	PRINCIPAL REPAYMENT	ENDING BALANCE	CURRENT PORTION
	October 1, 2018			September 30, 2019	
UNIVERSITY					
Direct Borrowings and Direct Placement Other					
Leases Payable, 3.19% due annually through 2019 and 4.47% due monthly through 2020	\$ 434,443	\$ 341,253	\$ 430,357	\$ 345,339	\$ 135,538
General Receipts Bonds					
Birmingham General Revenue Bonds Series 2005A, 3.0% to 5.0% due annually through 2021	9,710,000	—	3,090,000	6,620,000	3,230,000
Birmingham General Revenue Bonds Series 2010A, 2.0% to 5.0% due annually through 2025	46,430,000	—	1,715,000	44,715,000	1,800,000
Birmingham General Revenue Bonds Series 2010B, 1.0% to 5.8% due annually through 2020	46,590,000	—	1,550,000	45,040,000	1,605,000
Birmingham General Revenue Bonds Series 2010C, 2.0% to 5.0% due annually through 2025	12,165,000	—	1,520,000	10,645,000	1,600,000
Birmingham General Revenue Bonds Series 2013A-1, 11.1% due annually through 2021	9,730,000	—	3,205,000	6,525,000	3,245,000
Birmingham General Revenue Bonds Series 2013A-2, 2.25% to 5.0% due annually from 2022 through 2044	72,595,000	—	—	72,595,000	—
Birmingham General Revenue Bonds Series 2013B, 1.99% due annually through 2030	33,465,000	—	3,085,000	30,380,000	3,135,000
Birmingham General Revenue Bonds Series 2013C, 1.0% to 1.45% due annually through 2020	1,030,000	—	505,000	525,000	525,000
Birmingham General Revenue Bonds Series 2013D-1, 1.97% due annually through 2024	13,855,000	—	2,200,000	11,655,000	2,240,000
Birmingham General Revenue Bonds Series 2013D-2, 4.0% to 5.0% due annually from 2025 through 2044	78,325,000	—	—	78,325,000	—
Birmingham General Revenue Bonds Series 2015A, 2.0% to 5.0% due annually through 2028	27,090,000	—	2,605,000	24,485,000	2,730,000
Birmingham General Revenue Bonds Series 2016A, 1.94% due annually from 2021 through 2027	24,495,000	—	—	24,495,000	—
Birmingham General Revenue Bonds Series 2016B, 4.0% to 5.0% due annually from 2028 through 2044	95,585,000	—	—	95,585,000	—
Birmingham General Revenue Bonds Series 2019A, 4.0% to 5.0% due annually from 2022 through 2030	—	24,775,000	—	24,775,000	—
Birmingham General Revenue Bonds Series 2019B, 3.0% to 5.0% due annually from 2031 through 2049	—	145,940,000	—	145,940,000	—
	\$ 471,499,443	\$ 171,056,253	\$ 19,905,357	\$ 622,650,339	\$ 20,245,538
Less (Plus): unamortized bond discount (premium)				(22,534,845)	—
TOTAL UNIVERSITY DEBT				\$ 645,185,184	\$ 20,245,538
HOSPITAL					
Direct Borrowings and Direct Placement Other					
Lease Payable, 2.0% to 3.75% due monthly through 2020	\$ 7,556,927	\$ —	\$ 2,992,749	\$ 4,564,178	\$ 1,590,450
Note payable UAB Health System, 3.0% to 5.0% due annually through 2048	—	77,000,000	138,818	76,861,182	1,106,761
General Receipts Bonds					
Birmingham Hospital Revenue Bonds Series 2012A, 2.57% due annually through 2027	13,316,000	—	1,327,000	11,989,000	1,363,000
UAB Medicine Financing Authority Revenue Bonds Series 2016A, 1.2% due annually through 2022	44,565,000	—	10,945,000	33,620,000	11,075,000
UAB Medicine Financing Authority Revenue Bonds Series 2016B, 3.125% to 5.0% due annually from 2023 through 2041	302,530,000	—	—	302,530,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017A, 2.13% due annually from 2025 through 2027	18,385,000	—	—	18,385,000	—
UAB Medicine Financing Authority Revenue Bonds Series 2017B, 3.0% to 5.0% due annually from 2028 through 2042	44,810,000	—	—	44,810,000	—
	\$ 431,162,927	\$ 77,000,000	\$ 15,403,567	\$ 492,759,360	\$ 15,135,211
Less (Plus): unamortized bond discount (premium)				(24,526,900)	—
TOTAL HOSPITAL DEBT				\$ 517,286,260	\$ 15,135,211
TOTAL UAB	\$ 902,662,370	\$ 248,056,253	\$ 35,308,924	\$ 1,115,409,699	\$ 35,380,749
Less (Plus): unamortized bond discount (premium)				(47,061,745)	—
TOTAL UAB DEBT				\$ 1,162,471,444	\$ 35,380,749

Maturities and interest on Direct Borrowings and Direct Placement Other and General Receipts Bonds for the next five years and in subsequent five-year incremental periods are presented in the table below:

Direct Borrowings and Direct Placement Other

Year	UNIVERSITY			HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 97,295	\$ 20,288	\$ 117,580	\$ 2,662,386	\$ 2,405,186	\$ 5,067,572	\$ 2,759,681	\$ 2,425,474	\$ 5,185,155
2022	101,799	14,226	116,025	2,577,944	2,344,524	4,922,468	2,679,743	2,358,750	5,038,493
2023	71,980	6,421	78,401	1,263,339	2,300,077	3,563,416	1,335,319	2,306,498	3,641,817
2024	23,262	1,430	24,692	1,244,791	2,274,672	3,519,463	1,268,053	2,276,102	3,544,155
2025	—	—	—	1,335,536	2,248,131	3,583,667	1,335,536	2,248,131	3,583,667
2026-2030	—	—	—	11,066,628	10,661,010	21,727,638	11,066,628	10,661,010	21,727,638
2031-2035	—	—	—	12,999,010	9,161,442	22,160,452	12,999,010	9,161,442	22,160,452
2036-2040	—	—	—	15,184,870	6,975,489	22,160,359	15,184,870	6,975,489	22,160,359
2041-2045	—	—	—	17,992,503	4,171,170	22,163,673	17,992,503	4,171,170	22,163,673
2046-2050	—	—	—	12,401,047	897,889	13,298,936	12,401,047	897,889	13,298,936
TOTAL	\$ 294,336	\$ 42,365	\$ 336,698	\$ 78,728,054	\$ 43,439,590	\$ 122,167,644	\$ 79,022,390	\$ 43,481,955	\$ 122,504,345

General Receipts Bonds

Year	UNIVERSITY			HOSPITAL			TOTAL		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 23,385,000	\$ 21,963,314	\$ 45,348,314	\$ 12,605,000	\$ 15,967,753	\$ 28,572,753	\$ 35,990,000	\$ 37,931,067	\$ 73,921,067
2022	21,690,000	21,259,481	42,949,481	12,777,000	15,796,814	28,573,814	34,467,000	37,056,295	71,523,295
2023	22,575,000	20,504,443	43,079,443	10,276,000	15,623,290	25,899,290	32,851,000	36,127,733	68,978,733
2024	22,460,000	19,750,277	42,210,277	10,711,000	15,145,280	25,856,280	33,171,000	34,895,557	68,066,557
2025	23,565,000	19,013,850	42,578,850	11,347,000	14,636,515	25,983,515	34,912,000	33,650,365	68,562,365
2026-2030	114,070,000	83,006,144	197,076,144	75,685,000	66,911,555	142,596,555	189,755,000	149,917,699	339,672,699
2031-2035	108,745,000	61,129,303	169,874,303	98,050,000	48,058,277	146,108,277	206,795,000	109,187,580	315,982,580
2036-2040	114,235,000	38,394,440	152,629,440	124,815,000	24,722,000	149,537,000	239,050,000	63,116,440	302,166,440
2041-2045	102,435,000	16,690,446	119,125,446	42,630,000	2,259,038	44,889,038	145,065,000	18,949,484	164,014,484
2046-2050	46,415,000	2,996,719	49,411,719	—	—	—	46,415,000	2,996,719	49,411,719
TOTAL	\$ 599,575,000	\$ 304,708,417	\$ 904,283,417	\$ 398,896,000	\$ 219,120,522	\$ 618,016,522	\$ 998,471,000	\$ 523,828,939	\$ 1,522,299,939

Pledged revenues for 2020 and 2019, as defined by the Series 2012A Hospital Revenue Trust Indenture, are as follows:

HOSPITAL BONDS	2020	2019
Total pledged revenues	\$ 2,147,652,347	\$ 2,046,900,133

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

UNIVERSITY BONDS	2020	2019
Tuition fees	\$ 330,385,766	\$ 320,141,055
Indirect cost recovery	100,590,292	99,408,108
Sales and service of educational activities	59,351,275	67,616,490
Auxiliary sales and service	40,269,522	46,959,821
Endowment and investment income	36,426,430	47,116,443
Other sources	46,928,047	69,676,133
TOTAL PLEDGED REVENUES	\$ 613,951,332	\$ 650,918,050

The University defeased certain indebtedness during fiscal year 2020 with the 2019 Series C and D bond issuance. For this defeasance, funds were deposited in escrow trust accounts sufficient to provide for the subsequent payment of principal and interest on the defeased indebtedness. Under the trust agreements, funds deposited in the trust accounts were invested in

obligations of the U.S. Government. The University estimates that the amounts on deposit will be sufficient to satisfy the debt service requirements on the defeased indebtedness and that the defeasance will result in lower overall debt service payments to the University. Should the amounts on deposit not be sufficient to retire the defeased indebtedness upon maturity, the University

would be responsible to satisfy the shortfall. The University remains legally obligated for the repayment of the defeased indebtedness. Neither the assets of the trust accounts nor the defeased indebtedness are included in the accompanying statements of net position. The principal outstanding on the 2019 defeased indebtedness at September 30, 2020 is approximately \$75.5 million.

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

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

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

In June 2019, The UAB Medicine Finance Authority issued \$8.1 million in Series 2019A Revenue Bonds and \$103.4 million in Series 2019B Revenue Bonds, the proceeds of which were loaned to UAB Health System pursuant to Series 2019A and Series 2019B loan agreements. Concurrently, the Hospital entered into a loan agreement with UAB Health System to borrow \$77.0 million of the 2019A and 2019B bond proceeds for the purpose of financing capital improvement projects. Of this \$77.0 million, \$11 million was distributed to the Hospital as of September 30, 2020. As the Hospital is legally obligated to repay \$77.0 million and is currently paying principal and interest on this full amount, The Hospital has

reflected the full \$77.0 million on its statement of net position as long-term debt and \$34.5 million as Due from UAB Health System which is classified as Due from affiliate on the statement of net position. the Hospital pays interest to UAB Health System on the entire amount borrowed, regardless of the amount outstanding. There are no financial covenants related to the loan between the Hospital and UAB Health System.

The UAB general revenue bonds and the Hospital Revenue Trust Indentures are subject to certain covenants with the most restrictive being those on the Hospital's 2012A series issuance. These covenants, among other things, require the Hospital to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. UAB and the Hospital are in compliance with all financial covenants as of September 30, 2020.

The UAB Medicine Financing Authority's Revenue Trust Indentures are also subject to certain covenants. These covenants require the obligated group to ensure pledged revenues are sufficient for debt service coverage by a ratio of 1.1 times. The obligated group is in compliance with all financial covenants as of September 30, 2020

(8) Self-Insurance

UAB manages risks related to medical malpractice, general liability, and employee health care through a combination of self-insurance, risk pooling arrangements, and commercial insurance coverage.

UAB's medical malpractice liability is managed by PLTF, a professional liability trust fund. PLTF functions as a risk-sharing vehicle for UAB and more than ten nongovernmental organizations. PLTF covers liabilities of the covered parties, including UAB, arising from reported claims, claims that are incurred but not reported, and future costs of handling these claims. The liabilities are generally based on present value actuarial valuations discounted using interest rates from 2% to 5%. The discount rate used in both 2020 and 2019 was 2%. The associated risks of claims are subject to aggregate limits, with excess liability coverage provided by independent insurers to protect participants against losses should a claim arise that exceeds PLTF coverage limits. Although UAB is the sponsor of PLTF, it is not the predominant participant in the fund.

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

services are provided to the PLTF by the University of Alabama System.

The PLTF agreement requires 10% of all PLTF assets to be held in liquid assets. At September 30, 2020 and 2019, the liquid assets of the PLTF, as defined by the agreement, were in compliance with the agreement.

As discussed in Note 4, UAB accounts for its ownership of the PLTF under the equity method of accounting and it is not included in the table below.

General liability is subject to various claims and aggregate limits, with excess liability coverage provided by an independent insurer. General liability and employee health care claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The liabilities are based on actuarial valuations and are reported at present value. The discount rate used for the general liability was 2% in both 2020 and 2019.

Changes in the total self-insured liabilities for the years ended September 30, 2020 and 2019 are presented as follows for UAB:

SELF INSURED LIABILITIES	2020	2019
Balance, beginning of year	\$ 7,669,735	\$ 10,412,292
Claims incurred and changes in estimates	\$ 62,939,205	\$ 64,012,041
Claim payments	\$ (62,843,179)	\$ (66,754,598)
BALANCE, END OF YEAR	\$ 7,765,761	\$ 7,669,735

(9) Employee Benefits

Eligible employees of the University and Hospital participate in the mandatory Teachers' Retirement System of Alabama ("TRS"), a cost sharing, multiple-employer public retirement system designated as a defined benefit plan. In addition, eligible employees may elect to participate in a voluntary 403(b) defined contribution retirement plan. Prior to fiscal year 2020, the plan offered to eligible employees a choice between two recordkeepers, Teachers Insurance and Annuity Association ("TIAA") and the Variable Annuity Life Insurance Company ("VALIC"). Effective in fiscal year 2020, the System, in conjunction with its participating universities and with the Board's approval, transitioned to a single recordkeeper with TIAA serving as sole-vendor for the plan.

Defined Benefit Plan - TRS

Plan Description. The Teachers' 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 members. 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. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or Employees' Retirement System (ERS) agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or ERS agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under 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. Pre-retirement 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 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

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

firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

UAB's contractually required contribution rate for the year ended September 30, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% of annual pay for Tier 2 members. UAB's contribution rate for the year ended September 30, 2019 was 12.41% of annual pay for Tier 1 members and 11.35% of annual pay for Tier 2 members.

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

The total contribution requirement for fiscal years 2020, 2019 and 2018 is as follows:

	2020	2019	2018
Employer Contributions	\$ 98,485,000	\$ 97,824,000	\$ 94,481,000
Employee Contributions	57,688,000	57,345,000	56,754,000
TOTAL CONTRIBUTIONS	\$ 156,173,000	\$ 155,169,000	\$ 151,235,000

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2020 and September 30, 2019, the financial statements of UAB reflected a liability of \$1.25 billion and \$1.17 billion, respectively, for its proportionate share of the collective net pension liability, as prescribed by GASB 68. At September 30, 2020, the collective net pension liability was measured as of September 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. At September 30, 2019, the collective net pension liability was measured as of September 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017.

UAB's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. As of September 30, 2019, UAB's proportion was 11.26%, which was a decrease of 0.49% from its proportion measured as of September 30, 2018. At September 30, 2018, UAB's proportion was 11.75%, which was a decrease of 0.06% from its proportion measured as of September 30, 2017.

For the years ended September 30, 2020 and September 30, 2019, UAB recognized pension expense of \$112.2 million and \$76.3 million, respectively. At September 30, 2020 and 2019, UAB reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,212,000	\$ 35,589,000
Changes of assumptions	64,940,000	—
Net difference between projected and actual earnings on pension plan investments	—	88,187,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	—	18,915,000
Employer contributions subsequent to the measurement date	94,900,000	—
TOTAL	\$ 185,052,000	\$ 142,691,000

\$98.5 million reported as deferred outflows of resources related to pensions resulting from UAB contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Years ending September 30:		
2021	\$	(11,459)
2022		(7,904)
2023		13,669
2024		17,152
2025		(1,506)
Thereafter		—

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expenses

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective the beginning of fiscal year 2016.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are

developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of
Fixed Income	17.00 %	4.40 %
U.S. Large Stocks	32.00 %	8.00 %
U.S. Mid Stocks	9.00 %	10.00 %
U.S. Small Stocks	4.00 %	11.00 %
International Developed Market Stocks	12.00 %	9.50 %
International Emerging Market Stocks	3.00 %	11.00 %
Alternatives	10.00 %	10.10 %
Real Estate	10.00 %	7.50 %
Cash	3.00 %	1.50 %
TOTAL	100.00 %	

*Includes assumed rate of inflation of 2.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of UAB's proportionate share of the net pension liability to changes in the discount rate. The following table reflects UAB's proportionate share of the net pension liability, as prescribed by GASB 68, calculated using the discount rate of 7.70%, as well as what UAB's proportionate share of the net pension liability would be if it were calculated using a discount rate

that is 1-percentage point lower (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease	Current Rate	1% Increase
UAB's proportionate share of collective net pension liability	\$1,690,274,000	\$1,245,083,000	\$ 868,348,000

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditor’s report dated August 18, 2020, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2019, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Other Retirement Plans

As previously noted, certain employees also participate in a voluntary 403(b) plan, which is a defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All full-time regular monthly employees are eligible to participate from the date of employment. UAB contributes a matching amount of up to 5% of total salaries for participating employees. UAB’s contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contributions for fiscal years 2020 and 2019, excluding employee amounts not eligible for matching, were approximately \$64.1 million and \$60.1 million, which included approximately \$32.0 million and \$30.1 million each from UAB and its employees, respectively.

The LLC sponsors a voluntary 403(b) retirement plan for eligible employees. The 403(b) plan is a voluntary, defined-contribution, tax-deferred as well as Roth after tax plan governed by Internal Revenue Code 403(b). TIAA is the administrator for the voluntary retirement program. Employees are vested after 3 years of employment. Eligibility for matching is for all full-time and part-time regular, twelve-hour shift, and weekend staff employees.

In fiscal year 2020, employer matching contributions in the voluntary 403(b) Plan (inclusive of The University of Alabama, The University of Alabama at Birmingham, The University of Alabama in Huntsville, and the UA System Office), and the UAB Hospital Management, LLC 403(b) Plan were temporarily suspended for the period of May 2020 through September 2020. The suspension was due to uncertainty concerning the potential financial impacts of the COVID-19 Pandemic and was a joint management decision by Senior Administration of the UA System and each University

The University, the Hospital, LLC and UABRF total salaries and wages for fiscal years 2020 and 2019 were approximately \$1.33 billion and \$1.25 billion, respectively. Total salaries and wages during fiscal years 2020 and 2019 for covered employees participating in TRS were approximately \$816.8 million and \$806.4 million, respectively. Total salaries and wages during fiscal years 2020 and 2019 for covered employees participating in the 403(b) Plan were approximately \$710.1 million and \$649.0 million, respectively.

Triton sponsors a 401(k) plan covering substantially all employees who have completed at least six months of service. Information regarding this benefit is presented in Triton’s annual report.

Compensated Absences

Certain UAB employees accumulate vacation and sick leave at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid unused accrued vacation at their regular rate of pay up to a designated maximum number of days.

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the financial statements include accruals of approximately \$78 million and \$71 million as of September 30, 2020 and 2019, respectively, for accrued vacation pay and salary-related payments associated with vacation pay. There is no such accrual recognized for sick leave benefits because there is no terminal cash benefit available to employees for accumulated sick leave.

(10) Post-Employment Benefits

UAB offers other postemployment health care benefits (OPEB) to all employees who officially retire from UAB. Health care benefits are offered through the Alabama Retired Education Employees Health Care Trust Plan (PEEHIP) with TRS or certain retired employees may elect to continue to participate in UAB’s group health plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB’s health care plan becomes the secondary insurer. Despite the availability of the UAB plan, most retirees elect to participate in the PEEHIP with TRS, in which case the retirees pay a portion of the PEEHIP premium, with UAB paying an allocation towards the cost of retiree coverage.

Certain retirees may also elect to continue their basic term life insurance coverage and accidental death and dismemberment insurance up to certain maximum

amounts. The retirees pay the full amount of the premiums in such cases. Retirees are not eligible for tuition assistance benefits themselves. However, their unmarried dependent children may qualify in some cases.

PEEHIP

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

The PEEHIP was established in 1983 pursuant to the provisions of the Code of Alabama 1975, Title 16, Chapter 25A (Act 83-455) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees, and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The Code of Alabama 1975, Section 16-25A-4 provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

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

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an

extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

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

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

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

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

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

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health

insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2020 and 2019, the financial statements of UAB reflected a liability of \$265.2 million and \$659.9 million, respectively for its proportionate share of collective net OPEB liability, as prescribed by GASB 75. The collective net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. UAB's proportion of collective net OPEB liability was based on a projection of UAB's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, UAB's proportion was 7.03%, which was a decrease of 1% from its proportion measured as of September 30, 2018. At September 30, 2018, the UAB's proportion was 8.03%, which was a decrease of 0.64% from its proportion measured as of September 30, 2017.

For the years ended September 30, 2020 and 2019, UAB recognized an OPEB benefit of \$24.5 million and an OPEB expense of \$52.9 million, respectively with no special funding situations. At September 30, 2020 and 2019, UAB reported deferred outflows of resources and deferred inflows of resources related to the PEEHIP plan from the following sources:

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

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,424,148	\$ —
Changes of assumptions	—	32,143,869
Net difference between projected and actual earnings on OPEB plan investments	—	3,535,812
Changes in proportion and differences between Employer contributions and proportionate share of contributions	82,105,791	44,278,802
Employer contributions subsequent to the measurement date	19,976,210	—
TOTAL	\$ 114,506,149	\$ 79,958,483

\$20.8 million reported as deferred outflows of resources related to OPEB resulting from UAB's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending September 30:		
2021	\$	(62,550,706)
2022		(62,550,706)
2023		(61,855,834)
2024		(68,568,036)
2025		(68,559,430)
Thereafter		(11,544,936)

Actuarial assumptions. The total OPEB liability for the PEEHIP was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increase ¹	3.25%-5.00%
Long-Term Investment Rate of Return ²	7.25%
Municipal Bond Index Rate at the Measurement	3.00%
Municipal Bond Index Rate at the Prior	4.18%
Projected Year for Fiduciary Net Position (FNP) to be	2055
Single Equivalent Interest Rate the Measurement	5.50%
Single Equivalent Interest Rate the Prior	4.44%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

¹Includes 3.00% wage inflation.

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

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2018 valuation, however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

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

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

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

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

* Geometric mean, includes 2.5% inflation

Discount Rate. The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the PEEHIP total OPEB liability at September 30, 2019 was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The

projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

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

	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's proportionate share of the collective net OPEB liability	\$ 212,627,147	\$ 265,180,609	\$ 331,369,313

The following table reflects UAB's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
UAB's proportionate share of the collective net OPEB liability	\$ 320,532,232	\$ 265,180,609	\$ 219,976,594

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, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa-al.gov.

UAB Plan

Plan description. The UAB plan is considered a single-employer plan which is administered by University of Alabama at Birmingham (UAB). The UAB Plan offers its members hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit. The health care benefits cover medical and hospitalization costs for retirees and their dependents. The portion of the UAB plan related to health care may be amended by the approval of the President of UAB upon recommendation from the Benefits Committee. The portion of the UAB plan related to the life insurance may be amended by the System.

Benefits provided. UAB employees can participate in the UAB plan as a retiree if the following condition are met; retiree has 25 years of creditable service, regardless of age (Tier I only), or retiree has 10 years of service and is 60 years old (62 years old for Tier II), or retiree has 10 years of service and is determined disabled the Social Security Administration or the Teachers' Retirement System of Alabama's Medical Board. These retired UAB employees may elect to continue to participate in UAB plan until they are eligible for Medicare by paying the full cost of the plan premium. Retired employees age 65 or older who are eligible for Medicare must enroll in the Medicare Coordinated Plan under which Medicare is the primary insurer and UAB plan becomes the secondary insurer. Despite the availability of the UAB plan, most retirees elect to participate in the PEEHIP with TRS. The UAB Plan consists of hospital benefits, major medical benefits, a prescription drug program and a basic term life insurance up to an established maximum policy limit.

Employees included in the actuarial valuation include active employees, retirees and disabled employees enrolled in the medical plan and retirees not enrolled in the medical plan with retiree life insurance. The following table summarizes the membership of the UAB Plan as of September 30, 2019, the Valuation Date.

Membership:	2020
Inactive Employees or Beneficiaries Currently Receiving Benefits	238
Inactive Members Entitled To But Not Yet Receiving Benefits	—
Active Employees	10,824
TOTAL MEMBERSHIP	11,062

Contributions. UAB retired employees make contributions to the plan by making premium payments associated with their selected health plan option. Eligible disabled retirees are responsible for only the employee portion of those premiums and UAB is responsible for the employer portion. All other UAB retirees are responsible for the full premium cost of the plan and in no case does the employer contribute to the plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2020 and 2019, UAB

reported a liability of \$6.3 million and \$17.7 million, respectively for the total OPEB liability (TOL). The TOL is based upon an actuarial valuation as of the valuation date, September 30, 2019. An expected TOL is determined as of September 30, 2018, the prior measurement date, using standard roll back techniques. The roll back calculation begins with the TOL, as of the Measurement Date, September 30, 2018, adds the expected benefit payments for the year, deducts interest at the Discount Rate for the year, and then subtracts the annual Normal Cost (also called the Service Cost).

For the years ended September 30, 2020 and 2019, UAB recognized an OPEB benefit of \$644,580 and an OPEB expense of \$576,312, respectively with no special funding situations. At September 30, 2020 and 2019, UAB reported deferred outflows of resources and deferred inflows of resources related to the UAB plan from the following sources:

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

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 698,451
Changes of assumptions	—	1,426,060
Employer contributions subsequent to the measurement period	1,877,839	—
TOTAL	\$ 1,877,839	\$ 2,124,511

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

Year ended September 30:		
2021	\$	(1,523,177)
2022		(1,523,177)
2023		(1,523,177)
2024		(1,523,177)
2025		(1,523,177)
Thereafter		(3,821,526)

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

Inflation	2.75 %
Real Wage Growth	0.25 %
Projected Salary Increases ¹	3.25% - 5.00%
Wage inflation.	3.00 %
Municipal Bond Index Rate at the Measurement Date	2.66 %
Municipal Bond Index Rate at the Prior Measurement Date	4.18 %
Healthcare Cost Trend Rate	
Pre-Medicare Medical and Prescription Drug (decreasing to an ultimate rate of 4.75% by 2026)	6.75 %

¹Includes 3.00% wage inflation.

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

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, and are reasonable expectations of anticipated experience under the Plan.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2019 valuation were based on a review of recent plan experience performed concurrently with the September 30, 2019 valuation.

The UAB plan does not hold any plan assets, as such, there are no long-term expected rate of return or target allocation presented.

Discount Rate. The discount rate, as defined by Paragraph 155 of GASB 75 is to be a 20-year tax- exempt municipal bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate). The Municipal Bond Index Rate used for this purpose is the September average of the Bond

Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer (www.bondbuyer.com) and was 2.66% as of the measurement date. On the prior measurement date, the Municipal Bond Index Rate was 4.18%.

Sensitivity of the UAB Plan's net OPEB liability to changes in the healthcare cost trend rates. The following table presents the total OPEB Liability of the UAB Plan, calculated using the current healthcare trend rate, as well as what the total OPEB Liability would be if calculated using one percentage point lower or one percentage point higher than the current rate. A one percent point decrease would change the current healthcare trend rate from 6.75% to 5.75% and pre-Medicare from 4.75% to 3.75%. A one percent point increase would change the current healthcare trend rate from 6.75% to 7.75% and the pre-Medicare from 4.75% to 5.75%.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
UAB's total OPEB liability	\$ 6,110,885	\$ 6,251,332	\$ 6,399,963

The following table presents the total OPEB Liability of the UAB Plan, calculated using the discount rate of 2.66%, as well as what the total OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (1.66%)	Current (2.66%)	1% Increase (3.66%)
UAB's total OPEB liability	\$ 6,509,759	\$ 6,251,332	\$ 6,010,698

Changes in the Total OPEB Liability. Since the UAB Plan does not meet the definition within paragraph 4 of GASB Statement No 75, UAB is disclosing a schedule of changes in the total OPEB liability below:

	2020
Total OPEB Liability as of September 30, 2019	\$ 17,698,575
Changes for the year:	
Service cost	169,614
Interest on TOL and cash flows	708,983
Changes in benefit terms	—
Difference between expected and actual	(6,173,296)
Changes of assumptions or other inputs	(4,662,781)
Benefit payments	(1,489,763)
Net changes	\$ (11,447,243)
Total OPEB Liability as of September 30, 2020	\$ 6,251,332

*The service cost includes interest for the year.

(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. UAB began participation in the FDSLP on July 1, 1994. As a university qualified to originate loans, UAB is responsible for handling the complete loan process, including funds management, as well as promissory note functions. UAB is not responsible for collection of these loans. During the years ended September 30, 2020 and 2019, UAB disbursed approximately \$166.6 million and \$167.1 million, respectively, under the FDSLP.

(12)

Grants and Contracts

At September 30, 2020 and 2019, UAB had been awarded approximately \$703.1 million and \$546.3 million, respectively, in grants and contracts which have not been expended. These awards, which represent commitments of sponsors to provide funds for specific research, training, and service projects, have not been reflected in the financial statements.

(13) Operating Expenses by Function

Total operating expenses by functional classification for the years ended September 30, 2020 and 2019 are as follows for UAB:

2020 Operating Expenses					
(by functional classification)					
	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 248,045,998	\$ 35,951,295	\$ —	\$ —	\$ 283,997,293
Research	181,566,808	112,611,840	—	—	294,178,648
Public service	109,176,136	58,006,813	—	—	167,182,949
Academic support	158,931,068	13,366,872	—	—	172,297,940
Student services	27,963,265	10,844,232	—	—	38,807,497
Institutional support	95,295,882	122,914,000	—	—	218,209,882
Operations and maintenance of plant	36,974,761	31,733,410	—	—	68,708,171
Scholarships and fellowships	—	—	—	35,285,313	35,285,313
Hospital	836,833,734	963,286,381	—	—	1,800,120,115
Auxiliary	71,257,173	652,837,364	—	—	724,094,537
Depreciation	—	—	150,994,130	—	150,994,130
TOTAL OPERATING EXPENSES	\$ 1,766,044,825	\$ 2,001,552,207	\$ 150,994,130	\$ 35,285,313	\$ 3,953,876,475

2019 Operating Expenses					
(by functional classification)					
	Salaries, Wages, and Benefits	Supplies and Services	Depreciation and Amortization	Scholarships and Fellowships	Total
Instruction	\$ 251,833,619	\$ 35,393,500	\$ —	\$ —	\$ 287,227,119
Research	181,672,641	121,470,937	—	—	303,143,578
Public service	114,342,866	50,114,594	—	—	164,457,460
Academic support	159,575,762	21,001,224	—	—	180,576,986
Student services	28,353,005	14,101,853	—	—	42,454,858
Institutional support	95,936,734	60,752,918	—	—	156,689,652
Operations and maintenance of plant	37,905,573	32,841,931	—	—	70,747,504
Scholarships and fellowships	—	—	—	29,041,268	29,041,268
Hospital	808,705,699	904,354,651	—	—	1,713,060,350
Auxiliary	70,735,039	606,222,882	—	—	676,957,921
Depreciation	—	—	148,344,143	—	148,344,143
TOTAL OPERATING EXPENSES	\$ 1,749,060,938	\$ 1,846,254,490	\$ 148,344,143	\$ 29,041,268	\$ 3,772,700,839

(14) Contingencies and Commitments

UAB has sovereign immunity and is, therefore, in the opinion of UAB counsel, immune to ordinary tort actions including those based on medical malpractice or general injury to patients. Consequently, while UAB is sometimes named as defendant in malpractice actions and other actions for injuries arising in the Hospital, it has consistently been dismissed from those lawsuits on the basis of the sovereign immunity doctrine. That doctrine also protects UAB from vicarious liability arising from the negligence of its employees. To the extent that UAB employees are sued in their individual capacity for actions related to their official duties within the line and scope of their employment, UAB has defended those actions and paid for any resulting costs through its self-insured trust fund. While UAB is not aware of any impending threat to this doctrine, UAB is a named insured under the terms of the PLTF and excess insurance purchased from commercial companies (Note 8). There are some exceptions to the sovereign immunity doctrine, most notably federal court cases arising under the federal constitution or federal statutes.

UAB is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statements. However, the settlement of legal actions is subject to inherent uncertainties and it is possible that such outcomes could differ materially from management's current expectations.

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

UAB has contracted for the construction and renovation of several facilities. At September 30, 2020 and 2019, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$165 million and \$246 million, respectively, which is expected to be financed from private gifts, grants, bond proceeds, and UAB reserves.

(15) Segment Reporting

As discussed in Note 1, UAB's two significant identifiable activities that have bonds outstanding where revenue is pledged in support of the bonds are the University and the Hospital. Condensed financial statement information related to the University and Hospital as of and for the years ended September 30, 2020 and 2019 is as follows:

UNIVERSITY	2020	2019
CONDENSED STATEMENTS OF NET POSITION		
Current assets	\$ 836,713,735	\$ 803,788,221
Capital assets, net	1,168,528,126	1,123,608,474
Other assets	874,816,846	951,213,153
TOTAL ASSETS	\$ 2,880,058,707	\$ 2,878,609,848
DEFERRED OUTFLOW OF RESOURCES	\$ 211,159,055	\$ 203,548,877
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,091,217,762	\$ 3,082,158,725
Current liabilities	349,237,084	323,028,646
Long-term debt	601,602,280	624,939,646
Other noncurrent liabilities	991,756,471	1,180,783,793
TOTAL LIABILITIES	\$ 1,942,595,835	\$ 2,128,752,085
DEFERRED INFLOW OF RESOURCES	\$ 319,605,203	\$ 143,674,851
Net investment in capital assets	609,155,955	620,309,247
Restricted nonexpendable	405,387,849	401,505,297
Restricted expendable	305,788,404	330,611,740
Unrestricted	(491,315,484)	(542,694,495)
TOTAL NET POSITION	\$ 829,016,724	\$ 809,731,789
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 3,091,217,762	\$ 3,082,158,725

UNIVERSITY	2020	2019
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Tuition and fees, net	\$ 244,929,737	\$ 239,912,344
Grant and contract revenue	483,921,581	494,047,342
Sales and services, educational	59,351,275	67,616,490
Other operating revenues	87,197,569	116,635,954
Salaries, wages, and benefits	(877,227,836)	(891,465,112)
Supplies and services	(408,331,442)	(367,622,835)
Depreciation	(76,748,607)	(75,251,119)
Scholarships and fellowships	(35,276,313)	(29,040,392)
OPERATING LOSS	(522,184,036)	(445,167,328)
State appropriations	270,077,351	253,102,906
Investment income	2,940,208	13,591,529
Interest expense	(22,083,632)	(13,088,125)
Gifts	15,640,326	46,152,386
Other nonoperating revenues	61,156,771	40,282,426
LOSS BEFORE OTHER CHANGES IN NET POSITION	(194,453,012)	(105,126,206)
Capital gifts and grants	1,854,223	789,044
Endowment gifts	17,755,898	29,098,263
Intergovernmental transfers	194,127,825	173,063,095
INCREASE IN NET POSITION	19,284,934	97,824,196
Net position, beginning of year	809,731,790	711,907,593
NET POSITION, END OF YEAR	\$ 829,016,724	\$ 809,731,789
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	\$ (428,799,771)	\$ (389,066,206)
Noncapital financing activities	570,845,198	540,437,693
Investing activities	(28,338,182)	(51,845,275)
Capital and related financing activities	(167,695,054)	21,952,161
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(53,987,809)	121,478,373
Cash and cash equivalents, beginning of year	218,944,868	97,466,495
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 164,957,059	\$ 218,944,868

HOSPITAL	2020	2019
CONDENSED STATEMENTS OF NET POSITION		
Current assets	\$ 1,374,342,040	\$ 984,037,176
Capital assets, net	611,158,094	594,578,200
Other assets	621,138,676	662,765,113
TOTAL ASSETS	\$ 2,606,638,810	\$ 2,241,380,489
DEFERRED OUTFLOW OF RESOURCES	\$ 107,671,675	\$ 110,192,665
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,714,310,485	\$ 2,351,573,154
Current liabilities	381,660,778	127,767,027
Long-term debt	485,584,419	502,151,049
Other noncurrent liabilities	555,745,556	689,120,222
TOTAL LIABILITIES	\$ 1,422,990,753	\$ 1,319,038,298
DEFERRED INFLOW OF RESOURCES	\$ 202,331,913	\$ 81,140,021
Net investment in capital assets	155,581,621	134,347,019
Restricted nonexpendable	128,099	128,099
Restricted expendable	35,958,408	35,878,430
Unrestricted	897,319,691	781,041,287
TOTAL NET POSITION	\$ 1,088,987,819	\$ 951,394,835
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 2,714,310,485	\$ 2,351,573,154
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	\$ 2,109,843,405	\$ 2,008,333,371
Operating expenses	(1,800,229,075)	(1,713,161,226)
Depreciation expense	(72,958,684)	(72,137,317)
OPERATING INCOME	236,655,646	223,034,828
Economic relief funds	71,281,071	
State appropriations	36,887,361	34,588,829
Investment income	2,225,634	15,224,317
Interest expense	(18,042,761)	(16,666,917)
Gifts	495,224	111,817
Other nonoperating expenses	(176,882)	(1,706,375)
INCOME BEFORE OTHER CHANGES IN NET POSITION	92,669,647	31,551,671
Capital gifts and grants	—	275
Intergovernmental transfers	(191,732,311)	(153,567,313)
INCREASE IN NET POSITION	137,592,982	101,019,461
Net position, beginning of year	951,394,837	850,375,374
NET POSITION, END OF YEAR	\$ 1,088,987,819	\$ 951,394,835
CONDENSED STATEMENTS OF CASH FLOWS		
Net cash provided by (used in):		
Operating activities	482,366,417	279,439,132
Noncapital financing activities	(87,024,110)	(119,860,364)
Investing activities	(41,132,386)	(18,118,961)
Capital and related financing activities	(108,557,784)	(83,941,304)
NET INCREASE IN CASH AND CASH EQUIVALENTS	245,652,137	57,518,503
Cash and cash equivalents, beginning of year	88,521,798	31,003,295
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 334,173,935	\$ 88,521,798

(16) Health Care Services

Net Patient Service Revenue

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

Medicare. Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, University Hospital is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Hospital generally is reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary. The Hospital's cost reports have been audited and settled for all fiscal years through 2012. Revenue from the Medicare program accounted for approximately 21% of the Hospital's net patient service revenue for the years ended September 30, 2020 and 2019.

Section 302 of the Tax Relief and Health Care Act of 2006 authorized a permanent program involving the use of third-party recovery audit contractors (RACs) to identify Medicare overpayments and underpayments made to providers. As of September 30, 2020, the Hospital reported claims in various stages of review based on the requests received by the RACs during the fiscal year. Payment recoveries resulting from RAC reviews are appealable through administrative and judicial processes, and the Hospital intends to pursue the reversal of adverse determinations, where appropriate. The Hospital cannot predict with certainty the impact of the Medicare RAC program on our future results of operations or cash flows.

Blue Cross. Inpatient services rendered to Blue Cross subscribers are paid at a prospectively determined per diem rate. Outpatient services are reimbursed at a prospectively determined rate or under a cost reimbursement methodology. The method of reimbursement is determined by the procedures that are performed. For outpatient services reimbursed under the cost reimbursement methodology, a final settlement is determined after submission of annual cost reports by the

Hospital and audits thereof by Blue Cross. The Hospital's Blue Cross cost reports have been audited and settled for all fiscal years through 2016. Effective December 1, 2016 Blue Cross outpatient services began being reimbursed under the Enhanced Ambulatory Payment Group (EAPG) methodology. This is a prospective payment methodology with no retroactive settlement. Revenue from the Blue Cross program accounted for approximately 34% of the Hospital's net patient service revenue for the years ended September 30, 2020 and 2019.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on an established fee schedule. The Hospital is designated as a Disproportionate Share Hospital (DSH) and receives payments under the Medicaid DSH program. In addition, as a participant in the Alabama Medicaid Plan, the Hospital also receives supplemental payments based on formulas established by the Alabama Medicaid Agency. The net benefit associated with the Hospital's participation in these programs, totaling approximately \$103.1 million and \$65.1 million in 2020 and 2019, respectively, is included in net patient service revenue in the accompanying statement of revenues, expenses and changes in net position. There can be no assurance that the Hospital will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Revenue from the Medicaid program accounted for approximately 20% of the Hospital's net patient service revenue for the year ended September 30, 2020 and 16% for the year ended September 30, 2019.

Other. The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the Hospital under these agreements includes discounts from established charges and prospectively determined daily and case rates.

The composition of Hospital operating revenue follows:

	2020	2019
Gross Patient Service Revenue	\$ 8,092,812,292	\$ 7,839,365,711
Less Provision for Contractual and Other Adjustments	(6,120,310,515)	(5,969,587,958)
Less Provision for Bad Debts	(187,887,453)	(157,700,738)
Net Patient Service Revenue	\$ 1,784,614,324	\$ 1,712,077,015
Capitation Revenue	82,320,021	73,206,414
Other Operating Revenue	242,899,232	223,035,722
TOTAL HOSPITAL SALES REVENUE	\$ 2,109,833,577	\$ 2,008,319,151

Charity Care

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated costs of those services, and supplies and equivalent service statistics.

The estimated cost of charity care provided during the years ended September 30, 2020 and 2019 was approximately \$35.2 million and \$32.3 million, respectively, calculated based on the ratio of total direct and indirect costs to establish charges applied to the charges foregone under the charity care policy.

	2020	2019
Approximate charges foregone, based on established rates	\$ 128,828,588	\$ 123,735,691
Percentage of charity charges to total charges	1.6%	1.6%

Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2020 and 2019 follows:

	2020	2019
Other	43%	45%
Blue Cross	35%	35%
Medicare	15%	13%
Medicaid	7%	7%
	100%	100%

Related Parties

The Hospital and the other divisions of UAB provide a variety of support services to each other. The cost of these services is allocated to the end user on bases which vary according to the service being furnished. These services are paid for by transfers of funds which reduce operating expenses of the unit providing the service and are included in the operating costs of the unit receiving the service. Administrative and purchased services provided by UAB and allocated to and reimbursed by the Hospital during the years ended September 30, 2020 and 2019 were approximately \$37.3 million and \$38.7 million, respectively. In addition, during the years ended September 30, 2020 and 2019, the Hospital transferred approximately \$191.7 million and \$153.6 million, respectively, to UAB to support UAB's academic and medical programs.

As noted in footnote 7, in June 2019, University Hospital borrowed \$77.0 million of UAB Medicine Finance Authority 2019A and 2019B Revenue Bond proceeds from UAB Health System. \$42.5 million of the loan amount was distributed to the Hospital as of September 30, 2020 for capital improvement project spending during the year and the remaining \$34.6 million is held in trust for future projects. The Hospital recorded a note payable for the \$77.0 million loan amount and the undistributed amounts are recorded as Due from affiliate on the statement of net position.

During 2008, University Hospital entered into an operating agreement with HSF whereby HSF would lease two floors of the Women and Infants Center ("WIC"). HSF reimbursed University Hospital for construction costs of this space as they were incurred on a square-footage basis. Total reimbursements are being amortized as rent revenue on a straight-line basis over a period equal to the 90 year total lease term, commencing on February 22, 2010, the date the building was placed into service. The Hospital had received reimbursements from HSF totaling approximately \$14.7 million in 2020 and 2019, of which approximately \$12.8 million and \$12.9 million respectively, is included in the accompanying statement of net position as unearned revenue-other for the years ended September 30, 2020 and 2019, respectively.

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

In connection with its agreement with the Health System, the Hospital partially funded the operations of the Health System and its corporate office, charging approximately \$14.8 million and \$13.2 million to other operating expense in fiscal year 2020 and 2019, respectively. In addition, the Health System periodically makes payments on behalf of the Hospital for which it is reimbursed. The Hospital had a net payable to the Health System of approximately \$9.8 million and \$6.7 million at September 30, 2020 and 2019, respectively.

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

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

The Hospital received premium revenue (capitation fees) of approximately \$82 million and \$73 million from Triton during the years ended September 30, 2020 and 2019, respectively.

The Hospital purchased \$458 million and \$406 million in management, administrative, and staffing services from the LLC during the years ended September 30, 2020 and 2019, respectively. Payment for contract labor as reported on the Statements of Cash Flows includes amounts paid to employees of the LLC and HSF.

(17) Recently Issued Pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement is effective for reporting periods beginning after December 15, 2019. UAB is evaluating whether there will be any material impact from its adoption of GASB 84.

The GASB issued Statement No. 87, *Leases*, in June 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is effective for reporting periods beginning after June 15, 2021. UAB is evaluating whether there will be any material impact from its adoption of GASB 87.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement is effective for reporting periods beginning after December 15, 2020. UAB implemented GASB 89 during fiscal year 2020. UAB has determined no material impact from adoption of GASB 89.

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

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

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

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

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

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

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

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

The University of Alabama at Birmingham Required Supplementary Information (Unaudited)

The following required supplementary information relates to UAB's participation in the Teachers' Retirement System of Alabama.

Schedule of UAB's Proportionate Share of the Net Pension Liability Teachers' Retirement Plan of Alabama

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	11.260686 %	11.750518 %	11.814264 %	11.863961 %	11.916376 %	12.188512 %
Employer's proportionate share of the collective net pension liability	\$1,245,083,000	\$1,168,305,000	\$ 1,161,162,000	\$1,284,396,000	\$1,247,128,000	\$1,107,275,000
Employer's covered payroll during the measurement period	\$ 940,203,000	\$ 916,059,000	\$ 901,338,000	\$ 876,899,000	\$ 864,300,000	\$ 880,666,000
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	132.43 %	127.54 %	128.83 %	146.47 %	144.29 %	125.73 %
Plan fiduciary net position as a percentage of the total collective pension liability	69.85 %	72.29 %	71.50 %	67.93 %	67.51 %	71.01 %

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

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 98,485,000	\$ 94,900,000	\$ 91,228,000	\$ 88,660,000	\$ 86,334,000	\$ 84,999,000
Contributions in relation to the contractually required contribution	\$ 98,485,000	\$ 94,900,000	\$ 91,228,000	\$ 88,660,000	\$ 86,334,000	\$ 84,999,000
Contribution deficiency (excess)	—	—	—	—	—	—
Employer's covered payroll	\$ 946,084,905	\$ 940,203,000	\$ 916,059,000	\$ 901,338,000	\$ 876,899,000	\$ 864,300,000
Contributions as a percentage of covered payroll	10.41%	10.09%	9.96%	9.84%	9.85%	9.83%

Notes to Schedules

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

Measurement period:

For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019

For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018

For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

For fiscal year 2017, the measurement period is October 1, 2015 – September 30, 2016

For fiscal year 2016, the measurement period is October 1, 2014 – September 30, 2015

For fiscal year 2015, the measurement period is October 1, 2013 – September 30, 2014

The University of Alabama at Birmingham Required Supplementary Information (Unaudited)

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

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

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

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

	2020	2019	2018
Contractually required contribution	\$ 20,775,402	\$ 19,976,210	\$ 19,713,541
Contributions in relation to the contractually required contribution	\$ 20,775,402	\$ 19,976,210	\$ 19,713,541
Contribution deficiency (excess)	—	—	—
Employer's covered payroll	\$ 951,987,983	\$ 911,573,992	\$ 922,919,000
Contributions as a percentage of covered payroll	2.18 %	2.19 %	2.14 %

Notes to Schedules

Employer's covered payroll: The payroll on which contributions to an OPEB plan are based.

Measurement period:

For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019

For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018

For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

The University of Alabama at Birmingham Required Supplementary Information (Unaudited)

The following required supplementary information is related to the UAB Health Care Plan.

Schedule of Change in UAB Health Care Plan's Total OPEB Liability

	2020	2019	2018
Total OPEB Liability	\$ 17,698,575	\$ 20,320,823	\$ 26,032,496
Service cost*	169,614	168,312	6,230,996
Interest on TOL and cash flows	708,983	691,351	690,596
Changes in benefit terms	—	—	(6,710,449)
Difference between expected and actual experience	(6,173,296)	(787,087)	—
Changes of assumptions or other inputs	(4,662,781)	(767,436)	(961,631)
Benefit payments	(1,489,763)	(1,927,388)	(4,961,185)
Net changes in Total OPEB Liability	(11,447,243)	\$ (2,622,248)	\$ (5,711,673)
Total OPEB Liability - Beginning	\$ 17,698,575	\$ 20,320,823	\$ 26,032,496
Total OPEB Liability - Ending	\$ 6,251,332	\$ 17,698,575	\$ 20,320,823
Covered payroll	\$ 911,573,992	\$ 922,919,000	\$ 908,353,000
Total OPEB Liability as a percentage of covered-employee payroll	0.69 %	1.92 %	2.24 %

*The service cost include interest for the year.

Notes to Schedules

Employer's covered payroll: The payroll on which contributions to an OPEB plan are based.

Measurement period:

For fiscal year 2020, the measurement period is October 1, 2018 – September 30, 2019

For fiscal year 2019, the measurement period is October 1, 2017 – September 30, 2018

For fiscal year 2018, the measurement period is October 1, 2016 – September 30, 2017

The University of Alabama at Birmingham Administration

As of September 30, 2020



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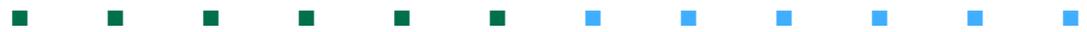
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