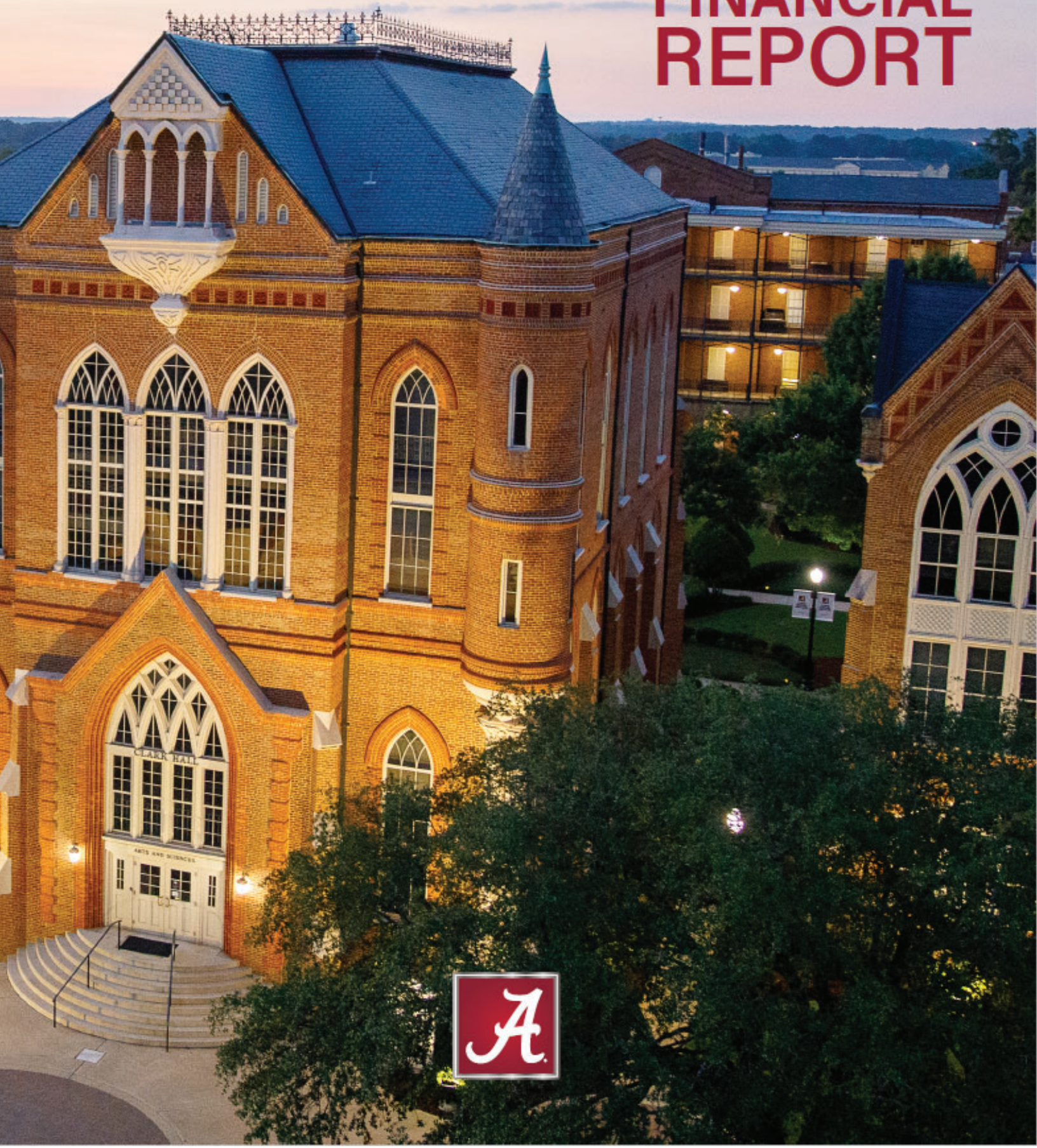


THE UNIVERSITY OF ALABAMA®

2021–2022 ANNUAL FINANCIAL REPORT



The University of Alabama

2021-2022 Annual Financial Report

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January 12, 2023

The management of The University of Alabama (the “University”) is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements. The financial statements, presented on pages 20 through 27, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The consolidated financial statements have been audited by our independent auditor PricewaterhouseCoopers, LLP, which was given unconditional access to all financial records and related data, including minutes of all meetings of the Board of Trustees. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers’ audit opinion is presented on pages 3 and 4.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University’s management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Trustees, through its Audit Committee, is responsible for engaging the independent auditors. The Audit Committee provides oversight of the internal and external audit functions of The University of Alabama. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net position and cash flows of The University of Alabama, an institution of the University of Alabama System, which is a component of the State of Alabama, as of and for the years presented in this report.

Sincerely,

Matthew M. Fajack

Matthew M. Fajack
Vice President for Finance and Operations and Treasurer



Report of Independent Auditors

To the Board of Trustees of The University of Alabama

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the remaining fund information of The University of Alabama (the “**University**”), **a campus of the University of Alabama System, a component unit of the State of Alabama**, which comprise the statements of net position and of fiduciary net position as of September 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, of changes in fiduciary net position, and of cash flows (where applicable) for the years then ended, including the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the remaining fund information of The University of Alabama as of September 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the University are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the financial reporting entity of The University of Alabama System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of The University of Alabama System as of September 30, 2022 and 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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



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

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

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the accompanying **management's discussion and analysis on pages 5 through 17** and required supplementary information for the pension plan and postemployment benefits on pages 80 and 81 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the enrollment and statistics information on pages 18 and 19, but does not **include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.**

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

January 24, 2023

The University of Alabama

Management's Discussion and Analysis (Unaudited)

The Management's Discussion and Analysis ("MD&A") of The University of Alabama's (the "University" or "UA") annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal years ended September 30, 2022 and 2021. 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 caused domestic and global disruption in operations for institutions of higher education and has impacted several areas of the University's financial statements as further discussed within the MD&A and Note 1.

History, Mission and Governance

The University, the State of Alabama's (the "State") oldest institution of higher education, is the senior comprehensive doctoral-level institution in Alabama and began instructing students in 1831. Established by constitutional provision, with subsequent statutory mandates and authorizations, the University advances the intellectual and social condition of all the people of the State through quality programs of instruction, research and service. The University is a fully accredited institution of higher learning offering bachelor's, master's and doctoral degrees in nearly 200 fields of study. Professional programs include law and rural medicine. The University, a beautiful 1,300-acre residential campus located in Tuscaloosa, Alabama, features exceptional facilities and technology. UA emphasizes quality programs of teaching, research and service with scholarship opportunities that offer a global perspective, close to 600 student organizations, leading-edge research initiatives, and an academic community united in its commitment to enhancing quality of life.

The University is accredited by and is a member of the Southern Association of Colleges and Schools Commission on Colleges. All degree programs in professional schools and colleges subject to recognized accrediting agencies are fully accredited by the appropriate national organization. The University is a member of the Association of Public and Land-Grant Universities.

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

Overview of Financial Statements

The University's financial report includes the following financial statements:

- The three basic financial statements of the University and its blended component unit, The Crimson Tide Foundation ("CTF"): the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows.
- The two aggregate financial statements of six affiliated foundations presented discretely from the University: the Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position.
- The two financial statements for the University's fiduciary funds: the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

The MD&A focuses solely on the University and CTF. Information on discretely presented component units can be found in the component units' annual financial reports, as well as Note 2 – Component Units. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. A summary of new accounting standards and their anticipated effects concludes the notes with brief summations of recently issued statements of the Governmental Accounting Standards Board ("GASB").

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

Statements of Net Position

The statements of net position present the financial position of the University at the end of the fiscal year. These statements reflect the various assets, deferred outflows, liabilities, deferred inflows, and net position of the University as of the fiscal years ended September 30, 2022 and 2021. From the data presented, readers of the statements of net position have the information to determine the assets available to continue the operations of the University. They may also determine how much the University owes vendors, bondholders, and lending institutions. In addition, the statements of net position outline the net position (assets and deferred outflows minus liabilities and deferred inflows) available to the University.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant and equipment owned by the University.

The second category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. The earnings on these funds support the programs and activities as determined by the donors, typically to fund scholarships and fellowships. Expendable restricted resources are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The last category, unrestricted net position, presents the net position available to the University for any lawful purpose of the University and is typically internally designated or committed for specific academic programs or initiatives.

At September 30, 2022, the University's assets and deferred outflows of resources were \$5.6 billion, liabilities and deferred inflows of resources were \$2.8 billion, leaving a net position of \$2.7 billion. The overall decrease in net position of \$138.3 million is based on the activity presented in the statements of revenues, expenses and changes in net position. Although the University saw increases in operating revenues, including auxiliary and other operating revenues, these increases were offset by a net investment loss resulting from unfavorable market conditions, resulting in an overall decrease in net position. A summary of the University's assets, deferred outflows, liabilities, deferred inflows, and net position follows.

Condensed Statements of Net Position

	September 30,		
	2022	2021	2020
Assets			
Current assets	\$ 867,733,598	\$ 872,925,391	\$ 723,434,517
Capital assets, net	2,565,668,083	2,480,115,432	2,374,645,592
Other noncurrent assets	1,779,807,553	2,073,900,383	1,763,597,114
Total assets	5,213,209,234	5,426,941,206	4,861,677,223
Deferred outflows of resources	344,140,710	410,568,293	185,886,393
Liabilities			
Current liabilities	555,692,217	557,042,197	522,961,652
Noncurrent liabilities	1,899,260,247	2,205,759,015	1,999,301,337
Total liabilities	2,454,952,464	2,762,801,212	2,522,262,989
Deferred inflows of resources	377,201,632	211,194,813	201,932,480
Net Position			
Net investment in capital assets	1,460,621,877	1,355,627,568	1,322,651,902
Restricted	1,161,672,454	1,196,556,046	938,919,364
Unrestricted	102,901,517	311,329,860	61,796,881
Total net position	\$ 2,725,195,848	\$ 2,863,513,474	\$ 2,323,368,147

The University's Assets

Current assets are used to support the University's normal operations and are largely composed of cash and cash equivalents, short-term investments available for operating purposes, net accounts receivable (primarily student accounts receivable, receivables from sponsoring agencies and accrued interest receivable), and prepaid expenses and unearned scholarships.

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Current cash and cash equivalents totaled \$118.2 million at September 30, 2022, an increase of \$27.9 million from the prior year. At September 30, 2021, current cash and cash equivalents totaled \$90.4 million, a decrease of \$70.6 million from the prior year. Current cash balances fluctuate based on operating needs, timing of expenditures, and cash management strategies.

Short-term investments represent the portion of the University's investments available for current operations. Total short-term investments were \$513.4 million, \$550.5 million, and \$343.1 million at September 30, 2022, 2021, and 2020, respectively. Short-term investments fluctuate based on amounts needed to support current operations.

Accounts receivable decreased by \$6.2 million in 2022, following an increase of \$5.7 million in 2021. Fluctuations in accounts receivable balances are normal due to the timing of payments received from one year-end to the next.

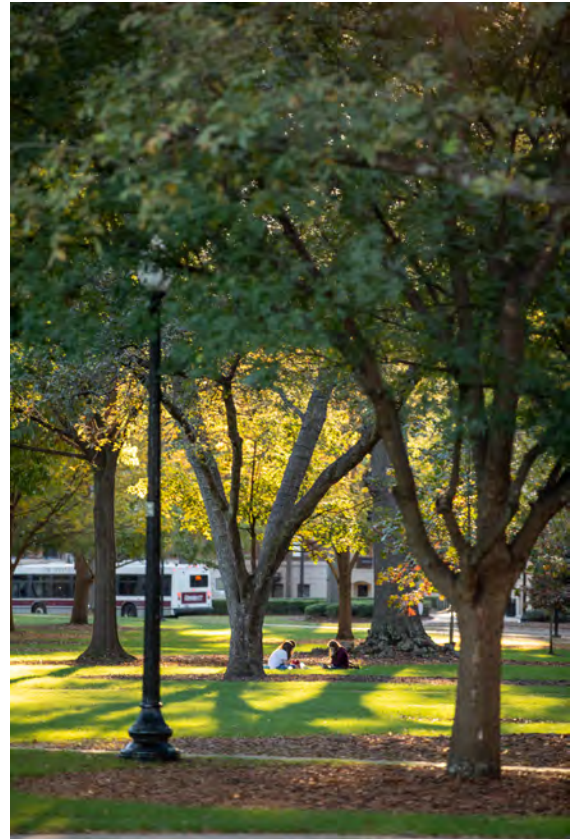
Prepaid expenses and unearned scholarships increased by \$5.2 million in 2022 following an increase of \$4.0 million in 2021. Prepaid expenses are expected to fluctuate from year to year. Unearned scholarship expense results from the Fall semester spanning across the fiscal year-end. The University prorates scholarship expense to recognize only the amounts incurred in each fiscal year, which can result in fluctuations depending on the timing of the Fall semester. Both enrollment and tuition rates increased for Fall 2022, resulting in an increase in unearned scholarships at September 30, 2022. Fall 2021 enrollment increased from Fall 2020, which contributed to an increase in unearned scholarships at September 30, 2021.

Noncurrent assets are predominantly composed of endowment and life income investments, investments for capital activities, other long-term investments, notes receivable (net), and capital assets (net).

The University's investment portfolio is principally invested in two separate investment pools managed by the System. The University's investment approach is intended to maximize current investment returns consistent with annual liquidity needs while protecting principal. The System adopts the broad objective of investing assets to preserve the real purchasing power of the principal and providing a stable source of perpetual financial support to the Endowment beneficiaries. Total noncurrent investments decreased \$281.0 million during 2022, largely due to losses resulting from unfavorable market conditions. During 2021 noncurrent investments increased \$314.9 million primarily due to unrealized gains resulting from improved market performance.

Notes receivable (current and noncurrent combined) decreased by \$9.3 million in 2022 due primarily to payments on existing notes. Notes receivable increased by \$2.9 million in 2021 due to notes issued of \$8.1 million less payments on existing notes of \$5.2 million.

Capital assets include land and land improvements, infrastructure, buildings and improvements, equipment, construction in progress, library materials, collections, intangible assets and right-of-use assets. The construction of new buildings and renovations on campus contributed to a rise in capital assets of \$85.6 million in fiscal year 2022 and \$105.5 million in 2021. During fiscal year 2015, the University had the opportunity to purchase property within close proximity to the main campus from the Alabama Department of Mental Health ("ADMH"), which allows the University to devote more of its core campus to academic and student life activities. The total purchase, commonly referred to as the Partlow Property, encompasses approximately 362 acres and is composed of both land and associated buildings. As part of the purchase agreement, the University leases back some of the buildings to the ADMH who continues to operate the mental health facilities. The leaseback period is 99 years. Capital spending remains a priority with a shifting focus from new construction to addressing capital renewal and reinvesting in existing facilities and infrastructure to address shifting student demographics and space needs to create world class facilities to support the mission of the institution and scope of its programs and services. As outlined in the University's Strategic Plan, the University strives to create a beautiful, inclusive and user-friendly campus.



A deferred outflow of resources is a use of net position that is applicable to future reporting periods. The University's deferred outflows of resources consist of bond deferred refunding amounts (note 7), pension obligations (note 9), and other post-employment benefits ("OPEB") obligations (note 10). At September 30, 2022, deferred outflows of resources from debt refundings increased \$1.0 million. The University defeased certain indebtedness relating to its Series 2014B bond during 2022 with the Series 2022A bond issuance. This resulted in \$2.3 million of additional deferred outflows of resources for debt refundings, which was offset by \$1.3 million of amortization expense. See note 7 for further information. Deferred outflows of resources from pension and OPEB obligations decreased \$67.5 million in 2022. This results primarily from changes in actuarial and other assumptions for both the pension and OPEB liabilities, net differences between expected and actual earnings on pension plan investments, and changes in proportion of the allocated OPEB liability and differences between employer contributions and the proportionate share of contributions related to OPEB obligations. At September 30, 2021, deferred outflows of resources from debt refundings decreased \$1.2 million due to the annual amortization of the refundings. Deferred outflows of resources from pension and OPEB obligations increased \$225.9 million primarily due to increases in OPEB obligations including changes in actuarial and other assumptions and changes in proportion of the allocated OPEB liability and differences between employer contributions and the proportionate share of contributions related to OPEB obligations.

The University's Liabilities

Current liabilities consist of accounts payable, accrued liabilities, unearned revenue, deposits, and the current portion of long-term debt. In fiscal year 2021, current liabilities also included a line of credit agreement between CTF and the UA Board, with \$21.8 million drawn at year-end. This amount was repaid in full during CTF's fiscal year 2022. The majority of accounts payable and accrued liabilities represents amounts owed for salaries, wages and benefits, and supplies and services. Accounts payable and accrued liabilities increased \$12.4 million in 2022 due to the timing of fiscal year 2022 payments around year-end, as well as an increase in CTF's accounts payable balance at their year-end. Accounts payable and accrued liabilities decreased by \$7.2 million from 2020 to 2021. As a result of the COVID-19 pandemic, stadium capacity for the Fall 2020 football season was reduced to 20%, resulting in refunds to ticket holders that were still being processed at September 30, 2020 leading to a larger accounts payable balance at that year-end.

Unearned revenue consists primarily of tuition and housing revenues for the portion of the fall semester that occurs after September 30 and football ticket revenue for the portion of the season which occurs after September 30. CTF unearned revenue consists of Tide Pride amenity income collected in advance that will not be earned until future years. Current unearned revenue increased \$6.1 million in fiscal year 2022. Both enrollment and tuition rates increased for Fall 2022, resulting in an increase in unearned tuition revenue at September 30, 2022. During 2021, there was an increase of \$21.4 million in unearned revenues. Fall 2021 out-of-state enrollment increased slightly which impacts unearned tuition revenue. Additionally, stadium capacity was back at 100% for the Fall 2021 football season, which increased the amount of deferred football ticket revenue at year-end.

Deposits are comprised of University deposit liabilities and agency fund balances. Deposits decreased slightly by \$931,000 during 2022. Deposits decreased \$3.7 million during 2021 due to the expenditure of funds.

The University's long-term debt, pension liability, and OPEB liability comprise the majority of its noncurrent liabilities. Long-term debt (current and noncurrent combined) decreased by \$48.4 million and \$49.3 million in 2022 and 2021, respectively, as debt repayments were made throughout the year. The University defeased certain indebtedness relating to its Series 2014B bonds during fiscal year 2022 with the Series 2022A bond issuance, which is further discussed in note 7. In 2022, the University's proportionate share of the net pension liability in the Teachers' Retirement System Plan (the "Plan") decreased by \$185.6 million to \$553.9 million. For 2022 the Plan's fiduciary net position increased resulting in a lower overall net pension liability. This follows a \$93.4 million increase in 2021. The University's proportionate share of the net OPEB liability in the Alabama Retired Education Employee's Health Care Trust (the "Trust") decreased by \$56.8 million to \$220.2 million in 2022, also due to an increase in the Trust's fiduciary net position. In 2021 the University's proportionate share of the liability increased \$168.0 million resulting largely from a change in the discount rate.

GASB Statements No. 68 and 75 require governmental employers participating in multi-employer cost-sharing pension and healthcare benefit plans to recognize liabilities for their proportionate share of the unfunded liability for plans whose actuarial liabilities exceed the plan's net assets. As required by Alabama statute, all eligible employees of a qualifying public educational employer must be a member of the Teacher's Retirement System of Alabama ("TRS"). As a qualifying employer, the University is required to make certain employer contributions on behalf of its employees participating in TRS's defined benefit pension plan. Additionally, Alabama statutes permit the University 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 Statements No. 68 and 75 meet GASB's definition of a liability within GASB's framework for accounting standards, the University does not believe that the associated recorded liabilities constitute legal liability for the University, nor do they open the University to other claims on its resources.

A deferred inflow of resources is the acquisition of net position in future periods. The University's deferred inflows of resources result from pension obligations (note 9), OPEB obligations (note 10), the University's leases receivable (note 1), and the University's remainder interest in its irrevocable split interest agreements (note 1). At September 30, 2022, deferred inflows of resources from pension and OPEB obligations

increased \$166.1 million, primarily resulting from an increase in deferred inflows of resources from pension obligations. This increase is largely due to differences between projected and actual earnings on pension plan investments and differences between expected and actual experience. Deferred inflows of resources related to the University's leases receivable increased \$1.4 million. Deferred inflows of resources from the remainder interest in split interest agreements decreased by \$1.5 million. During 2021, deferred inflows of resources from pension and OPEB obligations increased \$3.0 million. Deferred inflows of resources from pension obligations decreased primarily due to differences between expected and actual experience, but was offset by an increase in deferred inflows of resources from OPEB obligations also due largely to differences between expected and actual experience. Deferred inflows of resources related to the University's leases receivable increased \$5.7 million in 2021 due to the implementation of GASB Statement No. 87. As discussed previously, fiscal year 2020 information was not restated and therefore there was no balance at September 30, 2020. Deferred inflows of resources from the remainder interest in split interest agreements increased slightly by \$579,000.



The University's Net Position

Net position represents the residual interest in the University's assets and deferred outflows of resources after all liabilities and deferred inflows of resources are deducted. The University's net position decreased \$138.3 million during 2022 to \$2.7 billion. Although the University saw increases in operating revenues, including auxiliary and other operating revenues, these increases were offset by significant unrealized losses on investments resulting from unfavorable market conditions. During 2021 net position increased \$540.1 million, reaching \$2.9 billion, which reflects the University's operations including an increase in auxiliary revenues, an increase in State educational appropriations, as well as unrealized gains from improved market performance.

Net investment in capital assets increased \$105.0 million in 2022 following an increase of \$33.0 million in 2021. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted nonexpendable net position increased \$57.0 million in 2022, due to gifts and earnings on true endowment corpus funds. This net position type encompasses true endowments that are required to be held in perpetuity. In the prior year, restricted nonexpendable net position experienced growth of \$41.3 million also due to gifts and earnings on true endowment corpus funds.

Restricted expendable net position decreased \$91.8 million in 2022. The University's portion of restricted expendable net position decreased by \$82.5 million due largely to a decrease in true endowment gains. CTF's restricted expendable net position decreased by \$9.4 million, also due to a decrease in unrealized gains. In 2021, restricted expendable net position increased \$216.4 million. The University's portion of restricted expendable net position increased by \$176.9 million due largely to an increase in true endowment gains and restricted quasi endowment funds. CTF's restricted expendable net position increased \$39.4 million due to an increase in investment income resulting from unrealized gains and continued fundraising efforts. This net position category includes restricted gifts, institutional loan funds, sponsored programs, restricted quasi endowments, term endowments, endowment income and unrealized appreciation (depreciation), and restricted plant funds. Restricted expendable net position is restricted by externally-imposed constraints.

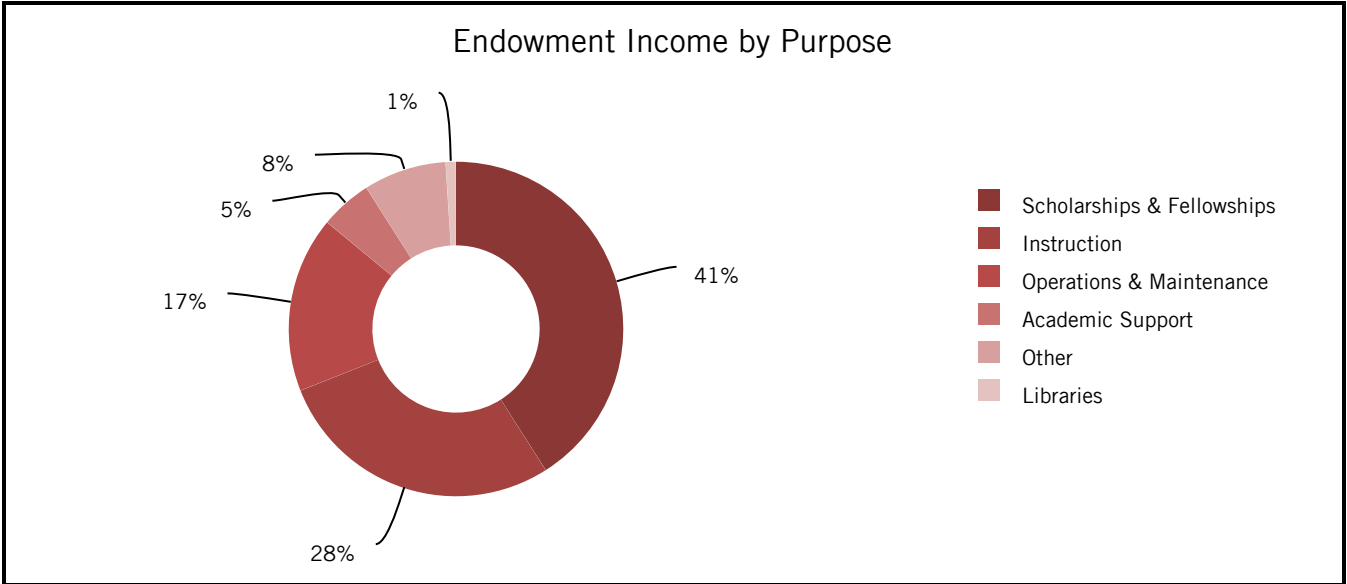
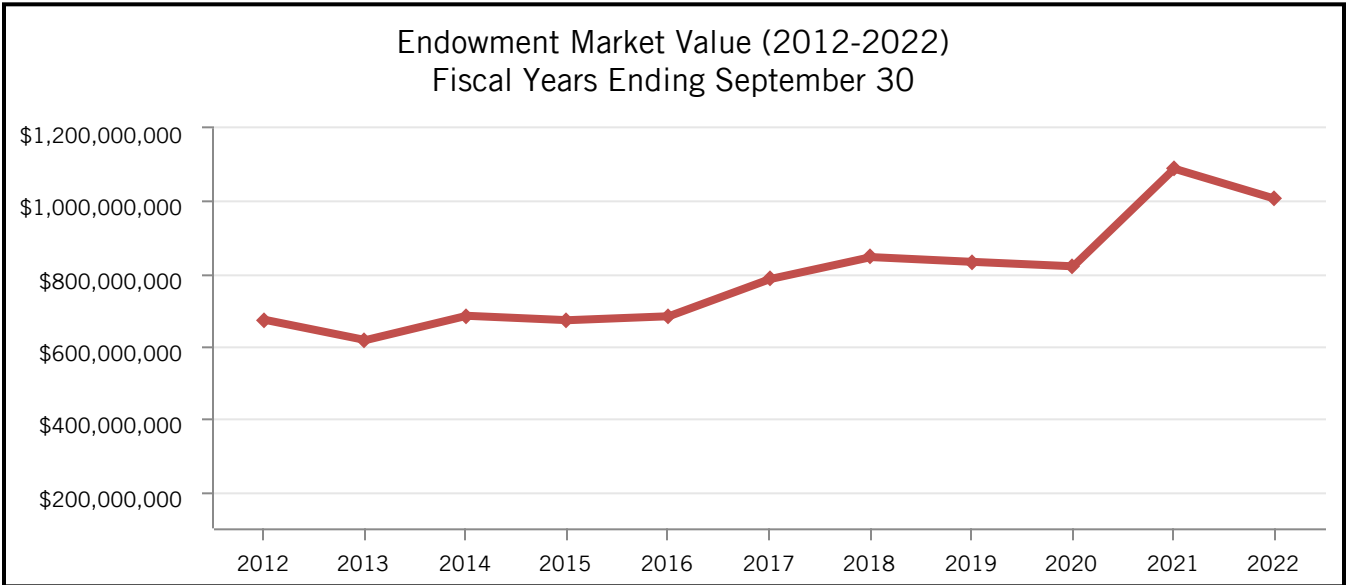
Unrestricted net position decreased \$208.4 million in 2022 largely due to a net investment loss resulting from unrealized losses on investments. In 2021 unrestricted net position increased \$249.5 million largely due to an increase in investment income resulting from unrealized gains on investments, as well as an increase in State educational appropriations.

University Endowments

Endowed gifts to the University ensure support for today while providing excellence far into the future. Endowments grow over time to create a legacy of learning, research and scholarship as they extend the impact of the donor's generosity well beyond a lifetime. Endowments allow the University to create and maintain excellence in academics beyond what can be accomplished with funding from the State and tuition. Endowments provide funding for scholarships, fellowships, professorships, academic chairs, libraries, and programs that serve as crucial elements in student and faculty recruitment and retention.

Despite additions to the Endowment of \$58.7 million, the University Endowment declined by \$83.0 million in 2022 due to unrealized losses on endowment investments. In 2021, the Endowment grew \$268.4 million due to an increase in market value and additions to the Endowment of \$34.3 million.

These endowment totals do not include the endowment values of discretely presented component units.



Statements of Revenues, Expenses and Changes in Net Position

The statements of revenues, expenses and changes in net position ("SRECNP") present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, both operating and nonoperating, and any other revenues and expenses received or expended by the University. Primary components of the University's operating revenue sources are tuition and fees and auxiliary sales and services, which are generated from self-supporting departments including Intercollegiate Athletics, residence halls, the UA Supply Store, and food service operations. Additionally, the University seeks funding from the federal and state governments and sponsored programs in support of its mission of teaching, research, and service. Other significant revenue sources, which are considered nonoperating as defined by the GASB, include State educational appropriations, private gifts, investment income, and nonoperating grants such as Federal Pell grants.

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

Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. A summary of the University's revenues, expenses and changes in net position follows:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years ended September 30,		
	2022	2021	2020
Operating revenues			
Tuition and fees, net	\$ 485,015,783	\$ 481,899,451	\$ 525,521,122
Auxiliary sales and services, net	220,599,553	207,244,020	158,930,066
All other operating revenues	240,712,324	181,895,261	186,201,714
Total operating revenues	946,327,660	871,038,732	870,652,902
Operating expenses	1,149,247,495	1,130,581,369	1,033,692,957
Operating loss	(202,919,835)	(259,542,637)	(163,040,055)
Nonoperating revenues (expenses)			
State educational appropriations	194,970,221	190,568,533	182,797,957
Gifts	44,942,506	64,036,452	54,380,178
Investment (loss) income, net	(286,146,166)	409,930,867	(10,630,633)
All other nonoperating (expenses) revenues, net	(3,227,140)	76,480,414	6,821,715
Net nonoperating (expenses) revenues	(49,460,579)	741,016,266	233,369,217
(Loss) income before other changes in net position	(252,380,414)	481,473,629	70,329,162
Other changes in net position	114,062,788	58,671,698	96,401,722
(Decrease) increase in net position	(138,317,626)	540,145,327	166,730,884
Net position, beginning of year	2,863,513,474	2,323,368,147	2,156,637,263
Net position, end of year	\$ 2,725,195,848	\$ 2,863,513,474	\$ 2,323,368,147

The University's net position decreased \$138.3 million in 2022. Although the University saw increases in operating revenues, these increases were offset by significant unrealized losses on investments resulting from poor market performance. Net position grew by \$540.1 million in 2021 resulting primarily from an increase in auxiliary revenues, an increase in State educational appropriations, as well as unrealized gains from improved market performance. In fiscal year 2020 growth in State educational appropriations as well as increases in CTF operating and nonoperating gifts contributed to an increase of \$166.7 million.

As noted in the SRECNP, the University experienced operating losses in fiscal years 2022, 2021, and 2020 of \$202.9 million, \$259.5 million, and \$163.0 million, respectively. These operating losses highlight the University's dependency on nonoperating revenues, such as State educational appropriations and private gifts, to meet its cost of operations.

Operating Revenues

Net tuition and fees in 2022 were \$485.0 million, a \$3.1 million increase from 2021. For the 2021-2022 academic year, there was no tuition rate increase. However, for the 2022-2023 academic year, tuition rates increased by 3% for in-state students and 4% for out-of-state students, with a portion of that impacting fiscal year 2022. Additionally, enrollment increased slightly for both Fall 2021 and Fall 2022. Net tuition and fees in 2021 were \$481.9 million, a \$43.6 million decrease from 2020. Fall 2020 out-of-state enrollment declined which impacted fiscal year 2021 tuition revenue. Additionally, starting in Fall 2020 non-resident qualifying graduate assistants/fellows were charged resident tuition (instead of non-resident tuition) resulting in a decrease in non-resident graduate tuition revenue, with a corresponding decrease to benefits expense. For the 2020-2021 academic year, tuition rates remained stable for both in-state and out-of-state students. Tuition rates are reviewed annually by the University and presented to the Board for approval.

The University receives grant and contract revenue from federal, state, and local governments and private agencies. These funds are used to further the mission of the University – to advance the intellectual and social condition of the people of the State, the nation and the world through the creation, translation and dissemination of knowledge with an emphasis on quality programs in the areas of teaching, research and service. The following chart reflects the funding sources for federal operating grants and contracts revenue for the years ended September 30:

Federal Grants and Contracts Revenue

	Years ended September 30,		
	2022	2021	2020
Department of Health & Human Services	\$ 23,208,702	\$ 18,957,168	\$ 13,654,922
National Science Foundation	19,273,915	14,702,908	11,638,548
U.S. Department of Commerce	4,926,532	4,962,094	4,632,720
U.S. Department of Education	7,965,749	7,741,069	5,578,091
U.S. Department of Energy	5,883,199	5,987,116	4,406,762
U.S. Department of Transportation	4,186,588	4,252,080	4,356,290
U.S. Department of Defense	12,386,434	8,064,394	6,974,394
Other Federal Sources	11,728,465	10,985,755	9,938,770
Total federal grants and contracts revenue	<u>\$ 89,559,584</u>	<u>\$ 75,652,584</u>	<u>\$ 61,180,497</u>

The University is classified by the Carnegie Classification of Institutions of Higher Education as Doctoral Universities - Very High Research Activity status (formerly known as the R1 category). The University continues to experience record levels of growth in external funding for research and other sponsored activities, which impacted fiscal year expenditures and resulted in increases in total operating grants and contracts revenue of \$16.5 million in 2022 and \$16.9 million in 2021.

The University's auxiliary activities are comprised of Intercollegiate Athletics, residence halls, the UA Supply Store, food service operations and other miscellaneous auxiliary enterprises. Auxiliary revenue increased \$13.4 million in 2022, largely due to a rise in residence hall revenues resulting from an overall increase in occupancy rates post-COVID. The new Tutwiler Residence Hall opened during fiscal year 2022 which further contributed to the increase in revenues. Auxiliary revenue increased \$48.3 million in 2021 as operations and events began to resume following restrictions from fiscal year 2020 resulting from the COVID-19 pandemic. 2021 athletics revenue includes a \$23.3 million one-time distribution from the SEC, as well as post-season bowl revenue as the football team played in the 2021 National Championship game. Revenue from residence halls also increased as revenues in fiscal year 2020 were offset by refunds due to the COVID-19 pandemic.

During 2022, other operating revenue for the University of \$28.7 million, combined with CTF other operating revenue of \$63.5 million, totaled \$92.2 million, an increase of \$36.6 million from the prior year. As of September 30, 2021, other operating revenue for the University of \$23.4 million, combined with CTF other operating revenue of \$32.2 million, totaled \$55.6 million, a decrease of \$22.6 million from the prior year. Stadium capacity for the 2020-2021 football season was limited due to COVID which significantly reduced the amount of Tide Pride revenue recognized by CTF in fiscal year 2021. Operations were back to normal for the 2021-2022 season, resulting in an increase back to normal levels with the recognition of Tide Pride revenues in fiscal year 2022.

Nonoperating Revenues and Expenses

Due to the required classification of key revenue sources such as State educational appropriations, financial aid grants, and private gifts as nonoperating revenues, the University's operating expenses will typically exceed operating revenues, resulting in an operating loss. These nonoperating revenues are essential in offsetting the operating loss.

In 2022, State educational appropriations increased \$4.4 million from the prior year for a total received of \$195.0 million. In 2021, State educational appropriations increased \$7.8 million over 2020 for a total received of \$190.6 million. Fiscal year 2021 and 2020 State educational appropriations include a supplemental appropriation received from the Advancement and Technology Fund of \$9.3 million and \$8.0 million, respectively. No supplemental appropriation was received by the University from the Advancement and Technology Fund in 2022.

Gift revenue for the University totaled \$44.9 million in fiscal year 2022, which was a decrease of \$19.1 million from the prior year primarily due to a decrease in CTF gifts. During CTF's fiscal year 2022, contingency statements were included as part of fundraising efforts. Since pledges and gifts cannot be recorded until all aspects of the contingency are met, the contingent pledges were not recognized in private gifts during the year. These pledges will be recognized in future years as aspects of the contingency are met. In 2021 gift revenues increased \$9.7 million to \$64.0 million due to an increase in University gifts.

Nonoperating grants generally consist primarily of Federal Pell grant awards. This program provides financial assistance grants to qualifying undergraduate students to promote access to postsecondary education. Also included in nonoperating grants are Build America Bond and Recovery Zone Economic Development Bond interest reimbursements. During fiscal years 2022, 2021 and 2020, the University received COVID-19 emergency grant funding, primarily through Higher Education Emergency Relief Funds ("HEERF") I, II, and III, and the Coronavirus Relief Fund ("CRF"). Total HEERF funds of \$1.4 million, \$85.0 million and \$20.7 million were received in fiscal years 2022, 2021 and 2020, respectively, to be distributed as emergency financial aid grants directly to students, as well as to provide funding for areas of the University negatively impacted by the COVID-19 pandemic. CRF funds of \$1.2 million and \$2.1 million were received during fiscal years 2021 and 2020, respectively, to offset necessary expenses incurred due to the public health emergency with respect to COVID-19. COVID-19 emergency grant funding from other sources totaled \$2.2 million in 2022 and \$178,000 in 2021. These amounts are recorded in nonoperating grants revenue. As a result of this funding, nonoperating grants revenue increased from \$51.5 million to \$115.1 million in 2021, then declined to \$34.7 million in 2022 as emergency grant funding declined. Further information on COVID-19 emergency grant funding can be found in note 1.

Both investment and endowment income are combined as investment income on the SRECNP. Net investment income decreased \$696.1 million in 2022 due to unrealized losses resulting from poor market performance throughout the year, resulting in net investment loss of \$286.1 million for the year. In 2021 net investment income increased \$420.6 million largely due to improved market performance throughout the year, resulting in net investment income of \$409.9 million for the year.



Operating Expenses

The University reports natural classifications of expenses in the SRECNP. Salaries, wages and benefits decreased \$8.4 million to \$724.5 million in 2022 primarily due to decreases in the pension and OPEB expense adjustments resulting from GASB Statements No. 68 and 75. In 2021 salaries, wages and benefits were \$732.9 million, which was a \$21.8 million increase from \$711.1 million in 2020 largely due to an increase in the GASB Statement No. 75 OPEB expense adjustment. The University is committed to recruiting and retaining outstanding and diverse faculty, staff and graduate students. Compensation packages and benefit offerings provide leverage for the University to successfully compete with peer institutions and employers outside of the academic sector.

Supplies and services increased \$53.3 million in 2022, following an increase of \$41.1 million for fiscal year 2021. In March 2020, the University suspended all non-essential spending including expenses such as travel, meals, large purchases of equipment, and consulting to help further alleviate the financial impact of the COVID-19 pandemic. During fiscal years 2021 and 2022, normal operations gradually resumed on campus with fewer spending limitations resulting in an increase in expenses. Additionally, the University has incurred COVID-related expenditures throughout the pandemic. Research expenditures have also increased following growth in external funding for research and sponsored programs.

Scholarships and fellowships expense is reported net of scholarship allowances. Scholarship allowance is the amount applied by the University against tuition billing and auxiliary housing on behalf of students receiving scholarship awards. The net expenses of \$33.8 million, \$64.0 million, and \$35.4 million for fiscal years 2022, 2021, and 2020, respectively, represent payments made directly to students after awards have been applied against tuition and fees and auxiliary housing charged to student accounts. Gross scholarship expenses, which includes scholarship allowances, totaled \$327.7 million, \$346.6 million, and \$318.9 million for the years ended September 30, 2022, 2021, and 2020, respectively. As mentioned previously, the University received COVID-19 emergency grant funding in all fiscal years presented to assist students negatively impacted by the COVID-19 pandemic. Scholarships and fellowships expense includes COVID-19 emergency student aid grants of \$1.4 million, \$37.5 million and \$10.4 million for fiscal years 2022, 2021 and 2020, respectively.

Operating Expenses (by natural classification)

	Years ended September 30,		
	2022	2021	2020
Salaries, wages and benefits	\$ 724,478,126	\$ 732,870,387	\$ 711,111,598
Supplies and services	299,875,325	246,581,120	205,449,757
Depreciation	91,059,806	87,143,990	81,695,869
Scholarships and fellowships	33,834,238	63,985,872	35,435,733
Total operating expenses	<u>\$ 1,149,247,495</u>	<u>\$ 1,130,581,369</u>	<u>\$ 1,033,692,957</u>



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 the University, amounts expended in areas such as instruction, research, and operations and maintenance and is used most commonly for comparative reporting purposes among colleges and universities. Scholarships and fellowships related to auxiliary enterprises are broken out separately below and are comprised primarily of Intercollegiate Athletics and housing scholarships.

2022 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 236,190,050	\$ 38,920,045	\$ 19,434,592	\$ —	\$ 294,544,687
Research	101,783,833	50,352,605	7,886,524	—	160,022,962
Public service	40,782,212	19,328,276	2,253,212	—	62,363,700
Academic support	67,227,020	8,689,629	16,424,681	—	92,341,330
Student services	37,953,418	24,105,833	5,632,372	—	67,691,623
Institutional support	78,809,102	17,488,628	7,976,529	—	104,274,259
Operations and maintenance	69,502,571	29,738,032	—	—	99,240,603
Scholarships and fellowships	—	—	—	28,305,453	28,305,453
Auxiliary enterprises	92,229,920	111,252,277	31,451,896	5,528,785	240,462,878
Total operating expenses	<u>\$ 724,478,126</u>	<u>\$ 299,875,325</u>	<u>\$ 91,059,806</u>	<u>\$ 33,834,238</u>	<u>\$ 1,149,247,495</u>

2021 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 268,144,941	\$ 29,090,683	\$ 18,305,178	\$ —	\$ 315,540,802
Research	68,143,393	35,703,257	7,350,087	—	111,196,737
Public service	42,131,375	15,731,435	2,124,212	—	59,987,022
Academic support	69,893,354	13,581,091	15,262,777	—	98,737,222
Student services	38,857,758	11,183,519	5,410,107	—	55,451,384
Institutional support	83,839,047	28,550,634	7,781,339	—	120,171,020
Operations and maintenance	71,942,252	27,484,188	—	—	99,426,440
Scholarships and fellowships	—	—	—	57,733,682	57,733,682
Auxiliary enterprises	89,918,267	85,256,313	30,910,290	6,252,190	212,337,060
Total operating expenses	<u>\$ 732,870,387</u>	<u>\$ 246,581,120</u>	<u>\$ 87,143,990</u>	<u>\$ 63,985,872</u>	<u>\$ 1,130,581,369</u>

Other Changes in Net Position

The University's state capital funds are comprised of funding received from the Public School and College Authority ("PSCA") for specific capital projects. The University received PSCA funding of \$21.0 million and \$658,000 in fiscal years 2022 and 2021, respectively.

Capital gifts and grants experienced an increase of \$14.6 million in 2022, primarily due to gifts and pledges received for capital projects. In 2021 capital gifts and grants decreased \$55.9 million. This was primarily due to CTF contingent gifts and pledges previously recorded as unearned revenue in fiscal year 2019 being recognized in fiscal year 2020, resulting in a large increase in that year. Additionally, capital gifts for CTF increased from continued fundraising for a capital campaign resulting in new gifts and pledges in 2020.

Additions to permanent endowments increased by \$24.4 million and \$7.4 million in 2022 and 2021, respectively, due to increases in endowed gifts.

Intragovernmental transfers are typically transactions between the University and CTF, a blended component unit of the University, and occasionally other state agencies. During 2022 intragovernmental transfers decreased by \$3.9 million from the prior year. During 2021 intragovernmental transfers increased by \$10.1 million from the prior year. The net of these transfers varies and is impacted by various projects and the timing of transfers around CTF's June 30 year-end.

Capital Assets and Debt Administration

At September 30, 2022, the University had \$3.7 billion invested in gross capital assets and accumulated depreciation of \$1.2 billion, a net of \$2.6 billion. At September 30, 2021, the University had \$3.6 billion invested in gross capital assets and accumulated depreciation of \$1.1 billion, a net of \$2.5 billion. At September 30, 2020, the University had \$3.4 billion invested in gross capital assets and accumulated depreciation of \$1.0 billion, a net of \$2.4 billion. Depreciation expense for fiscal years 2022, 2021, and 2020 totaled \$91.1 million, \$87.1 million, and \$81.7 million, respectively. Buildings and fixed equipment are responsible for the largest increase for each year presented. The following schedule summarizes the University's capital assets, net of accumulated depreciation:

Capital Assets, Net of Accumulated Depreciation

	2022	2021	2020
Land	\$ 94,028,783	\$ 88,004,264	\$ 82,116,244
Land improvements	51,972,057	53,194,061	53,721,720
Infrastructure	135,733,386	127,188,056	104,477,059
Buildings and fixed equipment	1,993,744,194	1,877,688,235	1,809,603,758
Construction in progress	91,697,132	144,052,143	130,618,222
Equipment	95,345,870	85,289,550	92,156,284
Library materials and collections	39,601,544	40,871,599	40,988,326
Intangible assets	59,263,831	60,388,167	60,963,979
Right-of-use assets	4,281,286	3,439,357	—
Total capital assets, net of accumulated depreciation	<u>\$ 2,565,668,083</u>	<u>\$ 2,480,115,432</u>	<u>\$ 2,374,645,592</u>

Significant capital asset expenditures for fiscal year 2022 included (in millions):

Tutwiler Residence Hall	\$31.5
Peter Bryce Main Building Stabilization, Phase 2	\$18.7
Campus Energy Delivery Optimization	\$17.8
School of Medicine MRI Addition	\$10.6
Angelo Bruno Business Library renovations	\$7.8
Tutwiler Site Redevelopment	\$7.2

Significant capital asset expenditures for fiscal year 2021 included (in millions):

Tutwiler Residence Hall	\$69.3
Hewson Hall	\$35.0
Bryant-Denny Stadium renovations and additions	\$10.8
2nd Avenue Overpass	\$9.6
Math & Science Education Building renovations	\$8.5
Capstone College of Nursing Addition	\$6.7

The University plans to fund ongoing construction projects with reserves, debt proceeds, private gifts, and various federal and state grants.

At September 30, 2022, the University had \$1.2 billion of debt outstanding, of which \$45.9 million was classified as current. At September 30, 2021, the University had \$1.2 billion of debt outstanding, of which \$43.0 million was classified as current. The University had \$1.2 billion of debt outstanding at September 30, 2020, of which \$41.3 million was classified as current.

Debt obligations bear interest at fixed rates ranging from 0.0% to 5.875% and mature at various dates through fiscal year 2049. The University defeased certain indebtedness relating to its Series 2014B bonds during fiscal year 2022 with the Series 2022A bond issuance. The University's outstanding debt obligations at September 30, 2022, 2021, and 2020, exclusive of debt discounts and premiums of \$66.0 million, \$84.7 million, and \$92.7 million, respectively, are summarized below. Further information may also be found in note 7.

Schedules of Long-Term Debt

	2022	2021	2020
Bonds payable	\$ 1,070,545,000	\$ 1,093,795,000	\$ 1,128,765,000
Notes payable	15,181,780	21,554,798	27,907,495
Total long-term debt	<u>\$ 1,085,726,780</u>	<u>\$ 1,115,349,798</u>	<u>\$ 1,156,672,495</u>

Future Economic Outlook

The University has positioned itself to weather the uncertain times our economy experiences. Prudent management, cost containment, conservative budgeting, and sensible investment strategies help ensure the University can remain dedicated to its mission of teaching, research, and service. We continuously strive to attract the best students, while increasing the intrinsic and marketable value of education offered at the University.

A crucial element to the University's future will continue to be our relationship with the State of Alabama as we work to maintain competitive tuition while providing an outstanding college education for our students. A direct relationship exists between the growth of state support and the University's ability to control tuition rates. There can be no assurance of future state appropriations. The University expects to be able to absorb any potential decrease of state funds, without a material reduction of its budget, through a combination of tuition increases, steady enrollment and internal reserves. State appropriations are not, and cannot lawfully be, pledged under debt indentures. Major financial strengths of the University include a diverse source of revenues, including state appropriations, tuition and fees (net of scholarship allowances), auxiliary units' revenue, private support, and federally sponsored grants and contracts.

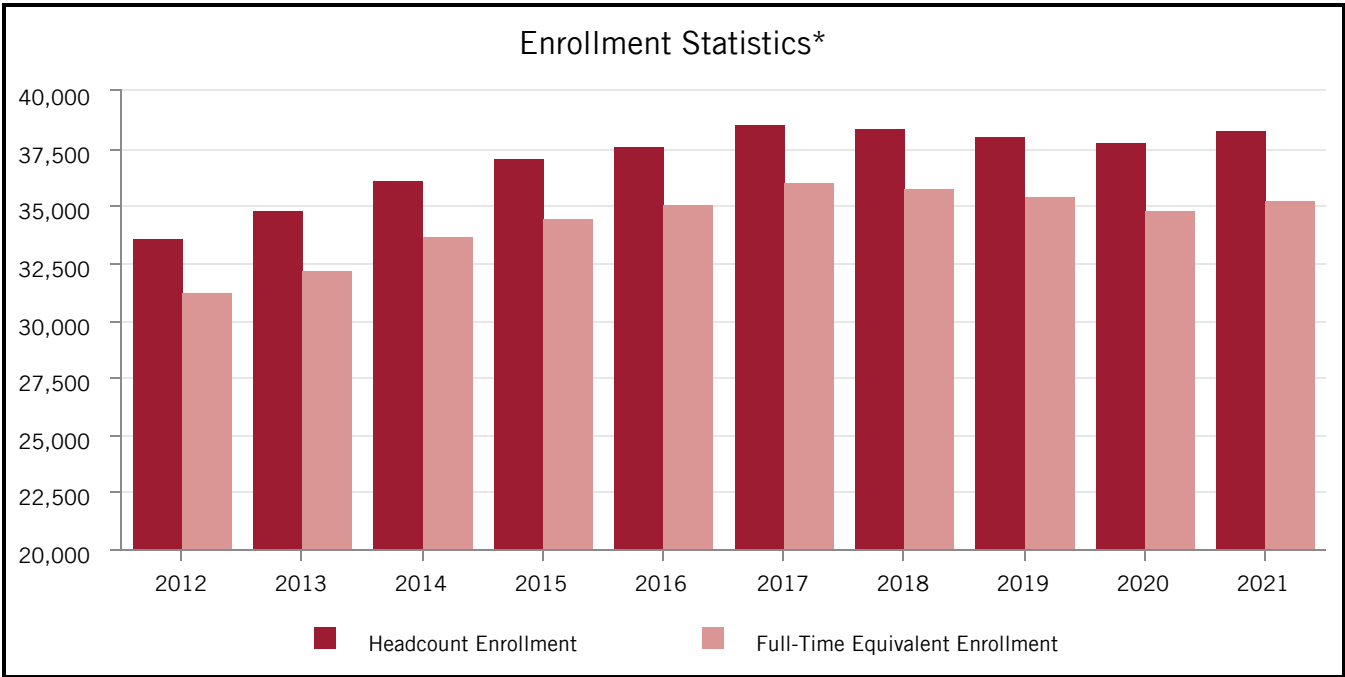
The University must have campus facilities that are competitive to support the mission of the institution and scope of its programs and services. The University continues to execute its long-term plan to modernize and expand its teaching, research, and student facilities with a balance of new construction and technology. The University strives to create a beautiful, inclusive and user-friendly campus. The continuous improvement of the University's aesthetic appeal offers visitors, current and prospective students, employees and the surrounding communities an attractive and appealing atmosphere in which to live and work.

The University's private support is fundamental in meeting budgetary needs. Gifts received are testaments to the high regard in which alumni, corporations, foundations, and other supporters hold the University. The level of private support underscores the continued confidence among donors in the quality of the University's programs and the importance of its mission. At the same time, economic pressures may also affect the future level of support the University receives from corporate and individual giving. Component units have also continued their level of support in the face of the current economic environment.

Enrollment and Statistics (Unaudited)

The University is a leader among public universities nationwide in the enrollment of National Merit Scholars, with a record of over 1,000 currently enrolled. University students continue to win prestigious national awards. Sixty University of Alabama students have been named Goldwater Scholars. The University has produced a total of 16 Rhodes Scholars, 16 Truman Scholars, 38 Hollings Scholars and 17 Boren Scholars. The Fulbright Program selected 18 University students for various awards during the 2022-2023 academic year.

Enrollment at the University for Fall 2021 was 38,320, an increase of 478 students from the prior year. Full-time equivalent ("FTE") enrollment totaled 35,247, an increase of 437. The chart below displays enrollment counts taken for each fall semester; the last of which (2021) demonstrates enrollment figures occurring for the fall semester of the 2022 fiscal year.



*Data obtained from the Office of Institutional Research and Assessment website.



The University of Alabama

Statistical Highlights

Fall Semester

Fall Headcount Enrollment*	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Undergraduate	31,688	31,672	32,798	33,030	33,305	32,564	31,960	30,754	29,443	28,026
Graduate	6,152	5,730	4,870	4,916	4,787	4,629	4,649	4,871	4,851	4,994
Professional	480	440	435	446	471	472	491	530	558	582
Total Fall Enrollment	38,320	37,842	38,103	38,392	38,563	37,665	37,100	36,155	34,852	33,602

Fall Full-Time Equivalent ("FTE") Enrollment*	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Undergraduate	29,943	29,756	31,037	31,364	31,671	30,902	30,262	29,254	27,950	26,753
Graduate	4,824	4,615	3,985	3,990	3,885	3,747	3,787	3,895	3,758	3,963
Professional	480	440	435	446	471	471	490	531	557	581
Total Fall Enrollment	35,247	34,811	35,457	35,800	36,027	35,120	34,539	33,680	32,265	31,297

Fall First-Time Freshman Admissions*	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Applications	42,421	39,560	38,505	37,302	38,129	38,237	35,623	33,261	30,797	26,252
Admitted	33,472	31,804	31,835	30,109	30,416	29,880	28,067	26,495	24,166	20,818
Enrolled	7,593	6,507	6,764	6,663	7,407	7,559	7,211	6,856	6,478	6,397
Percent Admitted	78.9 %	80.4 %	82.7 %	80.7 %	79.8 %	78.1 %	78.8 %	79.7 %	78.5 %	79.3 %
Percent Enrolled	22.7 %	20.5 %	21.2 %	22.1 %	24.4 %	25.3 %	25.7 %	25.9 %	26.8 %	30.7 %

Degrees Conferred Academic Years Ending May*	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Baccalaureate	6,741	7,363	7,429	6,912	6,750	6,501	6,354	5,662	5,408	5,000
Master's	2,180	1,859	1,831	1,750	1,681	1,578	1,650	1,672	1,645	1,659
Juris Doctor	130	119	130	134	138	133	144	144	172	168
Educational Specialist	39	26	25	20	22	48	38	48	28	38
Doctoral	266	245	253	282	290	304	305	379	329	325
Total Degrees Conferred	9,356	9,612	9,668	9,098	8,881	8,564	8,491	7,905	7,582	7,190

Academic Years Ending May**	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Undergraduate and Graduate Tuition										
Tuition Per Full-Time In-State Student	\$10,780	\$10,780	\$10,780	\$10,780	\$10,780	\$10,470	\$10,170	\$9,826	\$9,450	\$9,200
Percent Increase Over Prior Year	— %	— %	— %	— %	3.0 %	2.9 %	3.5 %	4.0 %	2.7 %	7.0 %
Tuition Per Full-Time Out-of-State Student	\$30,250	\$30,250	\$30,250	\$29,230	\$28,100	\$26,950	\$25,950	\$24,950	\$23,950	\$22,950
Percent Increase Over Prior Year	— %	— %	3.5 %	4.0 %	4.3 %	3.9 %	4.0 %	4.2 %	4.4 %	4.8 %
Law School Tuition										
Tuition Per Full-Time In-State Student	\$23,610	\$23,610	\$23,610	\$23,610	\$23,410	\$22,760	\$22,020	\$21,320	\$20,770	\$19,660
Percent Increase Over Prior Year	— %	— %	— %	0.9 %	2.9 %	3.4 %	3.3 %	2.6 %	5.6 %	9.0 %
Tuition Per Full-Time Out-of-State Student	\$43,060	\$43,060	\$43,060	\$41,870	\$40,360	\$38,820	\$37,360	\$36,000	\$34,840	\$32,920
Percent Increase Over Prior Year	— %	— %	2.8 %	3.7 %	4.0 %	3.9 %	3.8 %	3.3 %	5.8 %	6.4 %

*Data obtained from the Office of Institutional Research and Assessment website.

**Tuition data obtained from the Student Account Services website.

The University of Alabama

Statements of Net Position

September 30, 2022 and 2021

	2022	2021
Current assets		
Cash and cash equivalents	\$ 118,241,674	\$ 90,380,380
Short-term investments	513,436,516	550,519,440
Accounts receivable, net	90,543,755	96,781,946
Current portion of notes receivable, net	5,666,252	5,126,018
Current portion of student loans receivable, net	1,675,165	1,832,569
Current portion of pledges receivable, net	23,661,105	20,794,449
Inventories	5,631,913	4,307,165
Prepaid expenses and unearned scholarships	104,915,802	99,712,127
Other current assets	3,961,416	3,471,297
Total current assets	867,733,598	872,925,391
Noncurrent assets		
Restricted cash and cash equivalents	3,052,150	5,670,374
Endowment and life income investments	1,005,954,484	1,088,951,950
Investments for capital activities	313,646,182	400,827,180
Other long-term investments	166,681,793	277,511,686
Notes receivable, net	208,200,666	218,058,141
Student loans receivable, net	5,732,938	7,445,307
Pledges receivable, net	61,748,607	60,476,426
Capital assets, net	2,565,668,083	2,480,115,432
Other noncurrent assets	14,790,733	14,959,319
Total noncurrent assets	4,345,475,636	4,554,015,815
Total assets	5,213,209,234	5,426,941,206
Deferred outflows of resources		
Debt refundings	17,203,807	16,162,251
Pension and OPEB obligations	326,936,903	394,406,042
Total deferred outflows of resources	344,140,710	410,568,293
Total assets and deferred outflows of resources	\$ 5,557,349,944	\$ 5,837,509,499

See accompanying notes to financial statements.

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

	2022	2021
Current liabilities		
Accounts payable and accrued liabilities	\$ 163,086,282	\$ 150,665,240
Current portion of unearned revenue	327,534,318	321,417,138
Deposits	19,172,752	20,104,012
Line of credit	—	21,827,789
Current portion of long-term debt	45,898,865	43,028,018
Total current liabilities	<u>555,692,217</u>	<u>557,042,197</u>
Noncurrent liabilities		
Federal advances - loan funds	5,701,032	8,210,856
Other liabilities	7,021,265	15,694,911
Unearned revenue	6,575,764	8,292,864
Long-term debt, net	1,105,798,605	1,157,022,377
Pension liability	553,948,000	739,566,000
OPEB liability	220,215,581	276,972,007
Total noncurrent liabilities	<u>1,899,260,247</u>	<u>2,205,759,015</u>
Total liabilities	<u>2,454,952,464</u>	<u>2,762,801,212</u>
Deferred inflows of resources		
Pension and OPEB obligations	368,698,865	202,561,162
Leases	7,106,839	5,716,648
Split interest - remainder interest	1,395,928	2,917,003
Total deferred inflows of resources	<u>377,201,632</u>	<u>211,194,813</u>
Net position		
Net investment in capital assets	1,460,621,877	1,355,627,568
Restricted		
Nonexpendable	600,413,389	543,461,482
Expendable	561,259,065	653,094,564
Unrestricted	102,901,517	311,329,860
Total net position	<u>2,725,195,848</u>	<u>2,863,513,474</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,557,349,944</u>	<u>\$ 5,837,509,499</u>

See accompanying notes to financial statements.

The University of Alabama
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended September 30, 2022 and 2021

	2022	2021
Operating revenues		
Tuition and fees	\$ 765,508,001	\$ 753,560,370
Less: scholarship allowances	(280,492,218)	(271,660,919)
Tuition and fees, net	485,015,783	481,899,451
Grants and contracts		
Federal	89,559,584	75,652,584
State	33,028,646	31,175,136
Local	1,766,951	1,137,504
Private	7,211,400	7,100,867
Sales and services of educational activities	16,934,239	11,262,637
Auxiliary sales and services, net of \$13,403,733 in 2022 and \$10,952,361 in 2021 of scholarship allowances	220,599,553	207,244,020
Other operating revenues	92,211,504	55,566,533
Total operating revenues	<u>946,327,660</u>	<u>871,038,732</u>
Operating expenses		
Salaries, wages and benefits	724,478,126	732,870,387
Supplies and services	299,875,325	246,581,120
Depreciation	91,059,806	87,143,990
Scholarships and fellowships	33,834,238	63,985,872
Total operating expenses	<u>1,149,247,495</u>	<u>1,130,581,369</u>
Operating loss	<u>(202,919,835)</u>	<u>(259,542,637)</u>
Nonoperating revenues (expenses)		
State educational appropriations	194,970,221	190,568,533
Gifts	44,942,506	64,036,452
Grants	34,709,158	115,131,392
Investment (loss) income, net	(286,146,166)	409,930,867
Interest expense	(34,270,601)	(37,183,704)
Other nonoperating expenses, net	(3,665,697)	(1,467,274)
Net nonoperating (expenses) revenues	<u>(49,460,579)</u>	<u>741,016,266</u>
(Loss) income before other changes in net position	<u>(252,380,414)</u>	<u>481,473,629</u>
Other changes in net position		
State capital funds	20,953,780	657,766
Capital gifts and grants	33,892,304	19,291,609
Additions to permanent endowments	58,711,463	34,292,210
Intragovernmental transfers	505,241	4,430,113
Net other changes in net position	<u>114,062,788</u>	<u>58,671,698</u>
(Decrease) increase in net position	<u>(138,317,626)</u>	<u>540,145,327</u>
Net position, beginning of year	<u>2,863,513,474</u>	<u>2,323,368,147</u>
Net position, end of year	<u>\$ 2,725,195,848</u>	<u>\$ 2,863,513,474</u>

See accompanying notes to financial statements.

The University of Alabama

Statements of Cash Flows

For the Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Student tuition and fees, net	\$ 498,077,481	\$ 485,420,070
Grants and contracts		
Federal	88,622,529	73,634,776
State	33,314,770	26,697,931
Local	1,158,623	1,608,512
Private	6,678,110	6,529,072
Sales and services of educational activities	17,495,807	10,460,333
Other receipts	89,220,846	56,666,966
Auxiliary enterprises	211,239,633	234,399,024
Payments to suppliers	(306,133,831)	(257,094,769)
Payments to employees and related benefits	(733,549,357)	(684,096,830)
Payments for scholarships and fellowships	(37,025,793)	(64,335,403)
Receipts for student loans	1,869,774	561,868
Net cash used in operating activities	<u>(129,031,408)</u>	<u>(109,548,450)</u>
Cash flows from noncapital financing activities		
State educational appropriations	194,970,221	190,568,533
Private gifts for other than capital purposes	107,773,098	83,676,606
Grants	43,409,705	108,401,736
Student direct lending receipts	188,853,950	190,864,090
Student direct lending disbursements	(189,167,619)	(191,558,311)
Deposits from affiliates	313,669	694,221
Other disbursements, net	(577,513)	(2,767,988)
Intragovernmental transfers	120,730	1,393,963
Proceeds from line of credit	355,249	21,827,789
Principal payments on line of credit	(3,000,000)	—
Interest payments on line of credit	(49,867)	(134,280)
Net cash provided by noncapital financing activities	<u>343,001,623</u>	<u>402,966,359</u>
Cash flows from investing activities		
Interest and dividends on investments	43,494,375	41,203,373
Purchases of investments	(171,380,747)	(340,980,828)
Proceeds from sales and maturities of investments	129,646,271	174,321,092
Payments received on notes receivable	14,402,228	7,664,259
Disbursements from issuance of notes receivable	(266,180)	(392,285)
Net cash provided by (used in) investing activities	<u>15,895,947</u>	<u>(118,184,389)</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of notes and bonds payable	3,067	—
Capital gifts, grants and contracts	26,706,322	19,690,851
Principal and interest received on lease receivables	1,366,475	1,194,926
Purchases of capital assets	(148,489,759)	(191,248,147)
Principal payments on capital debt	(41,421,718)	(38,956,397)
Interest payments on capital debt	(40,721,196)	(44,141,161)
Principal and interest paid on lease obligations	(2,450,794)	(1,506,231)
Intragovernmental transfers	384,511	817,889
Net cash used in capital and related financing activities	<u>(204,623,092)</u>	<u>(254,148,270)</u>
Net increase (decrease) in cash and cash equivalents	<u>25,243,070</u>	<u>(78,914,750)</u>
Cash and cash equivalents, beginning of year	<u>96,050,754</u>	<u>174,965,504</u>
Cash and cash equivalents, end of year	<u><u>\$ 121,293,824</u></u>	<u><u>\$ 96,050,754</u></u>

See accompanying notes to financial statements.

The University of Alabama
Statements of Cash Flows, Continued
For the Years Ended September 30, 2022 and 2021

	2022	2021
Reconciliation of cash and cash equivalents to the statements of net position		
Unrestricted cash and cash equivalents-current	\$ 118,241,674	\$ 90,380,380
Restricted cash and cash equivalents-current and noncurrent	3,052,150	5,670,374
Total cash and cash equivalents	\$ 121,293,824	\$ 96,050,754
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (202,919,835)	\$ (259,542,637)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	91,059,806	87,143,990
Pension expense	46,340,744	86,319,581
OPEB expense	5,289,405	11,249,807
Bad debt expense	1,323,134	1,047,491
Bond issuance costs	96,500	—
Changes in assets and liabilities		
Accounts and other receivables	(5,312,133)	3,584,438
Inventories and other assets	(5,148,770)	(2,873,716)
Pension obligations	(54,098,003)	(51,757,744)
OPEB obligations	(6,299,730)	(7,359,091)
Accounts payable and accrued liabilities	46,142	(3,775,365)
Unearned revenue	2,545,681	28,865,528
Deposits	(1,954,349)	(2,450,732)
Net cash used in operating activities	\$ (129,031,408)	\$ (109,548,450)
Supplemental noncash activities information		
Gifts of capital assets	\$ 2,933,966	\$ 5,863,107
State capital funds	20,953,780	657,766
Change in accrued capital asset purchases	3,974,940	(8,191,038)
Gain (loss) on the disposal of capital assets	(3,465,866)	307,601
Debt proceeds immediately transferred into escrow	203,455,000	—
Payment of outstanding bonds principal and interest via escrow	203,355,443	—
Crimson Tide Foundation	22,171,724	12,150,927

See accompanying notes to financial statements.

The University of Alabama
Discretely Presented Component Units
Statements of Net Position
2022 and 2021

	2022	2021
Current assets		
Unrestricted cash and cash equivalents	\$ 12,835,730	\$ 17,135,729
Restricted cash and cash equivalents	37,043,096	34,234,861
Short-term investments	9,587,569	9,482,817
Accounts receivable, net	5,329,869	4,548,886
Current portion of notes receivable, net	1,105,147	1,250,330
Current portion of pledges receivable, net	281,733	321,336
Inventories	722,390	758,332
Prepaid expenses and unearned scholarships	2,154,037	145,269
Other current assets	42,741	24,337
Due from The University of Alabama	301,659	735,112
Total current assets	69,403,971	68,637,009
Noncurrent assets		
Restricted cash and cash equivalents	6,230,169	6,230,169
Endowment investments	122,179,386	130,118,525
Other long-term investments	39,085,166	49,026,661
Pledges receivable, net	149,199	260,309
Capital assets, net	68,036,000	70,059,788
Other noncurrent assets	96,400	96,400
Total noncurrent assets	235,776,320	255,791,852
Total assets	305,180,291	324,428,861
Deferred outflows of resources	7,414,488	8,277,288
Total assets and deferred outflows of resources	\$ 312,594,779	\$ 332,706,149
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,652,570	\$ 2,484,875
Unearned revenue	4,335,923	4,140,079
Current portion of long-term debt	3,990,417	3,929,662
Due to The University of Alabama	2,210,350	1,321,123
Total current liabilities	12,189,260	11,875,739
Noncurrent liabilities		
Other liabilities	6,105,522	6,552,697
Long-term debt, net	74,839,512	78,829,929
Due to The University of Alabama	9,221,462	10,652,081
Total noncurrent liabilities	90,166,496	96,034,707
Total liabilities	102,355,756	107,910,446
Deferred inflows of resources	—	4,500,000
Net position		
Net investment in capital assets	2,416,100	1,357,052
Restricted		
Nonexpendable	70,283,335	67,223,389
Expendable	48,096,592	59,516,800
Unrestricted	89,442,996	92,198,462
Total net position	210,239,023	220,295,703
Total liabilities, deferred inflows of resources, and net position	\$ 312,594,779	\$ 332,706,149

See accompanying notes to financial statements.

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended 2022 and 2021

	2022	2021
Operating revenues		
Gifts	\$ 7,638,657	\$ 7,784,295
Other operating revenues	51,680,926	42,647,893
Total operating revenues	<u>59,319,583</u>	<u>50,432,188</u>
Operating expenses		
Salaries, wages and benefits	19,966,834	17,699,370
Supplies and services	24,491,740	13,750,090
Depreciation	2,848,554	2,795,963
Scholarships and fellowships	3,060,895	3,189,300
Contributed services from affiliate	2,429,998	2,474,648
Total operating expenses	<u>52,798,021</u>	<u>39,909,371</u>
Operating income	<u>6,521,562</u>	<u>10,522,817</u>
Nonoperating revenues (expenses)		
Investment (loss) income, net	(13,476,346)	41,695,196
Interest expense	(3,280,223)	(3,313,737)
Contributions to The University of Alabama	(4,454,032)	(4,663,145)
Change in value of split-interest agreements	(294,560)	684,621
Contributed services from affiliate	2,429,998	2,474,648
Other nonoperating expenses	(7,300)	(7,300)
Net nonoperating (expenses) revenues	<u>(19,082,463)</u>	<u>36,870,283</u>
(Loss) income before other changes in net position	<u>(12,560,901)</u>	<u>47,393,100</u>
Other changes in net position		
Additions to permanent endowments	2,504,221	1,858,156
(Decrease) increase in net position	<u>(10,056,680)</u>	<u>49,251,256</u>
Net position, beginning of year	220,295,703	171,044,447
Net position, end of year	<u>\$ 210,239,023</u>	<u>\$ 220,295,703</u>

See accompanying notes to financial statements.

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

	Custodial Funds	
	2022	2021
Assets		
Cash	\$ 1,883,187	\$ 799,532
Short-term investments	7,532,746	3,198,127
Long-term investments	72,626,099	78,626,683
Total assets	\$ 82,042,032	\$ 82,624,342
Liabilities		
Accounts payable and accrued liabilities	\$ 3,402,018	\$ 438,530
Total liabilities	3,402,018	438,530
Net position		
Restricted for organizations	78,640,014	82,185,812
Total net position	\$ 78,640,014	\$ 82,185,812

The University of Alabama
Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2022 and 2021

	Custodial Funds	
	2022	2021
Additions		
Contributions	\$ 5,566,300	\$ 65,566,300
Investment income, net	1,384,135	423,283
Total additions	6,950,435	65,989,583
Deductions		
Construction/maintenance expenditures	10,496,233	3,636,657
Total deductions	10,496,233	3,636,657
(Decrease) increase in net position	(3,545,798)	62,352,926
Net position, beginning of year	82,185,812	19,832,886
Net position, end of year	\$ 78,640,014	\$ 82,185,812

See accompanying notes to financial statements.

The University of Alabama

Notes to Financial Statements

Years Ended September 30, 2022 and 2021

Note 1 – Organization and Summary of Significant Accounting Policies

The University of Alabama (the "University") in Tuscaloosa, Alabama 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"). These financial statements include individual schools, colleges and departments, and certain affiliated operations determined to be a part of the University's financial reporting entity. The financial statements of the University are intended to present the financial position, the changes in financial position, and the cash flows of only that portion of the business-type activities of the financial reporting entity of the System that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the System, its changes in financial position, or its cash flows. The System is recognized as an organization exempt from Federal Income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The University, 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"). The University is not a separate legal entity from the System and therefore, management is not required to and has not performed a going concern analysis at the University level. 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 the University. Such assets include the corpus of the University's permanent endowment funds.

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

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

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

The University's policy for defining operating activities as reported on the statements 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. As discussed further below, certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, including State educational appropriations, private gifts, certain grants, and investment income.

Auxiliary enterprise revenues primarily represent revenues generated by Intercollegiate Athletics, residence halls and the UA Supply Store. Revenues received for capital activities are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statements of revenues, expenses, and changes in net position.

All internal sales between University departments from sales and service units (fleet services, telecommunications, the UA Supply Store, etc.) have been eliminated in the accompanying financial statements.

When an expense is incurred that can be paid from either restricted or unrestricted net position, the University's policy is to allow the department incurring the expense to determine the appropriate funding source. Factors used by departments to determine which resources to use include relative priorities of the department in accordance with the University's strategic initiatives, externally imposed matching requirements of certain restricted funds, and any pertinent lapsing provisions of the available restricted or unrestricted funding resources. Major capital purchases are many times split funded from multiple restricted and unrestricted funding sources.

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 changes include those used in determining the allowance for uncollectible accounts, useful lives of capital assets, the valuation of investments (including endowed real estate), reserves for self-insurance, and reserves for general and professional liability claims. Although some variability is inherent in these estimates, management believes that the amounts provided are reasonable.

Implementation of New Standard: During fiscal year 2022, the University adopted GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the principle that leases serve to finance the right to use an underlying asset. The statement requires lessees to recognize right-to-use assets and related liabilities, and lessors to recognize receivables and corresponding deferred inflows of resources, for leases that were previously classified as operating and recognized as inflows or outflows of resources. GASB 87 requires a restatement of the earliest year presented. The effects of adopting GASB 87 to the University's financial statements for the year ended September 30, 2021, were as follows:

	As Previously Reported*	Effect of Adoption of GASB 87	As Restated
Business-type activities			
Statements of Net Position			
Current assets			
Accounts receivable, net	\$ 95,903,170	\$ 878,776	\$ 96,781,946
Total current assets	\$ 872,046,615	\$ 878,776	\$ 872,925,391
Noncurrent assets			
Capital assets, net	\$ 2,476,676,075	\$ 3,439,357	\$ 2,480,115,432
Other noncurrent assets	\$ 10,126,144	\$ 4,833,175	\$ 14,959,319
Total noncurrent assets	\$ 4,545,743,283	\$ 8,272,532	\$ 4,554,015,815
Total assets	\$ 5,417,789,898	\$ 9,151,308	\$ 5,426,941,206
Current liabilities			
Accounts payable and accrued liabilities	\$ 149,411,555	\$ 1,253,685	\$ 150,665,240
Total current liabilities	\$ 555,788,512	\$ 1,253,685	\$ 557,042,197
Noncurrent liabilities			
Other liabilities	\$ 13,477,912	\$ 2,216,999	\$ 15,694,911
Total noncurrent liabilities	\$ 2,203,542,016	\$ 2,216,999	\$ 2,205,759,015
Total liabilities	\$ 2,759,330,528	\$ 3,470,684	\$ 2,762,801,212
Deferred Inflows of Resources			
Deferred inflows of resources - leases	\$ —	\$ 5,716,648	\$ 5,716,648
Total deferred inflows of resources	\$ 205,478,165	\$ 5,716,648	\$ 211,194,813
Net Position			
Net position - unrestricted	\$ 311,365,884	\$ (36,024)	\$ 311,329,860
Total net position	\$ 2,863,549,498	\$ (36,024)	\$ 2,863,513,474

*Certain "As Previously Reported" balances presented reflect the revision adjustments discussed in the Revision of Previously Issued Financial Statements section of this Note 1.

	As Previously Reported*	Effect of Adoption of GASB 87	As Restated
Business-type activities			
Statements of Revenues, Expenses and Changes in Net Position			
Operating revenues			
Auxiliary sales and services, net	\$ 208,438,946	\$ (1,194,926)	\$ 207,244,020
Total operating revenues	\$ 872,233,658	\$ (1,194,926)	\$ 871,038,732
Operating expenses			
Supplies and services	\$ 248,087,351	\$ (1,506,231)	\$ 246,581,120
Depreciation	\$ 85,702,738	\$ 1,441,252	\$ 87,143,990
Total operating expenses	\$ 1,130,646,348	\$ (64,979)	\$ 1,130,581,369
Operating loss	\$ (258,412,690)	\$ (1,129,947)	\$ (259,542,637)
Nonoperating revenues (expenses)			
Interest expense	\$ (37,087,397)	\$ (96,307)	\$ (37,183,704)
Other nonoperating expenses, net	\$ (2,657,504)	\$ 1,190,230	\$ (1,467,274)
Net nonoperating revenues	\$ 739,922,343	\$ 1,093,923	\$ 741,016,266
Income before other changes in net position	\$ 481,509,653	\$ (36,024)	\$ 481,473,629
Increase in net position	\$ 540,181,351	\$ (36,024)	\$ 540,145,327
Statements of Cash Flows			
Cash flows from operating activities			
Auxiliary enterprises	\$ 235,593,950	\$ (1,194,926)	\$ 234,399,024
Payments to suppliers	\$ (258,601,000)	\$ 1,506,231	\$ (257,094,769)
Net cash used in operating activities	\$ (109,859,755)	\$ 311,305	\$ (109,548,450)
Cash flows from capital and related financing activities			
Principal and interest received on lease receivables	\$ —	\$ 1,194,926	\$ 1,194,926
Principal and interest paid on lease obligations	\$ —	\$ (1,506,231)	\$ (1,506,231)
Net cash used in capital and related financing activities	\$ (253,836,965)	\$ (311,305)	\$ (254,148,270)
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (258,412,690)	\$ (1,129,947)	\$ (259,542,637)
Depreciation expense	\$ 85,702,738	\$ 1,441,252	\$ 87,143,990
Net cash used in operating activities	\$ (109,859,755)	\$ 311,305	\$ (109,548,450)

*Certain "As Previously Reported" balances presented reflect the revision adjustments discussed in the Revision of Previously Issued Financial Statements section of this Note 1.

Other significant accounting policies of the University are as follows:

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

Investments: The University's investments are reported at fair value. The majority of the University's investment portfolio is invested in two separate investment pools managed by the System: the Pooled Endowment Fund and the Liquidity and Capital Reserve Pool Fund. 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 the University 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 and other valuations typically based on management assumptions or expectations. Investments received by gift, including real estate, are reported at fair value at date of receipt. Net investment income, including gains and losses associated with the increases and decreases in investment values, 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 statements of net position. Investments recorded as endowment and life income are those invested funds that cannot be used to fund current operations and thus are included in noncurrent assets. Investments for capital activities represent the investment of cash to fund future capital projects and are included in noncurrent assets. Other long-term investments are those invested funds with maturities greater than one year or are considered by management to be of a long duration that are not an investment of the endowment and life income fund or the plant fund. Short-term investments represent investments available for current operations.

Student Loans Receivable: Student loans receivable represent all amounts owed on promissory notes from debtors including campus-based and federal student loans.

Inventories: Inventories are carried at the lower of cost or market and consist primarily of the UA Supply Store inventory.

Accounts and Notes Receivable: Accounts receivable are largely comprised of tuition and fees 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 the University's contracts and grants. Accounts receivable are recorded net of estimated uncollectible amounts. The University has certain notes receivable, principally from campus student organizations, for construction.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts, less accumulated depreciation. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. The University capitalizes certain software and development costs associated with obtaining and developing internal-use computer software. Training costs and data conversion costs are expensed as incurred.

In accordance with GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, which aims to enhance the relevance and comparability of capital assets information and the cost of borrowing, the University expenses interest cost incurred before the end of a construction period rather than capitalizing it.

Depreciation of buildings and building improvements and infrastructure (20-50 years), land improvements (20 years), library collections (10 years), and inventoried equipment (5-15 years) is computed on a straight-line basis.

Pledges: The University receives pledges and bequests of financial support. Revenue is recognized when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Pledges are recorded at their gross, undiscounted amount, net of a reasonable provision for doubtful accounts. Endowment pledges do not meet eligibility requirements and are not recorded as assets until the related gift is received. Due to uncertainties with regard to their realization and valuation, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met.

Charitable Remainder Trusts: The University is the beneficiary of various charitable remainder trust funds. Under the terms of the agreements, the University has the irrevocable right to receive the remaining assets of the trusts upon the death of a specified beneficiary or beneficiaries in exchange for a stipulated amount to be paid periodically to the donor or their designee until the death of the beneficiary. Following the death of the beneficiary, the remainder is transferred to the University as either unrestricted or restricted funds depending on donor-imposed purpose restrictions. The assets received at the inception of a charitable remainder trust agreement are recorded at fair value at the date of gift. These assets are held by the University. The fair value of charitable remainder trust assets, which is included in endowment and life income investments in the accompanying statements of net position, totaled \$4.7 million at September 30, 2022 and \$6.2 million at September 30, 2021. Any change in value related to these trusts is recorded as an increase or decrease in the related deferred inflows of resources in the statements of net position.

The liability associated with these agreements is recorded at the present value based on IRS mortality tables and prevailing interest rates. The liability is reduced for distributions made to the beneficiaries and is adjusted annually for revaluations of expected future payments to the beneficiaries based on changes in life expectancy. The present value of the liability associated with these agreements totaled \$3.2 million at both September 30, 2022 and 2021.

Beneficial Interest in Perpetual Trusts: Perpetual trusts are trusts under which the University will receive income distributions in perpetuity, but will never receive the corpus of the trust assets (principal). Income received from perpetual trusts is classified as unrestricted or restricted expendable net position depending on donor restrictions.

Endowment Spending: The Board of Trustees of the University of Alabama (the "Board") balances the long-term objective of maintaining the purchasing power of the Endowment with the goal of providing a reasonable, predictable, stable, and sustainable level of income to support current objectives. The Board has established a spending rate for the Endowment of 4.5% of the 60-month moving average of unit market values.

In determining whether it is appropriate to make distributions, the System complies with Section 4 of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as adopted by the State of Alabama and codified at Code of Alabama, 19-3C-1, et sec., or any successor statute or statutes governing such distributions. UPMIFA requires, if relevant, consideration of seven factors when determining when spending is prudent: "(1) the duration and preservation of the endowment fund; (2) the purposes of the institution and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the institution; (7) and the investment policy of the institution."

University financial and advancement officers have established internal policies regarding endowment funds that have a current market value less than its historical dollar values based on UPMIFA guidelines, in which case earnings are distributed but gains are returned to enhance the value of the corpus. Historical value or corpus is defined as the original donor contribution plus any additional contributions, and any additions to historic dollar value as prescribed by the donor's gift instrument. In all instances, the donor's intent is met.

To prevent spending before earnings have accumulated, any new endowment fund shall be invested in the Endowment for a consecutive period of twelve months prior to the distribution of a spending allocation of realized gains.

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

Unearned Revenues: Unearned revenues consist primarily of tuition and housing revenues, which are subject also to a prorated adjustment so noted in the previous paragraph. Intercollegiate Athletics ticket revenue related to future fiscal years is also a component of unearned revenue. Unearned revenue for the Crimson Tide Foundation ("CTF") consists of Tide Pride amenity income collected in advance that will not be earned until future years.

Federal Refundable Loans: Certain loans to students are administered by the University with funding primarily supported by the federal government. The University's statements of net position include both the loans 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. At both September 30, 2022 and 2021, there was no payable to the Department of Education for its portion of the excess cash available at June 30, 2022 and 2021.

Compensated Absences: The University accrues liabilities for employees' annual and sick leave balances. The accrual rates are formulated calculations based on length of service, job classification, and hours worked. Adjustments to the accrual are recorded annually.

Deferred Outflows of Resources: Deferred outflows of resources represent the consumption of net assets attributable to a future reporting period and consist of bond deferred refunding amounts, pension obligations, and other post-employment benefits ("OPEB") obligations. Pension obligations include differences between expected and actual experience, changes in actuarial and other assumptions, net difference between projected and actual earnings on pension plan investments, changes in proportion of the allocated pension liability and differences between employer contributions and proportionate share of contributions, and employer contributions to the Teachers' Retirement System subsequent to the Plan's measurement date. OPEB obligations include differences between expected and actual experience, changes in actuarial and other assumptions, net difference between projected and actual earnings on OPEB plan investments, changes in proportion of the allocated OPEB liability and differences between employer contributions and proportionate share of contributions, and employer contributions to the Alabama Retired Education Employees' Health Care Trust subsequent to the Trust's measurement date.

Deferred Inflows of Resources: Deferred inflows of resources represent the acquisition of net assets attributable to a future reporting period and are composed of pension and OPEB obligations, inflows related to lease receivables, and the University's remainder interest in its irrevocable split interest agreements. Pension obligations include differences between expected and actual experience and changes in proportion of the allocated pension liability and differences between employer contributions and proportionate share of contributions. OPEB obligations include differences between expected and actual experience, changes in actuarial and other assumptions, net difference between projected and actual

earnings on OPEB plan investments, and changes in proportion of the allocated OPEB liability and differences between employer contributions and proportionate share of contributions.

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: The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with sponsored programs in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, based on the terms of the individual grant or contract. Federal Pell grants are recorded as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position.

Nonoperating Revenues (Expenses): Nonoperating revenues and expenses include State educational appropriations, private gifts for other than capital purposes, nonoperating grants such as Federal Pell grants, investment income, net of unrealized appreciation or depreciation in the fair value of investments, and interest expense. As discussed below, nonoperating grant revenue in fiscal years 2022 and 2021 includes federal economic relief funds received from the federal government as a result of the Coronavirus Aid, Relief and Economic Security ("CARES") Act.

Fiduciary Activities: GASB Statement No. 84, *Fiduciary Activities* requires the University to report certain custodial funds separately within a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary activities that are reported as custodial consist of funds held by the University on behalf of the Alabama Department of Mental Health ("ADMH"). The University provides the ADMH with certain maintenance services for its facilities and oversees construction projects on behalf of the ADMH. In order to facilitate payment for those and other services, the ADMH places funds on deposit with UA to make expenditures on their behalf.

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

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

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

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

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

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

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

Revision of Previously Issued Financial Statements: During 2022, the University concluded that unrealized gains of approximately \$3.3 million were improperly included as investment income on the statement of changes in fiduciary net position for the year ended September 30, 2021. The misstatement overstated fiduciary investment income, long-term investments, and net position restricted for organizations by \$3.3 million. Conversely, the misstatement understated the University's business-type activity investment income, other long-term investments, and unrestricted net position by \$3.3 million. Management has concluded that, individually and in the aggregate, this misstatement is not material to either the University's business-type activity financial statements or to the fiduciary financial statements, and thus management has revised the University's 2021 business-type activity statements of net position and of revenues, expenses and changes in net position as well as the fiduciary statements of net position and of changes in fiduciary net position to correct this misstatement. The following table sets forth the effects of the revision on the University's business-type and fiduciary financial statements as of and for the year ended September 30, 2021.

	As Previously Reported	Revision Adjustments	As Revised*
Business-type activities			
Statement of Net Position			
Other long-term investments	\$ 274,255,686	\$ 3,256,000	\$ 277,511,686
Total noncurrent assets	\$ 4,542,487,283	\$ 3,256,000	\$ 4,545,743,283
Total assets	\$ 5,414,533,898	\$ 3,256,000	\$ 5,417,789,898
Net position - unrestricted	\$ 308,109,884	\$ 3,256,000	\$ 311,365,884
Total net position	\$ 2,860,293,498	\$ 3,256,000	\$ 2,863,549,498
Statement of Revenues, Expenses and Changes in Net Position			
Investment income, net	\$ 406,674,867	\$ 3,256,000	\$ 409,930,867
Net nonoperating revenues	\$ 736,666,343	\$ 3,256,000	\$ 739,922,343
Income before other changes in net position	\$ 478,253,653	\$ 3,256,000	\$ 481,509,653
Increase in net position	\$ 536,925,351	\$ 3,256,000	\$ 540,181,351
	As Previously Reported	Revision Adjustments	As Revised
Fiduciary activities			
Statement of Fiduciary Net Position			
Long-term investments	\$ 81,882,683	\$ (3,256,000)	\$ 78,626,683
Total assets	\$ 85,880,342	\$ (3,256,000)	\$ 82,624,342
Net position - restricted for organizations	\$ 85,441,812	\$ (3,256,000)	\$ 82,185,812
Statement of Changes in Fiduciary Net Position			
Investment income, net	\$ 3,679,283	\$ (3,256,000)	\$ 423,283
Total additions	\$ 69,245,583	\$ (3,256,000)	\$ 65,989,583
Increase in net position	\$ 65,608,926	\$ (3,256,000)	\$ 62,352,926

*The revised balances presented are prior to the adoption of GASB Statement No. 87, *Leases*, which the University adopted in 2022 and which requires restatement of the earliest year presented. See Implementation of New Accounting Standard of this Note 1 for further information about the implementation of GASB Statement No. 87.

Note 2 – Component Units

Scope of Statements – GASB Statement No. 14, *The Financial Reporting Entity*, as amended, 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 this statement 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 statement as amended provides 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.

CTF, which has a fiscal year end of June 30, is presented as a blended component unit within the University's financial statements. CTF is a nonprofit corporation organized exclusively to promote and encourage a continuing interest in and loyalty to the Intercollegiate Athletics program at the University; to promote, encourage and support the construction, improvement and renovation of athletic facilities; to encourage alumni and friends of the University to generously support the University and its Athletics Department by gifts, devises and bequests; to support, promote and encourage the education of University students; and to conduct any and all appropriate activities, in accordance with National Collegiate Athletic Association and Southeastern Conference policies on institutional control, in order to accomplish the above objectives and purposes.

CTF is included in the University's financial statements as a blended component unit as it operates as an extension of the Intercollegiate Athletics Department and it almost exclusively benefits the University. Gift revenue, which is presented as operating revenue for CTF on its statements of revenues, expenses and changes in net position, is presented as nonoperating revenue when blended with the University's statements. Capital gifts, which are also included within operating gifts on CTF's financials, are presented as capital gifts on the statements of revenues, expenses and changes in net position when blended with the University's statements.

CTF financial information for the years ended June 30, 2022 and 2021 is included in the University's financial statements and presented on the following pages.

The Crimson Tide Foundation
Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 231,173	\$ 4,796
Short-term investments	105,839,513	96,959,639
Current portion of pledges receivable, net	13,060,857	12,625,369
Other current assets	363,113	17,427
Other receivables	4,790,760	672,041
Total current assets	<u>124,285,416</u>	<u>110,279,272</u>
Noncurrent assets		
Restricted cash and cash equivalents	103,870	376,553
Endowment investments	66,115,586	69,761,452
Pledges receivable, net	33,338,775	41,977,186
Other long-term investments	74,768,819	108,746,395
Capital assets, net	7,569,414	8,221,681
Total noncurrent assets	<u>181,896,464</u>	<u>229,083,267</u>
Total assets	<u><u>\$ 306,181,880</u></u>	<u><u>\$ 339,362,539</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,376,121	\$ 775,256
Current portion of unearned revenue	36,884,934	34,908,827
Note payable, current portion	827,565	806,718
Line of credit	—	21,827,789
Other current liabilities	6,504,622	638,130
Total current liabilities	<u>45,593,242</u>	<u>58,956,720</u>
Noncurrent liabilities		
Note payable, noncurrent portion	3,221,615	4,049,180
Total noncurrent liabilities	<u>3,221,615</u>	<u>4,049,180</u>
Total liabilities	<u>48,814,857</u>	<u>63,005,900</u>
Net position		
Net investment in capital assets	3,520,235	3,365,784
Restricted		
Nonexpendable	58,304,050	55,942,473
Expendable	117,061,166	126,436,501
Unrestricted	78,481,572	90,611,881
Total net position	<u>257,367,023</u>	<u>276,356,639</u>
Total liabilities and net position	<u><u>\$ 306,181,880</u></u>	<u><u>\$ 339,362,539</u></u>

The Crimson Tide Foundation
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	2022	2021
Operating revenues		
Private gifts	\$ 19,308,484	\$ 35,929,886
Other operating revenues	63,487,248	32,157,943
Grant revenues	400,000	400,000
Total operating revenues	<u>83,195,732</u>	<u>68,487,829</u>
Operating expenses		
Benefits	1,164,282	1,257,442
Scholarships	2,292,325	2,268,480
Legal and professional fees	2,711,088	1,054,952
Travel	1,980,565	1,751,556
Supplies	2,290,580	2,216,220
Conference and entertainment	1,366,059	294,912
Rentals	128,645	40,772
Repairs and maintenance	100,484	83,692
Depreciation	652,267	652,268
Other	1,800,586	735,021
Total operating expenses	<u>14,486,881</u>	<u>10,355,315</u>
Operating income	<u>68,708,851</u>	<u>58,132,514</u>
Nonoperating (expenses) revenues		
Investment (loss) income, net	(32,243,067)	48,921,628
Interest expense	(164,487)	(269,221)
Net nonoperating (expenses) revenues	<u>(32,407,554)</u>	<u>48,652,407</u>
Income before other changes in net position	<u>36,301,297</u>	<u>106,784,921</u>
Other changes in net position		
Additions to permanent endowments	2,283,385	4,159,058
Intergovernmental transfers	(57,574,298)	(59,113,157)
(Decrease) increase in net position	<u>(18,989,616)</u>	<u>51,830,822</u>
Net position, beginning of year	<u>276,356,639</u>	<u>224,525,817</u>
Net position, end of year	<u><u>\$ 257,367,023</u></u>	<u><u>\$ 276,356,639</u></u>

The Crimson Tide Foundation
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Private gifts	\$ 29,365,806	\$ 25,525,233
Other operating revenues	56,518,836	37,121,622
Grant revenues	400,000	400,000
Transfers to the University of Alabama	(51,707,806)	(62,794,099)
Payments to suppliers	(10,590,749)	(6,010,170)
Net cash provided by (used in) operating activities	23,986,087	(5,757,414)
Cash flows from noncapital financing activities		
Additions to permanent endowments	2,283,385	3,886,580
Principal payments on line of credit	(3,000,000)	—
Proceeds from line of credit	355,249	21,827,789
Interest payments on line of credit	(49,867)	(134,280)
Net cash (used in) provided by noncapital financing activities	(411,233)	25,580,089
Cash flows from capital and related financing activities		
Principal payments on note payable	(806,718)	(786,397)
Interest payments on note payable	(114,620)	(134,941)
Net cash used in capital and related financing activities	(921,338)	(921,338)
Cash flows from investing activities		
Purchases of investments	(50,148,700)	(79,024,370)
Proceeds from the sales and maturities of investments	21,666,814	56,100,000
Interest and dividends on investments	5,782,064	4,166,044
Net cash used in investing activities	(22,699,822)	(18,758,326)
Net (decrease) increase in cash and cash equivalents	(46,306)	143,011
Cash and cash equivalents, beginning of year	381,349	238,338
Cash and cash equivalents, end of year	\$ 335,043	\$ 381,349

The Crimson Tide Foundation
Statements of Cash Flows, Continued
For the Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 231,173	\$ 4,796
Restricted cash and cash equivalents in noncurrent assets	103,870	376,553
Total cash and cash equivalents	<u>\$ 335,043</u>	<u>\$ 381,349</u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Net operating income	\$ 68,708,851	\$ 58,132,514
Intergovernmental transfers	(57,574,298)	(59,113,157)
Adjustments to reconcile operating income net of intergovernmental transfers to net cash provided by (used in) operating activities		
Depreciation expense	652,267	652,268
Provision for uncollectible pledges	(83,704)	818,605
Changes in assets and liabilities		
Pledges receivable	8,286,627	(2,332,637)
Other receivables	(4,101,434)	118,272
Other current assets	(345,686)	124,363
Accounts payable	600,865	580,685
Other current liabilities	5,866,492	(3,680,943)
Unearned revenue	1,976,107	(1,057,384)
Net cash provided by (used in) operating activities	<u>\$ 23,986,087</u>	<u>\$ (5,757,414)</u>
Supplemental noncash activities information		
Dealer cars provided by Athletics	\$ 751,578	\$ 828,668
Supplies provided by contractual agreement	1,850,000	1,800,000
Complimentary club memberships provided to Athletics	207,108	179,160
Complimentary housing provided to Athletics staff	180,000	180,000
LCRPF withdrawal to pay on line of credit	19,183,038	—
Refund prior year Tide Pride to permanent endowments	—	272,478
Refund prior year Tide Pride to private gifts	—	8,890,621

The University reports six discretely presented foundations, which have been organized exclusively for charitable, scientific and educational purposes for the benefit of certain constituents of the University. The six foundations are: The National Alumni Association of The University of Alabama, The Capstone Foundation, The 1831 Foundation, The University of Alabama Law School Foundation, The Capstone Health Services Foundation, and The University of Alabama Donor Advised Fund (the "Foundations"). Because of the financial benefit relationship that exists between the University and the Foundations, these Foundations are considered component units of the University and are discretely presented in the accompanying financial statements in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* - an Amendment of GASB Statement No. 14. Management deems discrete presentation appropriate for the Foundations because their governing bodies are not substantially the same as the University, and the Foundations exist to benefit constituents broader than the University itself.

The Foundations are not-for-profit organizations. The National Alumni Association of the University of Alabama, The University of Alabama Law School Foundation and The Capstone Foundation report financial results under principles prescribed by the Financial Accounting Standards Board ("FASB"). The remaining Foundations mentioned in the paragraph above report financial results under principles prescribed under the GASB, similar to those as described for the University. Certain FASB revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Therefore, certain modifications have been made to the presentation of the FASB-reporting Foundations' financial statements in the University's financial reporting entity to conform with the University's financial statement presentation. The following are certain financial statement principles and policies followed by the FASB-reporting discretely presented component units:

Basis of Accounting – FASB-Reporting Discretely Presented Component Units – The financial statements of the Foundations have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions. Generally, these are resources available to support operations. Items that affect this net asset category primarily include unrestricted gifts, earnings on unrestricted gifts, and expenses and losses. In order to comply with GASB presentation features, net assets without donor restrictions for the FASB foundations are presented as unrestricted net position within the University's discrete presentation of these component units.
- **With Donor Restrictions** – Net assets with donor restrictions are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. When a donor's restriction is met or has expired, the amounts are reclassified to net assets without donor restrictions. Items that affect this net asset category include restricted gifts and earnings on endowment funds expendable for purposes stipulated by the donor. In order to comply with GASB presentation features, these net assets with donor restrictions for the FASB foundations are presented as restricted expendable net position within the University's discrete presentation of these component units. Some donor-imposed restrictions are to be maintained permanently by the Foundation. These resources include gifts wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment) and only the income earned on the gifts be made available for expenditure. In order to comply with GASB presentation features, net assets with these donor restrictions for the FASB foundations are presented as restricted nonexpendable net position within the University's discrete presentation of these component units.

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

Investments - Discretely Presented Component Units – The FASB-reporting Foundations' investments in debt securities, equity securities and mutual funds are reported at their fair values based on published market price or other observable inputs. These Foundations invest certain amounts in System-sponsored investment pools: the Pooled Endowment Fund and the Liquidity and Capital Reserve Pool Fund (see note 4). The value of the Foundations' beneficial interests in the pools is determined by the System and based on the Foundations' proportionate shares of the net asset value of the pools. The pools invest in various investment securities, including both marketable and non-readily marketable securities.

Investments received by gift are stated at fair value at date of receipt. Changes in fair values are reported as unrealized gains or losses on the statements of activities and changes in net assets. All interest income and realized and unrealized gains and losses are reported in the statements of activities and changes in net assets.

Endowments - Discretely Presented Component Units – As discussed in Note 1, the Alabama UPMIFA was enacted by the Alabama State Legislature and signed into law effective January 1, 2009. Endowment earnings and distributions are appropriated for expenditure by the governing Boards of Directors of the Foundations in a manner consistent with the standard of prudence prescribed by UPMIFA. In order to conform to the standards for prudent fiduciary management of investments, each Foundation's Board of Directors has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. In order to comply with GASB presentation features, permanent endowment gifts for the FASB foundations are presented separately from gifts as additions to permanent endowments within the University's discrete presentation of these component units.

Contributions Receivable – Discretely Presented Component Units – Contributions received, including unconditional promises to give, are recognized as revenues at their fair values in the period received. For financial reporting purposes, the FASB-reporting Foundations distinguish between contributions of assets with and without donor restrictions. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as gifts with donor restrictions if the restrictions are not met in the same reporting period as the gift. When such donor-imposed restrictions are met in subsequent reporting periods, donor-restricted gifts are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions of assets that donors have stipulated must be maintained permanently, with only the income earned available for current use, are also classified as gifts with donor restrictions. Contributions for which donors have not stipulated restrictions are reported as gifts without donor restrictions.

Unconditional promises to give with payments due in future periods are reported as restricted support. Gifts of land, buildings, and equipment are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulation, the Foundations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Eminent Scholars Program – The University records a receivable which is included in other noncurrent assets in the accompanying statements of net position from The Capstone Foundation related to the Eminent Scholars Program established by the State of Alabama Act No. 85-759 and administered by the Alabama Commission on Higher Education. The program provides that donor gifts of \$600,000 held in a foundation affiliated with the University are eligible for \$400,000 in State matching funds. In prior years, the University received funds from donors intended to be matched in accordance with this program. Consistent with the provision of the program, the University transferred the corpus of these funds to The Capstone Foundation, as agent for the University, whereby the State would match these donations. The program has been inactive since 1997, and no matching funds have been provided to date. These funds held by the Capstone Foundation include both the corpus and any unrealized gains or losses earned thereon and are shown as a receivable from the Capstone Foundation. Unrealized gains or losses earned each year on the corpus are added to or subtracted from the receivable and reported as investment income by the University. Realized gains and investment income earned each year on the corpus amount are distributed to the University and reported as investment income. At September 30, 2022 and 2021, the receivable totaled \$9.2 million and \$10.3 million, respectively. The Capstone Foundation records a corresponding payable for the Eminent Scholars Program.

The University of Alabama
Discretely Presented Component Units
Statements of Net Position
2022

	National Alumni Association June 30, 2022	Law School Foundation June 30, 2022	Donor Advised Fund June 30, 2022
Current assets			
Cash and cash equivalents	\$ 595,989	\$ 247,447	\$ —
Restricted cash and cash equivalents	—	—	—
Short-term investments	—	—	753,959
Accounts receivable, net	714,601	467,473	2,660
Current portion of notes receivable, net	—	—	—
Current portion of pledges receivable, net	—	150,955	—
Inventories	—	—	—
Prepaid expenses and unearned scholarships	—	—	—
Other current assets	32,143	10,598	—
Due from The University of Alabama	—	—	—
Total current assets	1,342,733	876,473	756,619
Noncurrent assets			
Restricted cash and cash equivalents	—	—	—
Endowment investments	64,966,642	45,673,896	—
Other long-term investments	11,722,213	1,995,957	5,152,911
Pledges receivable, net	—	138,200	—
Capital assets, net	—	—	—
Other noncurrent assets	—	—	—
Total noncurrent assets	76,688,855	47,808,053	5,152,911
Total assets	78,031,588	48,684,526	5,909,530
Deferred outflows of resources	—	—	—
Total assets and deferred outflows of resources	\$ 78,031,588	\$ 48,684,526	\$ 5,909,530
Current liabilities			
Accounts payable and accrued liabilities	\$ 294,324	\$ 4,800	\$ —
Unearned revenue	—	—	—
Current portion of long-term debt	—	—	—
Due to The University of Alabama	173,826	99,247	—
Total current liabilities	468,150	104,047	—
Noncurrent liabilities			
Other liabilities	—	—	—
Long-term debt, net	—	—	—
Due to The University of Alabama	—	—	—
Total noncurrent liabilities	—	—	—
Total liabilities	468,150	104,047	—
Deferred inflows of resources	—	—	—
Net position			
Net investment in capital assets	—	—	—
Restricted			
Nonexpendable	35,581,318	34,683,769	—
Expendable	10,705,840	11,535,778	5,889,876
Unrestricted	31,276,280	2,360,932	19,654
Total net position	77,563,438	48,580,479	5,909,530
Total liabilities, deferred inflows of resources, and net position	\$ 78,031,588	\$ 48,684,526	\$ 5,909,530

The University of Alabama
Discretely Presented Component Units
Statements of Net Position, Continued
2022

	Capstone Foundation Sept. 30, 2022	1831 Foundation Sept. 30, 2022	Capstone Health Services Foundation Sept. 30, 2022
Current assets			
Cash and cash equivalents	\$ 322,508	\$ 781,188	\$ 10,888,598
Restricted cash and cash equivalents	—	37,043,096	—
Short-term investments	—	791,700	8,041,910
Accounts receivable, net	124,120	—	4,021,015
Current portion of notes receivable, net	—	—	1,105,147
Current portion of pledges receivable, net	130,778	—	—
Inventories	95,360	—	627,030
Prepaid expenses and unearned scholarships	131,607	—	2,022,430
Other current assets	—	—	—
Due from The University of Alabama	—	—	301,659
Total current assets	804,373	38,615,984	27,007,789
Noncurrent assets			
Restricted cash and cash equivalents	—	6,230,169	—
Endowment investments	11,538,848	—	—
Other long-term investments	16,812,835	3,401,250	—
Pledges receivable, net	10,999	—	—
Capital assets, net	109,911	63,311,474	4,614,615
Other noncurrent assets	96,400	—	—
Total noncurrent assets	28,568,993	72,942,893	4,614,615
Total assets	29,373,366	111,558,877	31,622,404
Deferred outflows of resources	—	7,414,488	—
Total assets and deferred outflows of resources	\$ 29,373,366	\$ 118,973,365	\$ 31,622,404
Current liabilities			
Accounts payable and accrued liabilities	\$ 129,789	\$ 578,318	\$ 645,339
Unearned revenue	—	4,335,923	—
Current portion of long-term debt	—	3,990,417	—
Due to The University of Alabama	781,810	385,738	769,729
Total current liabilities	911,599	9,290,396	1,415,068
Noncurrent liabilities			
Other liabilities	3,108,382	—	2,997,140
Long-term debt, net	—	74,839,512	—
Due to The University of Alabama	9,221,462	—	—
Total noncurrent liabilities	12,329,844	74,839,512	2,997,140
Total liabilities	13,241,443	84,129,908	4,412,208
Deferred inflows of resources	—	—	—
Net position			
Net investment in capital assets	—	1,180,040	1,236,060
Restricted			
Nonexpendable	18,248	—	—
Expendable	14,064,742	5,900,356	—
Unrestricted	2,048,933	27,763,061	25,974,136
Total net position	16,131,923	34,843,457	27,210,196
Total liabilities, deferred inflows of resources, and net position	\$ 29,373,366	\$ 118,973,365	\$ 31,622,404

The University of Alabama
Discretely Presented Component Units
Statements of Net Position
2021

	National Alumni Association June 30, 2021	Law School Foundation June 30, 2021	Donor Advised Fund June 30, 2021
Current assets			
Cash and cash equivalents	\$ 447,889	\$ 188,328	\$ —
Restricted cash and cash equivalents	—	—	—
Short-term investments	—	—	1,036,106
Accounts receivable, net	719,411	456,926	5,178
Current portion of notes receivable, net	—	—	—
Current portion of pledges receivable, net	—	201,205	—
Inventories	—	—	—
Prepaid expenses and unearned scholarships	16,869	—	—
Other current assets	21,429	2,908	—
Due from The University of Alabama	—	—	—
Total current assets	1,205,598	849,367	1,041,284
Noncurrent assets			
Restricted cash and cash equivalents	—	—	—
Endowment investments	68,343,961	48,444,055	—
Other long-term investments	13,404,395	2,000,458	5,518,806
Pledges receivable, net	—	255,655	—
Capital assets, net	—	—	—
Other noncurrent assets	—	—	—
Total noncurrent assets	81,748,356	50,700,168	5,518,806
Total assets	82,953,954	51,549,535	6,560,090
Deferred outflows of resources	—	—	—
Total assets and deferred outflows of resources	\$ 82,953,954	\$ 51,549,535	\$ 6,560,090
Current liabilities			
Accounts payable and accrued liabilities	\$ 179,912	\$ 152	\$ 25,764
Unearned revenue	—	—	—
Current portion of long-term debt	—	—	—
Due to The University of Alabama	304,611	47,709	—
Total current liabilities	484,523	47,861	25,764
Noncurrent liabilities			
Other liabilities	—	—	—
Long-term debt, net	—	—	—
Due to The University of Alabama	—	—	—
Total noncurrent liabilities	—	—	—
Total liabilities	484,523	47,861	25,764
Deferred inflows of resources	—	—	—
Net position			
Net investment in capital assets	—	—	—
Restricted			
Nonexpendable	33,937,676	33,267,503	—
Expendable	13,919,807	15,227,718	6,519,730
Unrestricted	34,611,948	3,006,453	14,596
Total net position	82,469,431	51,501,674	6,534,326
Total liabilities, deferred inflows of resources, and net position	\$ 82,953,954	\$ 51,549,535	\$ 6,560,090

The University of Alabama
Discretely Presented Component Units
Statements of Net Position, Continued
2021

	Capstone Foundation Sept. 30, 2021	1831 Foundation Sept. 30, 2021	Capstone Health Services Foundation Sept. 30, 2021
Current assets			
Cash and cash equivalents	\$ 208,032	\$ 980,186	\$ 15,311,294
Restricted cash and cash equivalents	—	34,234,861	—
Short-term investments	—	431,193	8,015,518
Accounts receivable, net	124,642	—	3,242,729
Current portion of notes receivable, net	—	—	1,250,330
Current portion of pledges receivable, net	120,131	—	—
Inventories	67,202	—	691,130
Prepaid expenses and unearned scholarships	128,400	—	—
Other current assets	—	—	—
Due from The University of Alabama	291,643	—	443,469
Total current assets	<u>940,050</u>	<u>35,646,240</u>	<u>28,954,470</u>
Noncurrent assets			
Restricted cash and cash equivalents	—	6,230,169	—
Endowment investments	13,330,509	—	—
Other long-term investments	20,173,752	7,929,250	—
Pledges receivable, net	4,654	—	—
Capital assets, net	113,511	65,653,605	4,292,672
Other noncurrent assets	96,400	—	—
Total noncurrent assets	<u>33,718,826</u>	<u>79,813,024</u>	<u>4,292,672</u>
Total assets	<u>34,658,876</u>	<u>115,459,264</u>	<u>33,247,142</u>
Deferred outflows of resources	<u>—</u>	<u>8,277,288</u>	<u>—</u>
Total assets and deferred outflows of resources	<u>\$ 34,658,876</u>	<u>\$ 123,736,552</u>	<u>\$ 33,247,142</u>
Current liabilities			
Accounts payable and accrued liabilities	\$ 235,382	\$ 588,579	\$ 1,455,086
Unearned revenue	—	4,140,079	—
Current portion of long-term debt	—	3,929,662	—
Due to The University of Alabama	—	274,039	694,764
Total current liabilities	<u>235,382</u>	<u>8,932,359</u>	<u>2,149,850</u>
Noncurrent liabilities			
Other liabilities	3,194,901	—	3,357,796
Long-term debt, net	—	78,829,929	—
Due to The University of Alabama	10,652,081	—	—
Total noncurrent liabilities	<u>13,846,982</u>	<u>78,829,929</u>	<u>3,357,796</u>
Total liabilities	<u>14,082,364</u>	<u>87,762,288</u>	<u>5,507,646</u>
Deferred inflows of resources	<u>—</u>	<u>4,500,000</u>	<u>—</u>
Net position			
Net investment in capital assets	—	854,000	503,052
Restricted			
Nonexpendable	18,210	—	—
Expendable	18,528,561	5,320,984	—
Unrestricted	2,029,741	25,299,280	27,236,444
Total net position	<u>20,576,512</u>	<u>31,474,264</u>	<u>27,739,496</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 34,658,876</u>	<u>\$ 123,736,552</u>	<u>\$ 33,247,142</u>

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position
Years Ended 2022

	National Alumni Association June 30, 2022	Law School Foundation June 30, 2022	Donor Advised Fund June 30, 2022
Operating revenues			
Gifts	\$ 2,431,729	\$ 522,406	\$ 560,971
Other operating revenues	726,150	53,638	—
Total operating revenues	<u>3,157,879</u>	<u>576,044</u>	<u>560,971</u>
Operating expenses			
Salaries, wages and benefits	—	—	—
Supplies and services	1,741,764	403,902	305,565
Depreciation	—	—	—
Scholarships and fellowships	1,475,771	1,257,483	—
Contributed services from affiliate	1,285,583	937,586	—
Total operating expenses	<u>4,503,118</u>	<u>2,598,971</u>	<u>305,565</u>
Operating (loss) income	<u>(1,345,239)</u>	<u>(2,022,927)</u>	<u>255,406</u>
Nonoperating revenues (expenses)			
Investment loss, net	(5,156,531)	(2,833,438)	(628,166)
Interest expense	—	—	—
Contributions to The University of Alabama	(981,490)	(214,953)	(252,036)
Change in value of split-interest agreements	—	—	—
Contributed services from affiliate	1,285,583	937,586	—
Other nonoperating expense	—	—	—
Net nonoperating expenses	<u>(4,852,438)</u>	<u>(2,110,805)</u>	<u>(880,202)</u>
Loss before other changes in net position	<u>(6,197,677)</u>	<u>(4,133,732)</u>	<u>(624,796)</u>
Other changes in net position			
Additions to permanent endowments	1,291,684	1,212,537	—
Decrease in net position	<u>(4,905,993)</u>	<u>(2,921,195)</u>	<u>(624,796)</u>
Net position, beginning of year	<u>82,469,431</u>	<u>51,501,674</u>	<u>6,534,326</u>
Net position, end of year	<u>\$ 77,563,438</u>	<u>\$ 48,580,479</u>	<u>\$ 5,909,530</u>

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position, Continued
Years Ended 2022

	Capstone Foundation Sept. 30, 2022	1831 Foundation Sept. 30, 2022	Capstone Health Services Foundation Sept. 30, 2022
Operating revenues			
Gifts	\$ 4,123,551	\$ —	\$ —
Other operating revenues	713,518	14,351,365	35,836,255
Total operating revenues	<u>4,837,069</u>	<u>14,351,365</u>	<u>35,836,255</u>
Operating expenses			
Salaries, wages and benefits	—	—	19,966,834
Supplies and services	2,592,173	5,520,638	13,927,698
Depreciation	3,600	2,342,131	502,823
Scholarships and fellowships	327,641	—	—
Contributed services from affiliate	206,829	—	—
Total operating expenses	<u>3,130,243</u>	<u>7,862,769</u>	<u>34,397,355</u>
Operating income	<u>1,706,826</u>	<u>6,488,596</u>	<u>1,438,900</u>
Nonoperating revenues (expenses)			
Investment (loss) income, net	(3,434,549)	41,518	(1,465,180)
Interest expense	—	(3,145,206)	(135,017)
Contributions to The University of Alabama	(2,629,135)	(8,415)	(368,003)
Change in value of split-interest agreements	(294,560)	—	—
Contributed services from affiliate	206,829	—	—
Other nonoperating expense	—	(7,300)	—
Net nonoperating expenses	<u>(6,151,415)</u>	<u>(3,119,403)</u>	<u>(1,968,200)</u>
(Loss) income before other changes in net position	<u>(4,444,589)</u>	<u>3,369,193</u>	<u>(529,300)</u>
Other changes in net position			
Additions to permanent endowments	—	—	—
(Decrease) increase in net position	<u>(4,444,589)</u>	<u>3,369,193</u>	<u>(529,300)</u>
Net position, beginning of year	<u>20,576,512</u>	<u>31,474,264</u>	<u>27,739,496</u>
Net position, end of year	<u>\$ 16,131,923</u>	<u>\$ 34,843,457</u>	<u>\$ 27,210,196</u>

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position
Years Ended 2021

	National Alumni Association June 30, 2021	Law School Foundation June 30, 2021	Donor Advised Fund June 30, 2021
Operating revenues			
Gifts	\$ 2,516,897	\$ 691,440	\$ 210,663
Other operating revenues	573,518	193,407	—
Total operating revenues	<u>3,090,415</u>	<u>884,847</u>	<u>210,663</u>
Operating expenses			
Salaries, wages and benefits	—	—	—
Supplies and services	932,546	235,359	113,601
Depreciation	—	—	—
Scholarships and fellowships	1,670,894	1,098,110	—
Contributed services from affiliate	1,366,924	921,460	—
Total operating expenses	<u>3,970,364</u>	<u>2,254,929</u>	<u>113,601</u>
Operating (loss) income	<u>(879,949)</u>	<u>(1,370,082)</u>	<u>97,062</u>
Nonoperating revenues (expenses)			
Investment income, net	21,488,999	13,375,651	1,319,778
Interest expense	—	—	—
Contributions to The University of Alabama	(962,288)	(108,277)	(264,709)
Change in value of split-interest agreements	—	—	—
Contributed services from affiliate	1,366,924	921,460	—
Other nonoperating expense	—	—	—
Net nonoperating revenues	<u>21,893,635</u>	<u>14,188,834</u>	<u>1,055,069</u>
Income before other changes in net position	<u>21,013,686</u>	<u>12,818,752</u>	<u>1,152,131</u>
Other changes in net position			
Additions to permanent endowments	898,067	960,089	—
Increase in net position	<u>21,911,753</u>	<u>13,778,841</u>	<u>1,152,131</u>
Net position, beginning of year	<u>60,557,678</u>	<u>37,722,833</u>	<u>5,382,195</u>
Net position, end of year	<u>\$ 82,469,431</u>	<u>\$ 51,501,674</u>	<u>\$ 6,534,326</u>

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position, Continued
Years Ended 2021

	Capstone Foundation Sept. 30, 2021	1831 Foundation Sept. 30, 2021	Capstone Health Services Foundation Sept. 30, 2021
Operating revenues			
Gifts	\$ 4,365,295	\$ —	\$ —
Other operating revenues	226,263	14,914,026	26,740,679
Total operating revenues	<u>4,591,558</u>	<u>14,914,026</u>	<u>26,740,679</u>
Operating expenses			
Salaries, wages and benefits	—	—	17,699,370
Supplies and services	1,357,780	4,391,173	6,719,631
Depreciation	3,600	2,342,130	450,233
Scholarships and fellowships	420,296	—	—
Contributed services from affiliate	186,264	—	—
Total operating expenses	<u>1,967,940</u>	<u>6,733,303</u>	<u>24,869,234</u>
Operating income	<u>2,623,618</u>	<u>8,180,723</u>	<u>1,871,445</u>
Nonoperating revenues (expenses)			
Investment income, net	4,118,105	99,408	1,293,255
Interest expense	—	(3,204,537)	(109,200)
Contributions to The University of Alabama	(2,577,871)	—	(750,000)
Change in value of split-interest agreements	684,621	—	—
Contributed services from affiliate	186,264	—	—
Other nonoperating expense	—	(7,300)	—
Net nonoperating revenues (expenses)	<u>2,411,119</u>	<u>(3,112,429)</u>	<u>434,055</u>
Income before other changes in net position	<u>5,034,737</u>	<u>5,068,294</u>	<u>2,305,500</u>
Other changes in net position			
Additions to permanent endowments	—	—	—
Increase in net position	<u>5,034,737</u>	<u>5,068,294</u>	<u>2,305,500</u>
Net position, beginning of year	<u>15,541,775</u>	<u>26,405,970</u>	<u>25,433,996</u>
Net position, end of year	<u>\$ 20,576,512</u>	<u>\$ 31,474,264</u>	<u>\$ 27,739,496</u>

Note 3 – Cash and Cash Equivalents

The Board approves, by resolution, all banks or other financial institutions utilized as depositories for University funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under the Security of Alabama Funds Enhancement Act ("SAFE"). From time to time, the Board may request that the depository provide evidence of its continuing designation as a qualified public depository. Under the mandatory SAFE program, each qualified public depository ("QPD") is required to hold collateral for all its public depositories on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss.

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

Pooled Endowment Fund

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

Liquidity and Capital Reserve Pool Fund

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.

Land and Other Real Estate Held as Investments by Endowments

The University values land and other real estate held as investments by endowments at fair value.

The University holds, as part of its endowment investments, timber land located in fifteen counties in north and central Alabama totaling approximately 28,000 acres. In the University's opinion, timber production and related commercial recreation is the highest and best use for the land individually and as a whole; the property is located in an area with a favorable climate for growing trees and contains good markets for forest products. Timber production is the predominant land use in the counties that contain the property. The fee simple market value of timber and land of \$33.3 million and \$31.8 million at September 30, 2022 and 2021, respectively, was derived through the application of the cost, sales comparison, and income capitalization approaches to value.

The value of minerals and mineral exploitation rights contained in fee and mineral rights only and surface mining rights only for approximately 37,000 acres are valued at \$22.2 million and \$17.1 million as of September 30, 2022 and 2021, respectively. The fair value of these rights was determined using non-quantitative "menus" of incremental value, enhanced values for perceived early exploitation, risk discounted cash flow, and rules-of-thumb developed over time in appraising mineral assets. The number of acres evaluated for mineral values is assessed without regard for the ownership of the surface or land above and differs from the aforementioned timber land acres.

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

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

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

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

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

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

The following is a description of the valuation methods and assumptions used by the University to estimate the fair value of its investments. There have been no changes in the methods and assumptions used at September 30, 2022. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. University management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

The University's Level 3 investments primarily consist of real estate. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. Valuation techniques utilized by the University are appraisals and other valuations typically based on management assumptions or expectations.

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

	2022			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
Regions Cash Trust	\$ 39,370,077	\$ —	\$ —	\$ 39,370,077
Equities:				
Common Stock	8,216,347	—	—	8,216,347
Fixed Income Securities:				
U.S. Government Obligations	149,147	37,903	—	187,050
Commingled Funds:				
U.S. Equity Funds	2,266,271	90,659	—	2,356,930
Non-U.S. Equity Funds	460,503	—	—	460,503
U.S. Bond Funds	1,593,611	101,604	—	1,695,215
Non-U.S. Bond Funds	7,866	—	—	7,866
Private Equity Funds	—	—	3,071	3,071
Real Estate	—	—	73,785,432	73,785,432
	<u>\$ 52,063,822</u>	<u>\$ 230,166</u>	<u>\$ 73,788,503</u>	<u>\$ 126,082,491</u>

UA Portion of System Pool Investments:

Pooled Endowment Fund 945,387,103

Liquidity and Capital Reserve Pool Fund 928,249,381

Total Reported Value with System Pooled Investments \$ 1,999,718,975

	2021			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
Regions Cash Trust	\$ 68,223,745	\$ —	\$ —	\$ 68,223,745
South African Gold Coins	55,212	—	—	55,212
Equities:				
Common Stock	9,255,083	—	—	9,255,083
Fixed Income Securities:				
U.S. Government Obligations	188,294	52,937	—	241,231
Commingled Funds:				
U.S. Equity Funds	3,312,324	112,372	—	3,424,696
Non-U.S. Equity Funds	563,817	—	—	563,817
U.S. Bond Funds	1,921,230	122,006	—	2,043,236
Non-U.S. Bond Funds	10,334	—	—	10,334
Private Equity Funds	—	—	19,407	19,407
Real Estate	—	—	69,336,658	69,336,658
	<u>\$ 83,530,039</u>	<u>\$ 287,315</u>	<u>\$ 69,356,065</u>	<u>\$ 153,173,419</u>

UA Portion of System Pool Investments:

Pooled Endowment Fund 1,034,902,733

Liquidity and Capital Reserve Pool Fund 1,129,734,104

Total Reported Value with System Pooled Investments \$ 2,317,810,256

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

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

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

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

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

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

2022 - Pooled Endowment Fund					
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Hedge funds - absolute return, credit, long/short equities	\$ 654,582,348	\$ 36,000,000	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	444,027,507	210,125,649	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	57,784,904	—	No limit	Monthly and quarterly	None
Real assets - private real estate, natural resources, and infrastructure	287,476,559	102,280,510	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$1,443,871,318</u>	<u>\$ 348,406,159</u>			
2021 - Pooled Endowment Fund					
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Hedge funds - absolute return, credit, long/short equities	\$ 785,762,770	\$ —	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	415,061,514	174,482,041	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	86,098,351	—	No limit	Monthly and quarterly	None
Real assets - private real estate, natural resources, and infrastructure	228,844,894	131,972,561	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$1,515,767,529</u>	<u>\$ 306,454,602</u>			
2022 - Liquidity and Capital Reserve Pool Fund					
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Hedge funds - absolute return, credit, long/short equities	\$1,121,752,329	\$ 67,500,000	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	228,743,023	—	No limit	Monthly and quarterly	None
	<u>\$1,350,495,352</u>	<u>\$ 67,500,000</u>			
2021 - Liquidity and Capital Reserve Pool Fund					
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Remaining Life</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Hedge funds - absolute return, credit, long/short equities	\$1,253,780,387	\$ —	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	253,017,907	—	No limit	Monthly and quarterly	None
	<u>\$1,506,798,294</u>	<u>\$ —</u>			

Investment Risk Factors

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

Credit Risk

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

The investment policy recognizes that credit risk is appropriate in balanced investment pools such as the PEF and LCRP, and the credit quality of underlying fund investments is monitored on an ongoing basis. Fixed income investments within the PEF and LCRP include corporate, mortgage backed, asset backed, collateralized mortgage and U.S. treasury and/or agency bonds. In addition, approximately \$180.3 million and \$208.9 million in the PEF and LCRP, collectively, at September 30, 2022 and 2021, respectively, is invested in unrated fixed income securities, excluding fixed income commingled funds. Fixed income commingled funds and money market funds were approximately \$462.7 million and \$643.0 million in the PEF and LCRP, collectively, at September 30, 2022 and 2021, respectively.

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

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

In accordance with the Board policy disclosed previously, credit risk for the University'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, for the University's investments, at September 30, 2022 and 2021 is as follows:

	2022	2021
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ 149,148	\$ 188,294
Other U.S. Dollar, Money Market Funds, and Commingled Bonds		
AAA	1,115,428	1,141,092
AA	37,165	116,251
A	138,686	170,147
BBB	261,055	368,243
BB	71,214	113,084
B	37,463	63,952
Below B	44,094	66,698
Unrated	35,879	66,186
Cash	—	854
Total	<u>\$ 1,890,132</u>	<u>\$ 2,294,801</u>

Custodial Credit Risk

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

Investment securities in the System Pools and the University's separately held portfolio 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 the University's separately held investment 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, 2022 and 2021, no investment in a single issuer represents 5% or more of total investments held by any single investment manager of the System Pools or the University'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 points (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.

Although the Board does not have a specific policy relative to interest rate risk, the University has historically invested funds outside of the investment pools in fixed income and variable income securities with short maturity terms.

The effective durations presented in years for fixed or variable income securities, for the System Pools, at September 30, 2022 and 2021 are as follows (The information presented below does not take into account the relative weighting of the portfolio components to the total portfolio.):

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

The effective durations for fixed or variable income securities, for the University's separately held investments, at September 30, 2022 and 2021 are as follows:

	2022	2021
U.S. Government Obligations	9.9	10.5
Commingled Bond Funds	6.4	6.0

Investments may also include mortgage backed securities and collateralized mortgage obligations that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. At September 30, 2022 and 2021, the fair market value of these investments, for the System Pools, are as follows:

	2022	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	\$ 12,621,581	\$ 207,578,465
Collateralized Mortgage Obligations	—	18,211,357
Total Fixed	<u>\$ 12,621,581</u>	<u>\$ 225,789,822</u>

	2021	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	\$ 14,281,482	\$ 239,316,613
Collateralized Mortgage Obligations	—	21,324,002
Total Fixed	<u>\$ 14,281,482</u>	<u>\$ 260,640,615</u>

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, 2022 and 2021, the effective durations for these securities held in the System Pools are listed below. At September 30, 2022 and 2021, the University did not hold any investments in these security types outside of the System Pools.

	2022	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	6.6	3.3
Collateralized Mortgage Obligations	—	4.3
	2021	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	3.6	2.6
Collateralized Mortgage Obligations	—	6.6

Foreign Currency Risk

The strategic asset allocation policy for the PEF and LCRP 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, 2022 and 2021, all foreign investments in the System Pools are denominated in U.S. dollars and are in international commingled funds, which in turn invest in equity securities and bonds of foreign issuers except for foreign stock and non-U.S. bond funds denominated in U.S. dollars and held by each of the two pools disclosed in the previous tables. At September 30, 2022 and 2021, the University did not hold any foreign securities in its separately held investment portfolio.

Securities Lending

The System permits security lending as a mechanism to augment income. Loans of the securities are required to be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral. At September 30, 2022 and 2021, no securities were on loan from the investment pools.

Note 5 – Receivables

Accounts receivable

Accounts receivable consist primarily of amounts for student tuition and fees and contract and grant reimbursements due from third parties. The composition of accounts receivable at September 30, 2022 and 2021 is summarized below:

	2022	2021
Student accounts	\$ 35,158,153	\$ 40,720,719
Sponsoring agencies	30,848,929	36,151,669
Accrued interest receivable	10,027,270	9,634,141
Other	16,252,853	12,231,074
Total accounts receivable	92,287,205	98,737,603
Less allowance for doubtful accounts	(1,743,450)	(1,955,657)
Accounts receivable, net	<u>\$ 90,543,755</u>	<u>\$ 96,781,946</u>

Notes receivable

In 2005, the University established a program to provide financial assistance to University student organizations to help those organizations improve the quality and safety of the residential options those organizations provide to students. This program has supported the construction of several new student organization facilities and renovations and additions to many others. As a result, the University has entered into notes receivables transactions with various student organizations. Notes receivable from student organizations bear interest rates ranging from 3.55% to 5.73% with terms up to 40 years. The composition of notes receivable at September 30, 2022 and 2021 is summarized as follows:

	2022	2021
Notes receivable from student organizations	\$ 213,866,918	\$ 223,184,159
Less current portion	(5,666,252)	(5,126,018)
Notes receivable, noncurrent	<u>\$ 208,200,666</u>	<u>\$ 218,058,141</u>

Student loans receivable

Student 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 composition of student loans receivable at September 30, 2022 and 2021, is summarized as follows:

	2022	2021
Federal loan program	\$ 8,298,793	\$ 10,422,487
University loan funds	2,806,027	2,552,106
Less allowance for doubtful loans	(3,696,717)	(3,696,717)
Total student loans outstanding, net	7,408,103	9,277,876
Less current portion	(1,675,165)	(1,832,569)
Total student loans outstanding, noncurrent	<u>\$ 5,732,938</u>	<u>\$ 7,445,307</u>

Pledges receivable

Pledges receivable represent unconditional promises to give from third party donors and are presented at their gross, undiscounted amount. The composition of pledges receivable at September 30, 2022 and 2021, is summarized as follows:

	2022	2021
Operations	\$ 37,680,685	\$ 40,373,015
Capital	52,636,347	45,974,975
Less allowance for doubtful pledges	(4,907,320)	(5,077,115)
Total pledges, net	85,409,712	81,270,875
Less current portion	(23,661,105)	(20,794,449)
Total pledges, noncurrent	<u>\$ 61,748,607</u>	<u>\$ 60,476,426</u>

Note 6 – Capital Assets

Capital assets are capitalized and recorded at cost at the date of acquisition or at estimated acquisition value at the date received if gifted to the University. Capital assets as of September 30, 2022 are summarized as follows:

	Balance October 1, 2021	Additions	Retirements/ Transfers	Balance September 30, 2022
Nondepreciable capital assets:				
Land	\$ 88,004,264	\$ 6,024,519	\$ —	\$ 94,028,783
Collections	29,280,675	337,223	(822)	29,617,076
Intangible assets	58,746,214	—	—	58,746,214
Construction in progress	144,052,143	124,429,115	(176,784,126)	91,697,132
Total nondepreciable capital assets	320,083,296	130,790,857	(176,784,948)	274,089,205
Depreciable capital assets:				
Land improvements	92,515,195	3,065,877	—	95,581,072
Infrastructure	177,783,198	17,258,536	—	195,041,734
Buildings and fixed equipment	2,542,011,960	176,337,264	(14,620,636)	2,703,728,588
Equipment	233,777,105	27,045,408	(6,969,496)	253,853,017
Library materials	128,345,324	1,163,845	—	129,509,169
Intangible assets	62,185,307	116,621	(4,284,325)	58,017,603
Right-of-use assets	4,719,080	3,010,076	(475,989)	7,253,167
Total depreciable capital assets	3,241,337,169	227,997,627	(26,350,446)	3,442,984,350
Less accumulated depreciation:				
Land improvements	39,321,134	4,287,881	—	43,609,015
Infrastructure	50,595,142	8,713,206	—	59,308,348
Buildings and fixed equipment	664,323,725	55,382,570	(9,721,901)	709,984,394
Equipment	148,487,555	16,496,744	(6,477,152)	158,507,147
Library materials	116,754,400	2,770,301	—	119,524,701
Intangible assets	60,543,354	1,240,957	(4,284,325)	57,499,986
Right-of-use assets	1,279,723	2,168,147	(475,989)	2,971,881
Total accumulated depreciation	1,081,305,033	91,059,806	(20,959,367)	1,151,405,472
Total depreciable capital assets, net	2,160,032,136	136,937,821	(5,391,079)	2,291,578,878
Total capital assets, net	\$ 2,480,115,432	\$ 267,728,678	\$ (182,176,027)	\$ 2,565,668,083

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

	Balance October 1, 2020	Additions	Retirements/ Transfers	Balance September 30, 2021
Nondepreciable capital assets:				
Land	\$ 82,116,244	\$ 5,888,020	\$ —	\$ 88,004,264
Collections	27,334,042	1,946,633	—	29,280,675
Intangible assets	58,746,214	—	—	58,746,214
Construction in progress	130,618,222	148,456,382	(135,022,461)	144,052,143
Total nondepreciable capital assets	298,814,722	156,291,035	(135,022,461)	320,083,296
Depreciable capital assets:				
Land improvements	88,756,051	3,759,144	—	92,515,195
Infrastructure	147,737,354	30,045,844	—	177,783,198
Buildings and fixed equipment	2,420,141,294	122,938,921	(1,068,255)	2,542,011,960
Equipment	230,595,779	9,320,251	(6,138,925)	233,777,105
Library materials	127,667,574	677,750	—	128,345,324
Intangible assets	61,215,486	969,821	—	62,185,307
Right-of-use assets	4,527,276	353,333	(161,529)	4,719,080
Total depreciable capital assets	3,080,640,814	168,065,064	(7,368,709)	3,241,337,169
Less accumulated depreciation:				
Land improvements	35,034,331	4,286,803	—	39,321,134
Infrastructure	43,260,295	7,334,847	—	50,595,142
Buildings and fixed equipment	610,537,536	53,945,243	(159,054)	664,323,725
Equipment	138,439,495	15,849,102	(5,801,042)	148,487,555
Library materials	114,013,290	2,741,110	—	116,754,400
Intangible assets	58,997,721	1,545,633	—	60,543,354
Right-of-use assets	—	1,441,252	(161,529)	1,279,723
Total accumulated depreciation	1,000,282,668	87,143,990	(6,121,625)	1,081,305,033
Total depreciable capital assets, net	2,080,358,146	80,921,074	(1,247,084)	2,160,032,136
Total capital assets, net	\$ 2,379,172,868	\$ 237,212,109	\$ (136,269,545)	\$ 2,480,115,432

Note 7 – Long-Term Debt

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

	Balance October 1, 2021	New Debt	Principal Repayment	Reclass	Balance September 30, 2022
Type/Supported by					
Notes payable					
Crimson Tide Foundation airplane	\$ 4,855,898	\$ —	\$ (806,718)	\$ —	\$ 4,049,180
Bryce/Partlow property	16,698,900	—	(5,566,300)	—	11,132,600
Bonds					
General Revenue	1,093,795,000	203,455,000	(226,705,000)	—	1,070,545,000
	<u>\$ 1,115,349,798</u>	<u>\$ 203,455,000</u>	<u>\$ (233,078,018)</u>	<u>\$ —</u>	<u>\$ 1,085,726,780</u>
Plus net unamortized bond premium/discount	84,700,597				65,970,690
Less current portion	<u>(43,028,018)</u>				<u>(45,898,865)</u>
	<u><u>\$ 1,157,022,377</u></u>				<u><u>\$ 1,105,798,605</u></u>

	Balance October 1, 2020	New Debt	Principal Repayment	Reclass	Balance September 30, 2021
Type/Supported by					
Notes payable					
Crimson Tide Foundation airplane	\$ 5,642,295	\$ —	\$ (786,397)	\$ —	\$ 4,855,898
Bryce/Partlow property	22,265,200	—	(5,566,300)	—	16,698,900
Bonds					
General Revenue	1,128,765,000	—	(34,970,000)	—	1,093,795,000
	<u>\$ 1,156,672,495</u>	<u>\$ —</u>	<u>\$ (41,322,697)</u>	<u>\$ —</u>	<u>\$ 1,115,349,798</u>
Plus net unamortized bond premium/discount	92,714,465				84,700,597
Less current portion	<u>(41,322,697)</u>				<u>(43,028,018)</u>
	<u><u>\$ 1,208,064,263</u></u>				<u><u>\$ 1,157,022,377</u></u>

Debt obligations generally bear interest at fixed rates ranging from 0% to 5.875% and mature at various dates through fiscal year 2049. Maturities and interest on notes, leases and bonds payable, using rates in effect at September 30, 2022, for the next five years and in subsequent five-year periods are as follows:

	Notes Principal	Bonds Principal	Total Principal	Notes Interest	Bonds Interest	Total Interest	Total Debt Service
2023	\$ 6,393,865	\$ 39,505,000	\$ 45,898,865	\$ 93,773	\$ 38,670,631	\$ 38,764,404	\$ 84,663,269
2024	6,415,250	41,360,000	47,775,250	72,388	36,514,601	36,586,989	84,362,239
2025	870,888	45,080,000	45,950,888	50,450	33,612,350	33,662,800	79,613,688
2026	893,393	46,865,000	47,758,393	27,946	31,730,710	31,758,656	79,517,049
2027	608,384	48,715,000	49,323,384	5,841	29,896,895	29,902,736	79,226,120
2028-2032	—	271,640,000	271,640,000	—	121,609,674	121,609,674	393,249,674
2033-2037	—	254,200,000	254,200,000	—	73,665,985	73,665,985	327,865,985
2038-2042	—	189,745,000	189,745,000	—	37,423,000	37,423,000	227,168,000
2043-2047	—	107,210,000	107,210,000	—	13,516,990	13,516,990	120,726,990
2048-2049	—	26,225,000	26,225,000	—	1,185,900	1,185,900	27,410,900
	<u>\$ 15,181,780</u>	<u>\$1,070,545,000</u>	<u>\$1,085,726,780</u>	<u>\$ 250,398</u>	<u>\$417,826,736</u>	<u>\$418,077,134</u>	<u>\$ 1,503,803,914</u>

Pledged revenues for the years ended September 30, 2022 and 2021 as defined by outstanding bond covenants are as follows:

	2022	2021
Tuition and fees	\$ 765,508,001	\$ 753,560,370
Sales and services of educational activities	16,934,239	11,262,637
Auxiliary sales and services	234,003,286	218,196,381
Investment income	43,494,375	41,203,373
Other operating revenues	92,211,504	55,566,533
Total pledged revenues	<u>\$ 1,152,151,405</u>	<u>\$ 1,079,789,294</u>

The University's general revenue bonds are subject to certain covenants. These covenants, among other things, require the Board to adopt an annual budget; to establish and maintain reasonable fees, rates, and other charges to ensure pledged revenues are sufficient for debt service coverage; to maintain books and records pertaining to the pledged revenues; to furnish annual audits and other periodic reports; and to comply with certain restrictions as to additional indebtedness. Based on pledged revenues received in fiscal year 2022 of \$1.2 billion, the projected maximum annual debt service requirement of \$84.7 million in 2023 is covered approximately 13.6 times by pledged revenues. The University is in compliance with all financial covenants as of September 30, 2022.

The University defeased certain indebtedness relating to its Series 2014B bonds during 2022 with the Series 2022A 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 funds on deposit were sufficient to satisfy the debt service requirements on the defeased indebtedness resulting in lower overall debt service payments to the University. 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 2022 defeased indebtedness at September 30, 2022 is \$189.3 million.

The undiscounted cash flows required to service principal and interest under the old Series 2014B bonds as of September 30, 2022, would have been \$306.6 million compared to undiscounted cash flow requirements of \$252.4 million under the new Series 2022A bonds. The economic gain to the University of the bond refinancing in fiscal year 2022 was calculated to be approximately \$45.9 million using an effective interest rate of 2.35% applied to the old and new bond cash flow requirements.

As part of the Series 2022A bond agreement, the University has the option to redeem the Series 2022A bonds in whole during the period April 2, 2024 through October 2, 2024. The redemption of the Series 2022A bonds would be accomplished through an exchange of the Series 2022A bonds for a forward delivery bond with an initial principal amount equal to the principal amount of the Series 2022A bonds being redeemed plus payment of any accrued interest on those same bonds.

In November 2014, the University finalized a purchase agreement with the ADMH for approximately 118 acres of land and certain other defined appurtenances of the property, known as the Partlow Property I. This \$32 million purchase is payable over a ten-year period. In February 2015, the University finalized an additional purchase agreement with the ADMH for approximately 244 acres of land and certain other defined appurtenances of the property, referred to as the Partlow Property II. This \$23.7 million purchase is also payable over a ten-year period.

The following is a detailed schedule of long-term debt as of September 30, 2022:

Description	Date Issued	Final Maturity	Interest Rate-%	Original Debt	Outstanding Debt
Bonds payable:					
General Fee Revenue Bond Series 2010A	8/1/2010	7/1/2040	2.0-5.875	16,495,000	11,780,000
General Fee Revenue Bond Series 2010B	11/18/2010	7/1/2040	5.7-5.85	18,000,000	18,000,000
General Fee Revenue Bond Series 2012A	10/16/2012	7/1/2042	3.0-5.0	265,655,000	219,540,000
General Fee Revenue Bond Series 2014B	8/28/2014	7/1/2024	3.0-5.0	212,105,000	16,435,000
General Fee Revenue Bond Series 2017A	8/30/2017	7/1/2024	4.0-5.0	15,855,000	8,240,000
General Fee Revenue Bond Series 2017B	8/30/2017	7/1/2047	3.0-5.0	158,400,000	158,400,000
General Fee Revenue Bond Series 2017C	8/30/2017	7/1/2023	1.32-2.32	25,060,000	3,090,000
General Fee Revenue Bond Series 2019A	9/19/2019	7/1/2049	3.0-5.0	375,515,000	355,700,000
General Fee Revenue Bond Series 2019B	9/19/2019	7/1/2024	2.0-4.0	14,095,000	7,325,000
General Fee Revenue Bond Series 2019C	9/19/2019	7/1/2038	3.0-5.0	69,340,000	69,340,000
General Fee Revenue Bond Series 2022A	2/23/2022	7/1/2044	2.1-2.75	203,455,000	202,695,000
Total bonds payable				1,373,975,000	1,070,545,000
Notes payable:					
Department of Mental Health (Partlow I)	11/14/2014	11/14/2023	0.0	32,000,000	6,400,000
Department of Mental Health (Partlow II)	2/27/2015	2/27/2024	0.0	23,663,000	4,732,600
PNC Aviation Finance (CTF airplane CESSNA)	1/31/2020	2/1/2027	2.55	5,900,000	4,049,180
Total notes payable				61,563,000	15,181,780
Total bonds and notes payable				<u>\$ 1,435,538,000</u>	<u>\$ 1,085,726,780</u>

Line of Credit

In June 2020, CTF entered into a line of credit agreement with the Board in the amount of \$25.0 million. A total of \$0.0 million and \$21.8 million was withdrawn as of June 30, 2022 and 2021, respectively. During CTF's fiscal year 2022, an additional \$355,000 was withdrawn, and the entire balance was paid in full by October 2021. Payments consisted of \$3.0 million paid in cash and \$19.2 million paid from a withdrawal from the LCRP. For the years ending June 30, 2022 and 2021, CTF incurred \$50,000 and \$134,000 in interest expense related to the line of credit, with an interest rate equal to the Imputed System Borrowing Rate as determined by the Vice Chancellor. Throughout the life of the line of credit, the interest rate ranged from 0.9% to 1.1%. The unused portion of the line of credit at June 30, 2022 and 2021 was \$25.0 million and \$3.2 million, respectively.

Note 8 – Self-Insurance

The University participates with other campuses that comprise the System in a self-insurance program for general liability. The Board established a separate revocable trust fund for payment of these self-insurance claims under its risk retention program. Annual contributions are made to the trust fund, at an actuarially determined rate, to provide funding for the retained risk. Other liabilities in the accompanying statements of net position includes a reserve of \$1.8 million and \$1.6 million for general liability at September 30, 2022 and 2021, respectively.

The University is self-insured for health insurance. The liability for unpaid claims includes an accrual for an estimate of claims incurred but not reported and is included in accounts payable and accrued liabilities in the accompanying statements of net position. The changes in the health insurance liabilities for the years ended September 30, 2022 and 2021 are summarized as follows:

	2022	2021
Balance, beginning of year	\$ 4,205,000	\$ 4,103,000
Claims paid	(53,108,484)	(51,693,897)
Contributions and adjustments	53,277,484	51,795,897
Balance, end of year	<u>\$ 4,374,000</u>	<u>\$ 4,205,000</u>

Note 9 – Employee Benefits

Eligible employees of the University participate in the 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 System 403(b) defined contribution plan. Teachers Insurance and Annuity Association ("TIAA") serves as the single recordkeeper and 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, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama ("RSA"). The *Code of Alabama 1975, Title 16, Chapter 25* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Members of TRS are classified as either Tier 1 or Tier 2 plan members, contingent upon if their eligible service began prior to January 1, 2013. Benefits for TRS members vest after 10 years of creditable service.

Tier 1 members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life unless there is a return to full-time employment with a TRS or Employees' Retirement System ("ERS") agency, or to temporary employment in excess of specified limits. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 1 members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of 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 the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

Contributions. Covered Tier 1 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. Effective October 1, 2021, the covered Tier 2 members' contribution rate increased from 6% to 6.2% of earnable compensation to the TRS as required by statute. All regular employees of the University are members of the TRS with the exception of temporary employees. Contributions for covered employees are mandatory for both employee and employer.

The University's contribution rate for the year ended September 30, 2022 was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members. The University's contractually required contribution rate for the year ended September 30, 2021 was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. 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 2022, 2021, and 2020 is as follows:

	2022	2021	2020
Employer Contributions	\$ 54,098,003	\$ 51,757,744	\$ 52,175,581
Employee Contributions	31,063,549	29,590,369	29,636,069
Total Contributions	<u>\$ 85,161,552</u>	<u>\$ 81,348,113</u>	<u>\$ 81,811,650</u>

Pensionable salaries and wages for covered employees participating in TRS were approximately \$452.6 million and \$434.0 million during fiscal years 2022 and 2021, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2022, the financial statements of the University reflected a liability of \$553.9 million for its proportionate share of the collective net pension liability, as prescribed by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. The collective net pension liability was measured as of September 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020. The University's proportion of the collective net pension liability was based on the employer's share of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2021, the University's proportion was 5.88%, which was a decrease of 0.10% from its proportion measured as of September 30, 2020. The University's proportionate share of the collective net pension liability at September 30, 2021 was \$739.6 million.

For the years ended September 30, 2022 and 2021, the University recognized pension expense of \$46.3 million and \$86.3 million, respectively. At September 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,647,000	\$ 32,274,000
Changes of assumptions	58,147,000	—
Net difference between projected and actual earnings on pension plan investments	—	130,758,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	13,897,000	14,206,000
Employer contributions subsequent to the measurement date	54,098,003	—
Total	<u>\$ 151,789,003</u>	<u>\$ 177,238,000</u>

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,602,000	\$ 12,826,000
Changes of assumptions	7,692,000	—
Net difference between projected and actual earnings on pension plan investments	54,925,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	22,805,000	8,544,000
Employer contributions subsequent to the measurement date	51,757,744	—
Total	<u>\$ 173,781,744</u>	<u>\$ 21,370,000</u>

The \$54.1 million reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions in 2022 will be recognized in pension expense as follows:

Year ended September 30:

2023	\$ (7,293,000)
2024	\$ (9,675,000)
2025	\$ (22,630,000)
2026	\$ (39,949,000)
2027	\$ —
Thereafter	\$ —

Actuarial assumptions. The total pension liability as of September 30, 2021 was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

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

*Net of pension plan investment expense, including inflation

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

Mortality rates were based on the Pub-2010 teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+) / Set Back (1)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63-67 Female: 112% ages < 69, 98% ages > 74, Phasing down 69-74
Beneficiaries	Contingent Survivor - Below Median	Male: +2 Female: None	None
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.00 %	2.80 %
U.S. large stocks	32.00 %	8.00 %
U.S. mid stocks	9.00 %	10.00 %
U.S. small stocks	4.00 %	11.00 %
International developed market stocks	12.00 %	9.50 %
International emerging market stocks	3.00 %	11.00 %
Alternatives	10.00 %	9.00 %
Real estate	10.00 %	6.50 %
Cash equivalents	5.00 %	2.50 %
Total	100.00 %	

*Includes assumed rate of inflation of 2.00%

Discount rate. The discount rate used to measure the total pension liability was 7.45%. The discount rate used to measure the total pension liability at the prior measurement date 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 the University's proportionate share of the net pension liability to changes in the discount rate. The following table reflects the University's proportionate share of the net pension liability, as prescribed by GASB 68, calculated using the discount rate of 7.45%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
University's proportionate share of collective net pension liability	\$ 815,358,000	\$ 553,948,000	\$ 333,773,000

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, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2021. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Defined Contribution Plans

As previously noted, some employees participate in a voluntary System 403(b) defined contribution plan. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. All regular full-time and regular part-time employees are eligible to participate from the date of employment. The University contributes a matching amount of up to 5% of the employee's monthly contribution for regular, full-time exempt employees. The University's contribution is funded as it accrues and, along with that of employees, is immediately and fully vested. The total contribution for fiscal years 2022 and 2021, excluding amounts not eligible for matching, was \$26.3 million and \$24.9 million, respectively. This includes employee contributions eligible for matching of \$13.1 million in 2022 and \$12.5 million in 2021, and University contributions of \$13.1 million in 2022 and \$12.5 million 2021. Salaries and wages for covered employees participating in the 403(b) plan were \$320.9 million and \$301.5 million, respectively, during fiscal years 2022 and 2021.

Compensated Absences

Certain University employees accrue vacation and sick leave at varying rates depending upon their years of continuous service and payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation at their regular rate of pay up to a designated maximum number of days. Depending on their payroll classification, some employees are also paid one-half of their unused accrued sick leave at their regular rate of pay. Accounts payable and accrued liabilities within the accompanying statements of net position includes an accrual of \$34.0 million and \$33.5 million at September 30, 2022 and 2021, respectively, primarily for accrued vacation and sick leave.

Note 10 – Post-Employment Benefits

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

PEEHIP

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

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

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

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP. The plan is fully insured, and members are able to have all of their Medicare Part A

(hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions. The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the PEEHI 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 PEEHI 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 PEEHI 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 PEEHI 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 PEEHI 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 PEEHI 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 PEEHI 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 PEEHI Board. This reduction in the employer contribution ceases upon notification to the PEEHI Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At September 30, 2022, the financial statements of the University of Alabama reflected a liability of \$220.2 million for its proportionate share of the net OPEB liability, as prescribed by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The net OPEB liability was measured as of September 30, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2021, the University's proportion was 4.26%, which was a decrease of 0.01% from its proportion measured as of September 30, 2020. The University's proportionate share of the net OPEB liability at September 30, 2021 was \$277.0 million.

For the years ended September 30, 2022 and 2021, the University recognized OPEB expense of \$5.3 million and \$11.2 million, respectively, with no special funding situations. At September 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,210,307	\$ 76,613,409
Changes of assumptions	78,427,654	85,357,447
Net difference between projected and actual earnings on OPEB plan investments	—	6,869,295
Changes in proportion and differences between Employer contributions and proportionate share of contributions	85,210,209	22,620,714
Employer contributions subsequent to the measurement date	6,299,730	—
Total	<u>\$ 175,147,900</u>	<u>\$ 191,460,865</u>
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,023,813	\$ 99,578,071
Changes of assumptions	96,744,155	51,431,169
Net difference between projected and actual earnings on OPEB plan investments	—	11,679
Changes in proportion and differences between Employer contributions and proportionate share of contributions	109,497,239	30,170,243
Employer contributions subsequent to the measurement date	7,359,091	—
Total	<u>\$ 220,624,298</u>	<u>\$ 181,191,162</u>

The \$6.3 million reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2023	\$(13,212,755)
2024	\$(14,086,907)
2025	\$(14,989,354)
2026	\$ 16,501,715
2027	\$ 9,622,536
Thereafter	\$ (6,447,930)

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

Inflation	2.50%
Projected salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.00%
Municipal bond index rate at the measurement date	2.29%
Municipal bond index rate at the prior measurement date	2.25%
Projected year for fiduciary net position (FNP) to be depleted	2051
Single equivalent interest rate at the measurement date	3.97%
Single equivalent interest rate at the prior measurement date	3.05%
Healthcare cost trend rate	
Initial trend rate	
Pre-medicare eligible	6.50%
Medicare eligible	***
Ultimate trend rate	
Pre-medicare eligible	4.50% in 2028
Medicare eligible	4.50% in 2025

*Includes 2.75% wage inflation.

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

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

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2020 valuation.

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

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

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

	Target Allocation	Long-Term Expected 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 2.50% inflation

Discount rate. The discount rate (also known as the Single Equivalent Interest Rate ("SEIR"), as described by GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*) used to measure the total OPEB liability at September 30, 2021 was 3.97%. The discount rate used to measure the total OPEB liability at the prior measurement date was 3.05%. Premiums paid to the PEEHI Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Currently, the monthly employer rate is \$800 per non-university active member. Approximately, 12.990% of the employer contributions were used to assist in funding retiree benefit payments in 2021 and it is assumed that the 12.990% will increase at the same rate as expected benefit payments for the closed group reaching 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2024. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2119. The long-term rate of return is used until the assets are expected to be depleted in 2051, after which the municipal bond rate is used.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend and discount rates. The following table reflects the University'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:

	1% Decrease (5.50% decreasing to 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	1% Increase (7.50% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
University's proportionate share of the collective net OPEB liability	\$ 172,797,146	\$ 220,215,581	\$ 281,309,641

The following table reflects the University's proportionate share of the net OPEB liability of the Trust, as prescribed by GASB 75, calculated using the discount rate of 3.97%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
University's proportionate share of the collective net OPEB liability	\$ 270,874,903	\$ 220,215,581	\$ 179,581,210

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB 74 Report for PEEHIP prepared as of September 30, 2021. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 11 – Federal Direct Student Loan Program

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLP on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. During the years ended September 30, 2022 and 2021, respectively, the University disbursed approximately \$189.2 million and \$191.6 million, respectively, under the FDSLP.

Note 12 – Grants and Contracts

At September 30, 2022, the University had been awarded approximately \$106.2 million in grants and contracts which had 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 as of and for the year ended September 30, 2022.

Note 13 – Operating Expenses by Function

In addition to their natural classifications, expenses are also classified by their functional classifications. Functional classifications are assigned to departments based on the nature of their activity, such as instruction, public service, institutional support, etc. During 2021, the University implemented phase one of a separately accounted for expenditures ("SAE") project. The SAE project allows the University to certify and separately account for non-sponsored research effort, resulting in a re-allocation of expenses from instruction and academic support to research. During 2022, phase two of the project was fully implemented across campus. Operating expenses by functional classification for the years ended September 30, 2022 and 2021 are summarized as follows:

2022 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 236,190,050	\$ 38,920,045	\$ 19,434,592	\$ —	\$ 294,544,687
Research	101,783,833	50,352,605	7,886,524	—	160,022,962
Public service	40,782,212	19,328,276	2,253,212	—	62,363,700
Academic support	67,227,020	8,689,629	16,424,681	—	92,341,330
Student services	37,953,418	24,105,833	5,632,372	—	67,691,623
Institutional support	78,809,102	17,488,628	7,976,529	—	104,274,259
Operations and maintenance	69,502,571	29,738,032	—	—	99,240,603
Scholarships and fellowships	—	—	—	28,305,453	28,305,453
Auxiliary enterprises	92,229,920	111,252,277	31,451,896	5,528,785	240,462,878
Total operating expenses	<u>\$ 724,478,126</u>	<u>\$ 299,875,325</u>	<u>\$ 91,059,806</u>	<u>\$ 33,834,238</u>	<u>\$1,149,247,495</u>

2021 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 268,144,941	\$ 29,090,683	\$ 18,305,178	\$ —	\$ 315,540,802
Research	68,143,393	35,703,257	7,350,087	—	111,196,737
Public service	42,131,375	15,731,435	2,124,212	—	59,987,022
Academic support	69,893,354	13,581,091	15,262,777	—	98,737,222
Student services	38,857,758	11,183,519	5,410,107	—	55,451,384
Institutional support	83,839,047	28,550,634	7,781,339	—	120,171,020
Operations and maintenance	71,942,252	27,484,188	—	—	99,426,440
Scholarships and fellowships	—	—	—	57,733,682	57,733,682
Auxiliary enterprises	89,918,267	85,256,313	30,910,290	6,252,190	212,337,060
Total operating expenses	<u>\$ 732,870,387</u>	<u>\$ 246,581,120</u>	<u>\$ 87,143,990</u>	<u>\$ 63,985,872</u>	<u>\$1,130,581,369</u>

Note 14 – Contingencies and Commitments

The University has sovereign immunity and is, therefore, in the opinion of University Counsel, immune to ordinary tort actions. The University has consistently been dismissed from lawsuits on the basis of the sovereign immunity doctrine. That doctrine also protects the University from vicarious liability arising from the negligence of its employees. As a matter of policy, the University has chosen to indemnify its employees through a self-insured trust fund against liabilities arising from the performance of their official duties. Some exceptions to the sovereign immunity doctrine exist, most notably federal court cases arising under the federal Constitution or federal statutes. The University is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of those actions will have a material adverse effect on the financial statements. However, the settlement of legal actions is subject to inherent uncertainties, and it is possible that such outcomes could differ materially from management's current expectations.

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

The University has contracted for the construction and renovation of several facilities. At September 30, 2022 and 2021, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$157.9 million and \$61.6 million, respectively, which is expected to be financed from bond proceeds, grants, University funds, and private gifts.

Note 15 – Recently Issued Pronouncements

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

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

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

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

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

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

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined

contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The University has determined there was no material impact from its adoption of GASB 97.

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

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

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

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

The University of Alabama Required Supplementary Information (Unaudited)

Schedule of The University of Alabama's Proportionate Share of the Net Pension Liability

Teachers' Retirement Plan of Alabama

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	5.88%	5.98%	5.84%	5.98%	5.75%	5.76%	5.47%	5.20%
Employer's proportionate share of the collective net pension liability	\$ 553,948,000	\$ 739,566,000	\$ 646,185,000	\$ 594,410,000	\$ 565,233,000	\$ 623,398,000	\$ 572,814,000	\$ 472,075,000
Employer's covered payroll during the measurement period	\$ 433,960,597	\$ 431,766,760	\$ 422,693,087	\$ 405,655,755	\$ 385,853,526	\$ 369,595,295	\$ 347,881,013	\$ 329,612,262
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	127.65%	171.29%	152.87%	146.53%	146.49%	168.67%	164.66%	143.22%
Plan fiduciary net position as a percentage of the total collective pension liability	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

Schedule of The University of Alabama's Contributions

Teachers' Retirement Plan of Alabama

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 54,098,003	\$ 51,757,744	\$ 52,175,581	\$ 51,222,334	\$ 48,018,757	\$ 45,024,221	\$ 43,303,201	\$ 39,092,939
Contributions in relation to the contractually required contribution	\$ 54,098,003	\$ 51,757,744	\$ 52,175,581	\$ 51,222,334	\$ 48,018,757	\$ 45,024,221	\$ 43,303,201	\$ 39,092,939
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 452,622,667	\$ 433,960,597	\$ 431,766,760	\$ 422,693,087	\$ 405,665,755	\$ 385,853,526	\$ 369,595,295	\$ 347,881,013
Contributions as a percentage of covered payroll	11.95%	11.93%	12.08%	12.12%	11.84%	11.67%	11.72%	11.24%

Notes to Schedules

Employer's covered payroll: The payroll on which contributions to a pension plan are based.
The measurement period for each year presented is the prior fiscal year ending September 30.
For fiscal year 2022, the measurement period is October 1, 2020 - September 30, 2021.

The University of Alabama

Required Supplementary Information (Unaudited)

Schedule of The University of Alabama's Proportionate Share of the Net OPEB Liability

Alabama Retired Education Employees' Health Care Trust

	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	4.26%	4.27%	2.89%	3.25%	3.47%
Employer's proportionate share of the collective net OPEB liability	\$ 220,215,581	\$ 276,972,007	\$ 108,975,155	\$ 267,378,182	\$ 257,683,278
Employer's covered payroll during the measurement period	\$ 433,960,597	\$ 431,766,760	\$ 422,693,087	\$ 405,665,755	\$ 385,853,526
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	50.75%	64.15%	25.78%	65.91%	66.78%
Plan fiduciary net position as a percentage of the total collective net OPEB liability	27.11%	19.80%	28.14%	14.81%	15.37%

Schedule of The University of Alabama's Contributions

Alabama Retired Education Employees' Health Care Trust

	2022	2021	2020	2019	2018
Contractually required contribution	\$ 6,299,730	\$ 7,359,091	\$ 8,450,780	\$ 8,214,794	\$ 7,988,277
Contributions in relation to the contractually required contribution	\$ 6,299,730	\$ 7,359,091	\$ 8,450,780	\$ 8,214,794	\$ 7,988,277
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 452,622,667	\$ 433,960,597	\$ 431,766,760	\$ 422,693,087	\$ 405,665,755
Contributions as a percentage of covered payroll	1.39%	1.70%	1.96%	1.94%	1.97%

Notes to Schedules

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

The measurement period for each year presented is the prior fiscal year ending September 30.

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

The Board of Trustees of the University of Alabama (Unaudited)

As of September 30, 2022

The Honorable Kay Ivey, Governor of the State of Alabama, President Ex-Officio

Trustees:

W. Stancil Starnes, President Pro Tempore

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Mike Brock

Second Congressional District

Karen P. Brooks

Seventh Congressional District

Ronald W. Gray

Fifth Congressional District

Jeff Gronberg

Fifth Congressional District

Barbara Humphrey

Seventh Congressional District

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First Congressional District

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Marietta M. Urquhart

First Congressional District

Kenneth L. Vandervoort, M.D.

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Third Congressional District

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Joseph L. Fine

Sandra Hullett, M.D.

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John D. Johns

Peter L. Lowe

John J. McMahon, Jr.

Joe H. Ritch

William "Britt" Sexton

Finis E. St. John IV

Cleophus Thomas, Jr.

John Russell Thomas

The University of Alabama
Executive Officers (Unaudited)
As of September 30, 2022

Stuart R. Bell, Ph.D.

President

Chad Tindol

Chief Administrative Officer

James Dalton, Ph.D.

Executive Vice President and Provost

Ryan Bradley

Vice President for Strategic Communications

Greg Byrne

Director of Athletics

Matthew M. Fajack

Vice President for Finance and Operations

Steven Hood, Ph.D.

Interim Vice President of Student Life

Russell J. Mumper, Ph.D.

Vice President for Research and Economic Development

Robert D. Pierce II

Vice President for Advancement

Samory T. Pruitt, Ph.D.

Vice President for Community Affairs

G. Christine Taylor, Ph.D.

Vice President and Associate Provost for Diversity, Equity and Inclusion