

2022 ANNUAL FINANCIAL REPORT 2023



The University of Alabama

2022-2023 Annual Financial Report

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Report of Independent Auditors

To the Board of Trustees of the University of Alabama

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate 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, 2023 and 2022, 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 aggregate remaining fund information of The University of Alabama as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2023 and 2022, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 79 through 80 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

Birmingham, Alabama
January 23, 2024

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, 2023 and 2022. 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.

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 1,400-acre residential campus located in Tuscaloosa, Alabama, features exceptional facilities and technology. UA emphasizes quality programs in the areas of teaching, research and service through scholarship opportunities, over 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 University 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 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes accounting and financial reporting requirements for subscription-based information technology arrangements ("SBITAs"). The statement requires the University to recognize right-of-use assets and related subscription liabilities for SBITAs, the expenditures for which were previously expensed as outflows of resources. The adoption of GASB Statement No. 96 has been reflected at the beginning of the earliest period presented in the financial statements, or October 1, 2021 (see note 1 for the impact of the adoption of GASB Statement No. 96). For purposes of the MD&A, fiscal year 2021 information does not reflect the adoption of GASB Statement No. 96.

Statements of Net Position

The statements of net position present the 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, 2023 and 2022. 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, 2023, the University's assets and deferred outflows of resources were \$6.2 billion, liabilities and deferred inflows of resources were \$3.0 billion, leaving a net position of \$3.2 billion. The overall increase in net position of \$507.2 million is based on the activity presented in the statements of revenues, expenses and changes in net position. During fiscal year 2023, the University saw increases in gifts, additions to the Endowment, State educational appropriations and State capital appropriations, as well as net investment gains due to improved market conditions. A summary of the University's assets, deferred outflows, liabilities, deferred inflows, and net position follows.

Condensed Statements of Net Position

	September 30,		
	2023	2022	2021
Assets			
Current assets	\$ 883,372,278	\$ 866,432,195	\$ 872,925,391
Capital assets, net	2,748,890,107	2,578,423,035	2,480,115,432
Other noncurrent assets	2,116,351,607	1,779,807,553	2,073,900,383
Total assets	5,748,613,992	5,224,662,783	5,426,941,206
Deferred outflows of resources	444,311,087	344,140,710	410,568,293
Liabilities			
Current liabilities	601,771,356	562,727,334	557,042,197
Noncurrent liabilities	2,028,561,206	1,903,816,313	2,205,759,015
Total liabilities	2,630,332,562	2,466,543,647	2,762,801,212
Deferred inflows of resources	330,284,306	377,201,632	211,194,813
Net Position			
Net investment in capital assets	1,655,747,911	1,460,484,243	1,355,627,568
Restricted	1,480,576,552	1,161,672,454	1,196,556,046
Unrestricted	95,983,748	102,901,517	311,329,860
Total net position	\$ 3,232,308,211	\$ 2,725,058,214	\$ 2,863,513,474

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 \$109.0 million at September 30, 2023, a decrease of \$9.3 million from the prior year. At September 30, 2022, current cash and cash equivalents totaled \$118.2 million, an increase of \$27.9 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 \$492.1 million, \$513.4 million, and \$550.5 million at September 30, 2023, 2022, and 2021, respectively. Short-term investments fluctuate based on amounts needed to support current operations.

Accounts receivable increased by \$12.8 million in 2023, following a decrease of \$6.2 million in 2022. 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 \$25.0 million in 2023 following an increase of \$3.9 million in 2022. Prepaid expenses are expected to fluctuate from year to year depending on the timing of payments for the upcoming fiscal 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. Fall 2023 classes started a week later than the prior year resulting in more scholarship expense being deferred at September 30, 2023. Additionally, Fall 2023 enrollment increased, as well as out-of-state tuition rates. Fall 2022 enrollment and tuition rates increased resulting in a slight increase in unearned scholarships at September 30, 2022.

Noncurrent assets are predominantly composed of endowment and life income investments, investments for capital activities, other long-term investments, notes receivable (net), pledges 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 increased \$304.0 million during 2023, largely due to investment gains resulting from improved market performance, as well as increased additions to permanent endowments. During 2022 noncurrent investments decreased \$281.0 million primarily due to losses resulting from unfavorable market conditions.

Notes receivable (current and noncurrent combined) decreased by \$8.9 million in 2023 and \$9.3 million in 2022 due primarily to payments on existing notes.

Pledges receivable (current and noncurrent combined) increased \$45.1 million in 2023 due largely to an increase in CTF pledges receivable. During CTF's fiscal year 2023, net pledges receivable increased as new pledges were made to fund a current capital campaign and previously contingent pledges were able to be recognized. Pledges receivable increased \$4.1 million in 2022 largely due to an increase in UA capital pledges.

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 \$170.5 million in fiscal year 2023 and \$98.3 million in 2022. 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, 2023, deferred outflows of resources from debt refundings decreased \$1.4 million due to the annual amortization of the refundings. At September 30, 2023, deferred outflows of resources from pension obligations increased \$152.4 million, while deferred outflows of resources from OPEB obligations decreased \$50.9 million, for a net increase of \$101.5 million. 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. Deferred outflows of resources from pension obligations decreased \$22.0 million in fiscal year 2022, while deferred outflows from OPEB obligations decreased \$45.5 million, for a net decrease of \$67.5 million.

The University's Liabilities

Current liabilities consist of accounts payable, accrued liabilities, unearned revenue, deposits, and the current portion of long-term debt. 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 decreased \$679,000 in 2023. This can fluctuate due to the timing of payments around year-end. Accounts payable and accrued liabilities increased by \$19.5 million from 2021 to 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. Additionally, the adoption of GASB Statement No. 96 resulted in an increase of \$7.0 million to accounts payable and accrued liabilities at September 30, 2022 (see note 1 for the impact of the adoption of GASB Statement No. 96). Fiscal year 2021 information was not restated.

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 \$38.1 million in fiscal year 2023. Fall 2023 classes started a week later than in the prior year resulting in more tuition revenue being deferred to fiscal year 2024. Additionally, Fall 2023 enrollment increased, as well as out-of-state tuition rates. At September 30, 2022, unearned revenues increased \$6.1 million due to enrollment and tuition rate increases for Fall 2022.

Deposits are comprised of University deposit liabilities and agency fund balances. Deposits decreased by \$228,000 and \$931,000 during 2023 and 2022 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 \$52.4 million and \$48.4 million in 2023 and 2022, respectively, as debt repayments were made during 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 2023, the University's proportionate share of the net pension liability in the Teachers' Retirement System Plan (the "Plan") increased by \$340.5 million to \$894.5 million. For 2023, the Plan's fiduciary net position decreased due to a downturn in the market at the Plan's measurement date (September 30, 2022) which increased the overall net pension liability. This follows a \$185.6 million decrease in the University's proportionate share of the net pension liability in 2022 as the Plan's fiduciary net position increased resulting in a lower overall net pension liability. The University's proportionate share of the net OPEB liability in the Alabama Retired Education Employee's Health Care Trust (the "Trust") decreased by \$162.8 million to \$57.4 million in 2023. PEEHIP had a change in their discount rate as well as lower than anticipated claims which impacted their assumptions and resulted in an overall lower liability. In 2022 the University's proportionate share of the liability decreased \$56.8 million due to an increase in the Trust's fiduciary net position.

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, and the University's remainder interest in its irrevocable split interest agreements (note 1). At September 30, 2023, deferred inflows of resources from pension obligations decreased \$135.6 million, while deferred inflows from OPEB obligations increased \$81.9 million, for a net decrease of \$53.7 million. Deferred inflows of resources related to the University's leases receivable increased \$5.9 million in 2023. Deferred inflows of resources from the remainder interest in split interest agreements increased by \$940,000 in 2023. During 2022, deferred inflows of resources from pension obligations increased \$155.8 million and deferred inflows of resources from OPEB obligations increased \$10.3 million, for a net increase of \$166.1 million. Deferred inflows of resources related to the University's leases receivable increased \$1.4 million in 2022. Deferred inflows of resources from the remainder interest in split interest agreements decreased by \$1.5 million in 2022.



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 increased \$507.2 million during 2023 to \$3.2 billion, primarily due to increases in gifts, additions to the Endowment, state educational appropriations and state capital appropriations, as well as net investment gains due to improved market conditions. During 2022 net position decreased \$138.5 million 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.

Net investment in capital assets increased \$195.3 million in 2023 following an increase of \$104.9 million in 2022. These increases are due to an increase in capital asset purchases, which exceeded the related depreciation expense, along with a decrease in the related debt as debt repayments are made during the year. 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 \$150.3 million in 2023 due primarily to additions to the Endowment 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 increased \$57.0 million also due to gifts and earnings on true endowment corpus funds.

Restricted expendable net position increased \$168.6 million in 2023. The University's portion of restricted expendable net position increased by \$97.8 million due largely to an increase in true endowment gains, along with state capital appropriations received in 2023. CTF's restricted expendable net position increased by \$70.9 million due to an increase in unrealized gains resulting from more favorable market conditions, as well as an increase in gift revenues. In 2022, restricted expendable net position decreased \$91.8 million. The University's portion of restricted expendable net position decreased by \$82.5 million largely due to a decrease in true endowment gains. CTF's restricted expendable net position decreased \$9.4 million, also due to unrealized losses resulting from unfavorable market conditions. 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.

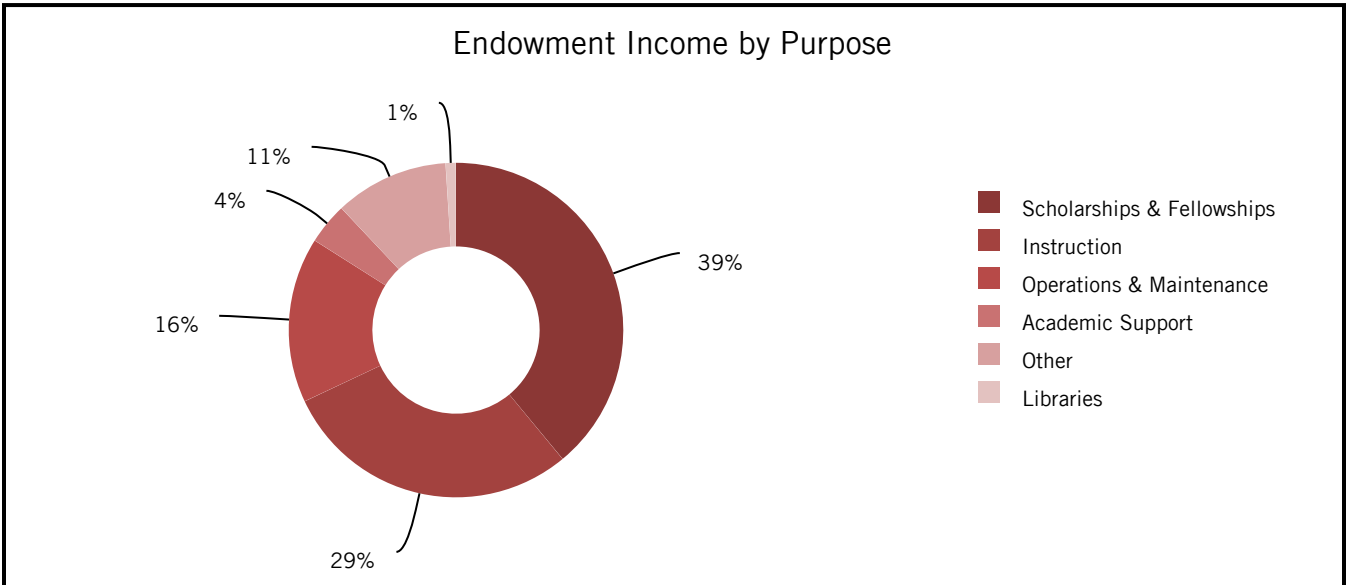
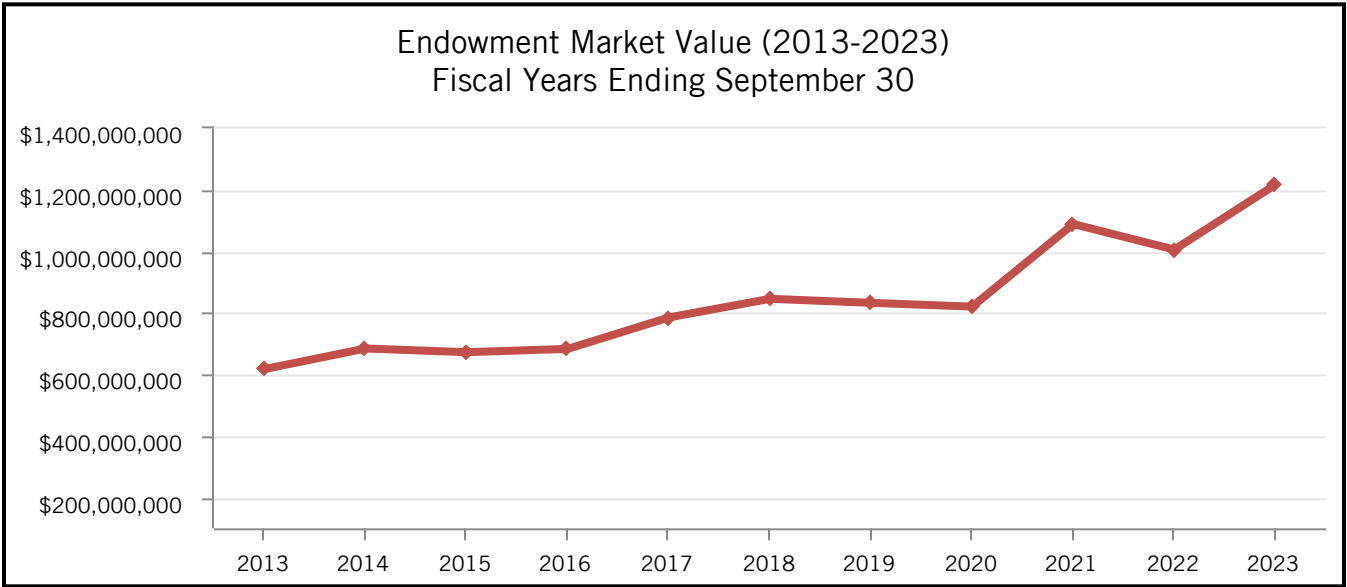
Unrestricted net position decreased \$6.9 million in 2023. Although the University experienced increases in unrealized gains and State educational appropriations, unrestricted net position is also impacted by rising costs due to inflation, as well as the impact of the GASB Statement No. 68 pension expense adjustment. In 2022 unrestricted net position decreased \$208.4 million largely due to a net investment loss resulting from unrealized losses on investments.

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.

The University Endowment grew \$210.9 million in 2023 resulting from additions to the Endowment of \$145.7 million and unrealized gains. During fiscal year 2023, the University received \$100.0 million in Congressionally directed grant funding to establish The Shelby Endowment for Distinguished Faculty, which is a permanent endowment to support the recruitment and retention of exceptional faculty in science and engineering. In 2022 the Endowment declined \$83.0 million as additions to the Endowment of \$58.7 million were offset by unrealized losses on endowment investments.

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, state capital appropriations, capital gifts and grants, additions to permanent endowments, and intragovernmental transfers between the University and CTF, its blended component unit, and occasionally 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,		
	2023	2022	2021
Operating revenues			
Tuition and fees, net	\$ 489,751,283	\$ 485,015,783	\$ 481,899,451
Auxiliary sales and services, net	218,138,305	220,599,553	207,244,020
All other operating revenues	268,829,686	240,712,324	181,895,261
Total operating revenues	976,719,274	946,327,660	871,038,732
Operating expenses	1,287,972,046	1,149,130,230	1,130,581,369
Operating loss	(311,252,772)	(202,802,570)	(259,542,637)
Nonoperating revenues (expenses)			
State educational appropriations	212,885,740	194,970,221	190,568,533
Gifts	78,861,700	44,942,506	64,036,452
Investment income (loss), net	219,906,628	(286,146,166)	409,930,867
All other nonoperating revenues (expenses), net	1,435,739	(3,482,039)	76,480,414
Net nonoperating revenues (expenses)	513,089,807	(49,715,478)	741,016,266
Income (loss) before other changes in net position	201,837,035	(252,518,048)	481,473,629
Other changes in net position	305,412,962	114,062,788	58,671,698
Increase (decrease) in net position	507,249,997	(138,455,260)	540,145,327
Net position, beginning of year	2,725,058,214	2,863,513,474	2,323,368,147
Net position, end of year	\$ 3,232,308,211	\$ 2,725,058,214	\$ 2,863,513,474

The University's net position increased \$507.2 million in 2023, primarily due to increases in gifts, additions to the Endowment, State educational appropriations and State capital appropriations, as well as net investment gains due to improved market conditions. Net position decreased by \$138.5 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.

As noted in the SRECNP, the University experienced operating losses in fiscal years 2023, 2022, and 2021 of \$311.3 million, \$202.8 million, and \$259.5 million, respectively. These operating losses highlight the University's dependency on nonoperating revenues, such as State educational appropriations, nonoperating grants, private gifts, and investment income to meet its cost of operations.

Operating Revenues

Net tuition and fees in 2023 were \$489.8 million, a \$4.7 million increase from 2022. Net tuition and fees in 2022 were \$485.0 million, a \$3.1 million increase from 2021. For the 2022-2023 academic year, tuition rates and enrollment increased for both in-state and out-of-state students, which primarily impacts fiscal year 2023. For the 2021-2022 academic year, there was no tuition rate increase; however, Fall 2021 enrollment increased slightly. 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,		
	2023	2022	2021
Department of Health & Human Services	\$ 27,116,914	\$ 23,208,702	\$ 18,957,168
National Science Foundation	19,484,165	19,273,915	14,702,908
U.S. Department of Commerce	16,112,312	4,926,532	4,962,094
U.S. Department of Education	8,044,319	7,965,749	7,741,069
U.S. Department of Energy	6,123,602	5,883,199	5,987,116
U.S. Department of Transportation	5,121,446	4,186,588	4,252,080
U.S. Department of Defense	17,730,460	12,386,434	8,064,394
Other Federal Sources	14,555,464	11,728,465	10,985,755
Total federal grants and contracts revenue	<u>\$ 114,288,682</u>	<u>\$ 89,559,584</u>	<u>\$ 75,652,584</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 \$24.1 million in 2023 and \$16.5 million in 2022.

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 decreased \$2.5 million in 2023. While revenues for many auxiliary units increased, including the UA Supply Store and residence halls, these increases were offset by an increase in auxiliary scholarship allowance, which is the amount applied by the University to auxiliary housing on behalf of students receiving scholarship awards, and a decrease in athletics ticket revenues. In 2023, there was a change to the pricing structure of Tide Pride ticket packages, resulting in a decrease to ticket revenue. 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.

During 2023, other operating revenue for the University of \$29.6 million, combined with CTF other operating revenue of \$66.0 million, totaled \$95.6 million, an increase of \$3.4 million from the prior year, primarily due to increases in CTF media revenues. As of September 30, 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. 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 2023, State educational appropriations increased \$17.9 million from the prior year for a total received of \$212.9 million. In 2022, State educational appropriations increased \$4.4 million over 2021 for a total received of \$195.0 million. Fiscal year 2021 includes a supplemental appropriation received from the Advancement and Technology Fund of \$9.3 million. No supplemental appropriation was received by the University from the Advancement and Technology Fund in 2023 or 2022.

Gift revenue for the University of \$33.9 million combined with CTF gift revenue of \$44.9 million totaled \$78.9 million in fiscal year 2023, an increase of \$33.9 million from the prior year. In 2022, UA gift revenue of \$29.7 million combined with CTF gift revenue of \$15.2 million totaled \$44.9 million, a decrease of \$19.1 million. 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 2022. During 2023, all aspects of those contingency statements were met and those pledges were able to be recognized which contributed to the overall increase for fiscal year 2023.

Nonoperating grants 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 Recovery Zone Economic Development Bond interest reimbursements. In response to the COVID-19 pandemic, the University also received COVID-19 emergency grant funding, primarily through Higher Education Emergency Relief Funds ("HEERF") I, II, and III, and the Coronavirus Relief Fund ("CRF"), which is included in nonoperating grants revenue. Total HEERF funds of \$1.4 million and \$85.0 million were received in fiscal years 2022 and 2021, 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 were received during fiscal year 2021 to offset necessary expenses incurred due to the public health emergency with respect to COVID-19. Other sources of COVID-19 emergency grant funding totaled \$2.2 million in 2023, \$2.2 million in 2022, and \$178,000 in 2021. Nonoperating grants revenue decreased from \$115.1 million in 2021 to \$34.7 million in 2022 as HEERF funding tapered off, then increased slightly to \$36.4 million in 2023.

Both investment and endowment income are combined as investment income on the SRECNP. Net investment income increased \$506.1 million to \$219.9 million in 2023 as improved market performance throughout the year strengthened the fair value of investments. In 2022 net investment income decreased \$696.1 million as poor market performance throughout the year led to unrealized losses, resulting in net investment loss of \$286.1 million.



Operating Expenses

The University reports natural classifications of expenses in the SRECNP. Salaries, wages and benefits increased \$81.8 million to \$806.3 million in 2023 due to growth in the University's salary base and rising benefit costs related to salary growth, as well as an increase in the net pension expense adjustment resulting from GASB Statement No. 68. In 2022, salaries, wages and benefits were \$724.5 million, which was an \$8.4 million decrease from \$732.9 million in 2021, largely due to decreases in the pension and OPEB expense adjustments resulting from GASB Statements No. 68 and 75. 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 \$45.4 million in 2023, following an increase of \$48.7 million for fiscal year 2022. Research expenditures have increased following growth in external funding for research and sponsored programs. Additionally, the University continues to face rising costs due to inflation.

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 \$37.1 million, \$33.8 million, and \$64.0 million for fiscal years 2023, 2022, and 2021, 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 \$349.3 million, \$327.7 million, and \$346.6 million for the years ended September 30, 2023, 2022, and 2021, respectively. As mentioned previously, the University received COVID-19 emergency grant funding in fiscal years 2022 and 2021 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 and \$37.5 million for fiscal years 2022 and 2021, respectively.

Operating Expenses (by natural classification)

	Years ended September 30,		
	2023	2022	2021
Salaries, wages and benefits	\$ 806,257,448	\$ 724,478,126	\$ 732,870,387
Supplies and services	340,622,841	295,245,914	246,581,120
Depreciation	103,954,222	95,571,952	87,143,990
Scholarships and fellowships	37,137,535	33,834,238	63,985,872
Total operating expenses	<u>\$ 1,287,972,046</u>	<u>\$ 1,149,130,230</u>	<u>\$ 1,130,581,369</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.

2023 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 261,282,637	\$ 39,249,888	\$ 21,239,483	\$ —	\$ 321,772,008
Research	110,572,162	65,468,928	8,460,952	—	184,502,042
Public service	47,074,287	24,839,652	2,807,142	—	74,721,081
Academic support	73,328,365	11,109,203	17,837,540	—	102,275,108
Student services	42,495,254	24,318,798	6,350,836	—	73,164,888
Institutional support	91,527,378	9,544,270	13,519,604	—	114,591,252
Operations and maintenance	79,225,313	36,693,502	2,459,440	—	118,378,255
Scholarships and fellowships	—	—	—	36,077,362	36,077,362
Auxiliary enterprises	100,752,052	129,398,600	31,279,225	1,060,173	262,490,050
Total operating expenses	<u>\$ 806,257,448</u>	<u>\$ 340,622,841</u>	<u>\$103,954,222</u>	<u>\$ 37,137,535</u>	<u>\$ 1,287,972,046</u>

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	8,531,058	16,548,140	—	92,306,218
Student services	37,953,418	23,787,833	5,891,792	—	67,633,043
Institutional support	78,809,102	15,349,774	10,682,654	—	104,841,530
Operations and maintenance	69,502,571	28,543,735	743,242	—	98,789,548
Scholarships and fellowships	—	—	—	28,305,453	28,305,453
Auxiliary enterprises	92,229,920	110,432,588	32,131,796	5,528,785	240,323,089
Total operating expenses	<u>\$ 724,478,126</u>	<u>\$ 295,245,914</u>	<u>\$ 95,571,952</u>	<u>\$ 33,834,238</u>	<u>\$ 1,149,130,230</u>

Other Changes in Net Position

During fiscal year 2023, the University received a \$58.2 million supplemental appropriation from the State of Alabama designated for capital projects. No similar appropriations were received during 2022 or 2021.

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 \$33.1 million, \$21.0 million, and \$658,000 in fiscal years 2023, 2022, and 2021, respectively.

Capital gifts and grants increased \$12.6 million in 2023, primarily due to gifts and previously contingent pledges for capital projects being recognized by CTF during fiscal year 2023. In 2022 capital gifts and grants increased \$14.6 million primarily due to gifts and pledges received for UA capital projects.

Additions to permanent endowments totaled \$145.7 million at September 30, 2023, an increase of \$87.0 million. As previously mentioned, during fiscal year 2023 the University received \$100.0 million in Congressionally directed grant funding to establish The Shelby Endowment for Distinguished Faculty, which is a permanent endowment to support the recruitment and retention of exceptional faculty in science and engineering. Additions to permanent endowments totaled \$58.7 million at September 30, 2022, an increase of \$24.4 million, 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 2023 intragovernmental transfers increased by \$21.4 million from the prior year. During 2022 intragovernmental transfers decreased by \$3.9 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, 2023, the University had \$4.0 billion invested in gross capital assets and accumulated depreciation of \$1.2 billion, a net of \$2.7 billion. 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. Depreciation expense for fiscal years 2023, 2022, and 2021 totaled \$104.0 million, \$95.6 million, and \$87.1 million, respectively. The following schedule summarizes the University's capital assets, net of accumulated depreciation:

Capital Assets, Net of Accumulated Depreciation

	2023	2022	2021
Land	\$ 94,691,467	\$ 94,028,783	\$ 88,004,264
Land improvements	57,160,846	51,972,057	53,194,061
Infrastructure	164,681,759	135,733,386	127,188,056
Buildings and fixed equipment	2,025,350,249	1,993,744,194	1,877,688,235
Construction in progress	180,086,355	91,697,132	144,052,143
Equipment	102,707,977	95,345,870	85,289,550
Library materials and collections	40,230,624	39,601,544	40,871,599
Intangible assets	65,391,724	59,263,831	60,388,167
Right-of-use assets - leased real estate & equipment	3,447,075	4,281,286	3,439,357
Right-of-use assets - software subscriptions	15,142,031	12,754,952	—
Total capital assets, net of accumulated depreciation	<u>\$ 2,748,890,107</u>	<u>\$ 2,578,423,035</u>	<u>\$ 2,480,115,432</u>

Significant capital asset expenditures for fiscal year 2023 included (in millions):		Significant capital asset expenditures for fiscal year 2022 included (in millions):	
Peter Bryce Main Building Stabilization, Phase 2	\$30.3	Tutwiler Residence Hall	\$31.5
Smart Communities and Innovation Building	\$27.2	Peter Bryce Main Building Stabilization, Phase 2	\$18.7
Drummond Lyon Hall	\$16.1	Campus Energy Delivery Optimization	\$17.8
Performing Arts Center	\$9.6	School of Medicine MRI Addition	\$10.6
Alston Hall Renovation	\$9.5	Angelo Bruno Business Library renovations	\$7.8
		Tutwiler Site Redevelopment	\$7.2

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

At September 30, 2023, the University had \$1.1 billion of debt outstanding, of which \$47.8 million was classified as current. At September 30, 2022, the University had \$1.2 billion of debt outstanding, of which \$45.9 million was classified as current. The University had \$1.2 billion of debt outstanding at September 30, 2021, of which \$43.0 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, 2023, 2022, and 2021, exclusive of debt discounts and premiums of \$59.5 million, \$66.0 million, and \$84.7 million, respectively, are summarized below. Further information may also be found in note 7.

Schedules of Long-Term Debt

	2023	2022	2021
Bonds payable	\$ 1,031,040,000	\$ 1,070,545,000	\$ 1,093,795,000
Notes payable	8,787,915	15,181,780	21,554,798
Total long-term debt	<u>\$ 1,039,827,915</u>	<u>\$ 1,085,726,780</u>	<u>\$ 1,115,349,798</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.

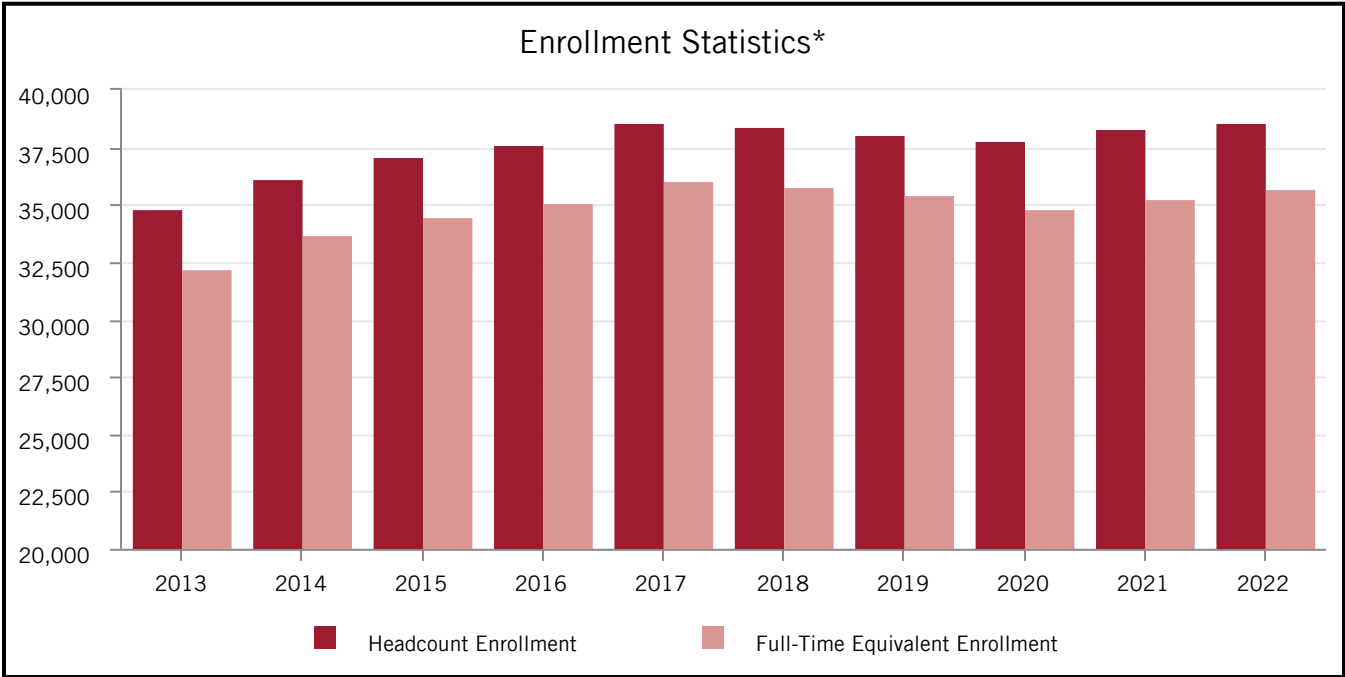
The University must have campus facilities that are competitive to support the mission of the institution and scope of its programs and services. The University continues to execute its long-term plan to modernize and expand its teaching, research, and student facilities with a balance of new construction 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 1,100 currently enrolled. University students continue to win prestigious national awards. Sixty-two University of Alabama students have been named Goldwater Scholars. The University has produced a total of 16 Rhodes Scholars, 16 Truman Scholars, 41 Hollings Scholars and 17 Boren Scholars. The Fulbright Program selected 14 University students for various awards during the 2023-2024 academic year.

Enrollment at the University for Fall 2022 was 38,645, an increase of 325 students from the prior year. Full-time equivalent enrollment totaled 35,682, an increase of 435. The chart below displays enrollment counts taken for each fall semester; the last of which (2022) demonstrates enrollment figures occurring for the fall semester of the 2023 fiscal year.



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



The University of Alabama

Statistical Highlights

Fall Semester

Fall Headcount Enrollment*	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Undergraduate	32,458	31,688	31,672	32,798	33,030	33,305	32,564	31,960	30,754	29,443
Graduate	5,687	6,152	5,730	4,870	4,916	4,787	4,629	4,649	4,871	4,851
Professional	500	480	440	435	446	471	472	491	530	558
Total Fall Enrollment	38,645	38,320	37,842	38,103	38,392	38,563	37,665	37,100	36,155	34,852

Fall Full-Time Equivalent ("FTE") Enrollment*	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Undergraduate	30,726	29,943	29,756	31,037	31,364	31,671	30,902	30,262	29,254	27,950
Graduate	4,457	4,824	4,615	3,985	3,990	3,885	3,747	3,787	3,895	3,758
Professional	499	480	440	435	446	471	471	490	531	557
Total Fall Enrollment	35,682	35,247	34,811	35,457	35,800	36,027	35,120	34,539	33,680	32,265

Fall First-Time Freshman Admissions*	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Applications	54,072	42,421	39,560	38,505	37,302	38,129	38,237	35,623	33,261	30,797
Admitted	43,290	33,472	31,804	31,835	30,109	30,416	29,880	28,067	26,495	24,166
Enrolled	8,037	7,593	6,507	6,764	6,663	7,407	7,559	7,211	6,856	6,478
Percent Admitted	80.1 %	78.9 %	80.4 %	82.7 %	80.7 %	79.8 %	78.1 %	78.8 %	79.7 %	78.5 %
Percent Enrolled	18.6 %	22.7 %	20.5 %	21.2 %	22.1 %	24.4 %	25.3 %	25.7 %	25.9 %	26.8 %

Degrees Conferred Academic Years Ending May*	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Baccalaureate	6,505	6,741	7,363	7,429	6,912	6,750	6,501	6,354	5,662	5,408
Master's	2,162	2,180	1,859	1,831	1,750	1,681	1,578	1,650	1,672	1,645
Juris Doctor	126	130	119	130	134	138	133	144	144	172
Educational Specialist	51	39	26	25	20	22	48	38	48	28
Doctoral	310	266	245	253	282	290	304	305	379	329
Total Degrees Conferred	9,154	9,356	9,612	9,668	9,098	8,881	8,564	8,491	7,905	7,582

Academic Years Ending May**	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Undergraduate and Graduate Tuition										
Tuition Per Full-Time In-State Student	\$11,100	\$10,780	\$10,780	\$10,780	\$10,780	\$10,780	\$10,470	\$10,170	\$9,826	\$9,450
Percent Increase Over Prior Year	3.0 %	— %	— %	— %	— %	3.0 %	2.9 %	3.5 %	4.0 %	2.7 %
Tuition Per Full-Time Out-of-State Student	\$31,460	\$30,250	\$30,250	\$30,250	\$29,230	\$28,100	\$26,950	\$25,950	\$24,950	\$23,950
Percent Increase Over Prior Year	4.0 %	— %	— %	3.5 %	4.0 %	4.3 %	3.9 %	4.0 %	4.2 %	4.4 %
Law School Tuition										
Tuition Per Full-Time In-State Student	\$24,080	\$23,610	\$23,610	\$23,610	\$23,610	\$23,410	\$22,760	\$22,020	\$21,320	\$20,770
Percent Increase Over Prior Year	2.0 %	— %	— %	— %	0.9 %	2.9 %	3.4 %	3.3 %	2.6 %	5.6 %
Tuition Per Full-Time Out-of-State Student	\$44,470	\$43,060	\$43,060	\$43,060	\$41,870	\$40,360	\$38,820	\$37,360	\$36,000	\$34,840
Percent Increase Over Prior Year	3.3 %	— %	— %	2.8 %	3.7 %	4.0 %	3.9 %	3.8 %	3.3 %	5.8 %

*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, 2023 and 2022

	2023	2022
Current assets		
Cash and cash equivalents	\$ 108,965,045	\$ 118,241,674
Short-term investments	492,120,473	513,436,516
Accounts receivable, net	103,335,878	90,543,755
Current portion of notes receivable, net	5,657,526	5,666,252
Current portion of student loans receivable, net	1,539,115	1,675,165
Current portion of pledges receivable, net	31,508,019	23,661,105
Inventories	7,343,288	5,631,913
Prepaid expenses and unearned scholarships	128,588,953	103,614,399
Other current assets	4,313,981	3,961,416
Total current assets	<u>883,372,278</u>	<u>866,432,195</u>
Noncurrent assets		
Restricted cash and cash equivalents	2,157,327	3,052,150
Endowment and life income investments	1,216,816,640	1,005,954,484
Investments for capital activities	420,257,423	313,646,182
Other long-term investments	153,227,759	166,681,793
Notes receivable, net	199,299,361	208,200,666
Student loans receivable, net	5,046,776	5,732,938
Pledges receivable, net	98,984,407	61,748,607
Capital assets, net	2,748,890,107	2,578,423,035
Other noncurrent assets	20,561,914	14,790,733
Total noncurrent assets	<u>4,865,241,714</u>	<u>4,358,230,588</u>
Total assets	<u>5,748,613,992</u>	<u>5,224,662,783</u>
Deferred outflows of resources		
Debt refundings	15,852,866	17,203,807
Pension and OPEB obligations	428,458,221	326,936,903
Total deferred outflows of resources	<u>444,311,087</u>	<u>344,140,710</u>
Total assets and deferred outflows of resources	<u>\$ 6,192,925,079</u>	<u>\$ 5,568,803,493</u>

See accompanying notes to financial statements.

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

	2023	2022
Current liabilities		
Accounts payable and accrued liabilities	\$ 169,442,601	\$ 170,121,399
Current portion of unearned revenue	365,608,854	327,534,318
Deposits	18,944,651	19,172,752
Current portion of long-term debt	47,775,250	45,898,865
Total current liabilities	<u>601,771,356</u>	<u>562,727,334</u>
Noncurrent liabilities		
Federal advances - loan funds	4,710,916	5,701,032
Other liabilities	15,568,777	11,577,331
Unearned revenue	4,858,664	6,575,764
Long-term debt, net	1,051,532,061	1,105,798,605
Pension liability	894,458,000	553,948,000
OPEB liability	57,432,788	220,215,581
Total noncurrent liabilities	<u>2,028,561,206</u>	<u>1,903,816,313</u>
Total liabilities	<u>2,630,332,562</u>	<u>2,466,543,647</u>
Deferred inflows of resources		
Pension and OPEB obligations	314,965,903	368,698,865
Leases	12,981,988	7,106,839
Split interest - remainder interest	2,336,415	1,395,928
Total deferred inflows of resources	<u>330,284,306</u>	<u>377,201,632</u>
Net position		
Net investment in capital assets	1,655,747,911	1,460,484,243
Restricted		
Nonexpendable	750,668,381	600,413,389
Expendable	729,908,171	561,259,065
Unrestricted	95,983,748	102,901,517
Total net position	<u>3,232,308,211</u>	<u>2,725,058,214</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 6,192,925,079</u></u>	<u><u>\$ 5,568,803,493</u></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, 2023 and 2022

	2023	2022
Operating revenues		
Tuition and fees	\$ 785,087,861	\$ 765,508,001
Less: scholarship allowances	(295,336,578)	(280,492,218)
Tuition and fees, net	489,751,283	485,015,783
Grants and contracts		
Federal	114,288,682	89,559,584
State	33,993,620	33,028,646
Local	1,432,341	1,766,951
Private	5,976,538	7,211,400
Sales and services of educational activities	17,564,235	16,934,239
Auxiliary sales and services, net of \$16,787,247 in 2023 and \$13,403,733 in 2022 of scholarship allowances	218,138,305	220,599,553
Other operating revenues	95,574,270	92,211,504
Total operating revenues	<u>976,719,274</u>	<u>946,327,660</u>
Operating expenses		
Salaries, wages and benefits	806,257,448	724,478,126
Supplies and services	340,622,841	295,245,914
Depreciation	103,954,222	95,571,952
Scholarships and fellowships	37,137,535	33,834,238
Total operating expenses	<u>1,287,972,046</u>	<u>1,149,130,230</u>
Operating loss	<u>(311,252,772)</u>	<u>(202,802,570)</u>
Nonoperating revenues (expenses)		
State educational appropriations	212,885,740	194,970,221
Gifts	78,861,700	44,942,506
Grants	36,418,977	34,709,158
Investment income (loss), net	219,906,628	(286,146,166)
Interest expense	(33,672,284)	(34,525,500)
Other nonoperating expenses, net	(1,310,954)	(3,665,697)
Net nonoperating revenues (expenses)	<u>513,089,807</u>	<u>(49,715,478)</u>
Income (loss) before other changes in net position	<u>201,837,035</u>	<u>(252,518,048)</u>
Other changes in net position		
State capital appropriations	58,173,691	—
State capital funds	33,122,351	20,953,780
Capital gifts and grants	46,465,094	33,892,304
Additions to permanent endowments	145,730,568	58,711,463
Intragovernmental transfers	21,921,258	505,241
Net other changes in net position	<u>305,412,962</u>	<u>114,062,788</u>
Increase (decrease) in net position	<u>507,249,997</u>	<u>(138,455,260)</u>
Net position, beginning of year	<u>2,725,058,214</u>	<u>2,863,513,474</u>
Net position, end of year	<u><u>\$ 3,232,308,211</u></u>	<u><u>\$ 2,725,058,214</u></u>

See accompanying notes to financial statements.

The University of Alabama

Statements of Cash Flows

For the Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Student tuition and fees, net	\$ 524,252,741	\$ 498,077,481
Grants and contracts		
Federal	98,297,999	88,622,529
State	33,767,570	33,314,770
Local	1,168,497	1,158,623
Private	6,792,955	6,678,110
Sales and services of educational activities	16,597,287	17,495,807
Other receipts	107,574,493	89,220,846
Auxiliary enterprises	214,897,302	211,239,633
Payments to suppliers	(335,651,064)	(300,203,017)
Payments to employees and related benefits	(796,961,509)	(733,549,357)
Payments for scholarships and fellowships	(56,644,863)	(37,025,793)
Receipts for student loans	822,212	1,869,774
Net cash used in operating activities	(185,086,380)	(123,100,594)
Cash flows from noncapital financing activities		
State educational appropriations	212,885,740	194,970,221
Private gifts for other than capital purposes	193,393,668	107,773,098
Grants	36,418,977	43,409,705
Student direct lending receipts	192,134,898	188,853,950
Student direct lending disbursements	(192,323,748)	(189,167,619)
Deposits from affiliates	188,850	313,669
Other receipts (disbursements), net	(387,282)	(577,513)
Intragovernmental transfers	3,903,848	120,730
Proceeds from line of credit	—	355,249
Principal payments on line of credit	—	(3,000,000)
Interest payments on line of credit	—	(49,867)
Net cash provided by noncapital financing activities	446,214,951	343,001,623
Cash flows from investing activities		
Interest and dividends on investments	47,601,872	43,494,375
Purchases of investments	(294,133,346)	(171,380,747)
Proceeds from sales and maturities of investments	172,845,004	129,646,271
Payments received on notes receivable	10,241,311	14,402,228
Disbursements from issuance of notes receivable	—	(266,180)
Net cash (used in) provided by investing activities	(63,445,159)	15,895,947
Cash flows from capital and related financing activities		
Proceeds from issuance of notes and bonds payable	—	3,067
Capital gifts, grants and contracts	22,727,578	26,706,322
State capital appropriations	58,173,691	—
Principal and interest received on lease receivables	1,383,396	1,366,475
Purchases of capital assets	(212,902,687)	(148,489,759)
Principal payments on capital debt	(43,532,565)	(41,421,718)
Interest payments on capital debt	(38,764,287)	(40,721,196)
Principal and interest paid on lease and SBITA obligations	(12,957,399)	(8,381,608)
Intragovernmental transfers	18,017,409	384,511
Net cash used in capital and related financing activities	(207,854,864)	(210,553,906)
Net (decrease) increase in cash and cash equivalents	(10,171,452)	25,243,070
Cash and cash equivalents, beginning of year	121,293,824	96,050,754
Cash and cash equivalents, end of year	<u>\$ 111,122,372</u>	<u>\$ 121,293,824</u>

See accompanying notes to financial statements.

The University of Alabama
Statements of Cash Flows, Continued
For the Years Ended September 30, 2023 and 2022

	2023	2022
Reconciliation of cash and cash equivalents to the statements of net position		
Unrestricted cash and cash equivalents-current	\$ 108,965,045	\$ 118,241,674
Restricted cash and cash equivalents-current and noncurrent	2,157,327	3,052,150
Total cash and cash equivalents	<u>\$ 111,122,372</u>	<u>\$ 121,293,824</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (311,252,772)	\$ (202,802,570)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	103,954,222	95,571,952
Pension expense	110,337,003	46,340,744
OPEB expense	(23,083,687)	5,289,405
Bad debt expense	737,254	1,323,134
Bond issuance costs	—	96,500
Changes in assets and liabilities		
Accounts and other receivables	(10,434,103)	(5,312,133)
Inventories and other assets	(26,216,281)	(3,847,367)
Pension obligations	(57,853,286)	(54,098,003)
OPEB obligations	(6,927,103)	(6,299,730)
Accounts payable and accrued liabilities	(2,285,195)	46,142
Unearned revenue	38,211,834	2,545,681
Deposits	(274,266)	(1,954,349)
Net cash used in operating activities	<u>\$ (185,086,380)</u>	<u>\$ (123,100,594)</u>
Supplemental noncash activities information		
Reinvestment in LCRP	\$ 17,536,890	\$ 18,906,107
Gifts of capital assets	8,725,706	2,933,966
State capital funds	33,122,351	20,953,780
Change in accrued capital asset purchases	18,587,565	16,599,119
Gain (loss) on the disposal of capital assets	659,004	(3,465,866)
Debt proceeds immediately transferred into escrow	—	203,455,000
Payment of outstanding bonds principal and interest via escrow	—	(203,355,443)
Crimson Tide Foundation	3,431,602	22,171,724

See accompanying notes to financial statements.

The University of Alabama
Discretely Presented Component Units
Statements of Net Position
2023 and 2022

	2023	2022
Current assets		
Unrestricted cash and cash equivalents	\$ 11,085,348	\$ 12,835,730
Restricted cash and cash equivalents	43,824,744	37,043,096
Short-term investments	12,715,363	9,587,569
Accounts receivable, net	7,370,064	5,329,869
Current portion of notes receivable, net	2,641,838	1,105,147
Current portion of pledges receivable, net	920,921	281,733
Inventories	702,798	722,390
Prepaid expenses and unearned scholarships	279,173	2,154,037
Other current assets	49,335	42,741
Due from The University of Alabama	302,968	301,659
Total current assets	79,892,552	69,403,971
Noncurrent assets		
Restricted cash and cash equivalents	6,230,169	6,230,169
Endowment investments	132,287,945	122,179,386
Other long-term investments	48,535,312	39,085,166
Pledges receivable, net	1,589,501	149,199
Capital assets, net	71,600,086	68,036,000
Other noncurrent assets	96,400	96,400
Total noncurrent assets	260,339,413	235,776,320
Total assets	340,231,965	305,180,291
Deferred outflows of resources	6,621,093	7,414,488
Total assets and deferred outflows of resources	\$ 346,853,058	\$ 312,594,779
Current liabilities		
Accounts payable and accrued liabilities	\$ 3,371,835	\$ 1,652,570
Unearned revenue	4,783,535	4,335,923
Current portion of long-term debt	4,053,366	3,990,417
Due to The University of Alabama	2,235,458	2,210,350
Total current liabilities	14,444,194	12,189,260
Noncurrent liabilities		
Other liabilities	9,458,025	6,105,522
Long-term debt, net	70,786,147	74,839,512
Due to The University of Alabama	9,734,523	9,221,462
Total noncurrent liabilities	89,978,695	90,166,496
Total liabilities	104,422,889	102,355,756
Net position		
Net investment in capital assets	4,942,844	2,416,100
Restricted		
Nonexpendable	77,118,706	70,283,335
Expendable	62,087,525	48,096,592
Unrestricted	98,281,094	89,442,996
Total net position	242,430,169	210,239,023
Total liabilities and net position	\$ 346,853,058	\$ 312,594,779

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 2023 and 2022

	2023	2022
Operating revenues		
Gifts	\$ 13,856,322	\$ 7,638,657
Other operating revenues	56,197,775	51,680,926
Total operating revenues	<u>70,054,097</u>	<u>59,319,583</u>
Operating expenses		
Salaries, wages and benefits	23,512,840	19,966,834
Supplies and services	22,284,573	24,491,740
Depreciation	3,040,347	2,848,554
Scholarships and fellowships	3,331,834	3,060,895
Contributed services from affiliate	2,710,370	2,429,998
Total operating expenses	<u>54,879,964</u>	<u>52,798,021</u>
Operating income	<u>15,174,133</u>	<u>6,521,562</u>
Nonoperating revenues (expenses)		
Investment income (loss), net	15,328,878	(13,476,346)
Interest expense	(3,212,391)	(3,280,223)
Contributions to The University of Alabama	(4,131,122)	(4,454,032)
Change in value of split-interest agreements	(83,569)	(294,560)
Contributed services from affiliate	2,710,370	2,429,998
Other nonoperating expenses	(4,825)	(7,300)
Net nonoperating revenues (expenses)	<u>10,607,341</u>	<u>(19,082,463)</u>
Income (loss) before other changes in net position	<u>25,781,474</u>	<u>(12,560,901)</u>
Other changes in net position		
Additions to permanent endowments	6,409,672	2,504,221
Increase (decrease) in net position	<u>32,191,146</u>	<u>(10,056,680)</u>
Net position, beginning of year	<u>210,239,023</u>	<u>220,295,703</u>
Net position, end of year	<u><u>\$ 242,430,169</u></u>	<u><u>\$ 210,239,023</u></u>

See accompanying notes to financial statements.

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

	Custodial Funds	
	2023	2022
Assets		
Cash	\$ 12,863,000	\$ 1,883,187
Short-term investments	36,250,063	7,532,746
Long-term investments	30,159,348	72,626,099
Total assets	\$ 79,272,411	\$ 82,042,032
Liabilities		
Accounts payable and accrued liabilities	\$ 3,800,485	\$ 3,402,018
Total liabilities	3,800,485	3,402,018
Net position		
Restricted for organizations	75,471,926	78,640,014
Total net position	\$ 75,471,926	\$ 78,640,014

The University of Alabama
Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2023 and 2022

	Custodial Funds	
	2023	2022
Additions		
Contributions	\$ 28,566,300	\$ 5,566,300
Investment income, net	1,113,657	1,384,135
Total additions	29,679,957	6,950,435
Deductions		
Construction/maintenance expenditures	32,848,045	10,496,233
Total deductions	32,848,045	10,496,233
Decrease in net position	(3,168,088)	(3,545,798)
Net position, beginning of year	78,640,014	82,185,812
Net position, end of year	\$ 75,471,926	\$ 78,640,014

See accompanying notes to financial statements.

The University of Alabama

Notes to Financial Statements

Years Ended September 30, 2023 and 2022

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 and doubtful accounts, the useful lives of capital assets, the valuation of investments (including endowed real estate), accruals related to compensated absences, 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 2023, the University adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes accounting and financial reporting requirements for subscription-based information technology arrangements ("SBITAs"). The statement requires the University to recognize right-of-use assets and related subscription liabilities for SBITAs, the expenditures for which were previously expensed as outflows of resources. GASB 96 requires a restatement of the earliest year presented. The effects of adopting GASB 96 to the University's financial statements for the year ended September 30, 2022, were as follows:

	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Business-type activities			
Statements of Net Position			
Current assets			
Prepaid expenses and unearned scholarships	\$ 104,915,802	\$ (1,301,403)	\$ 103,614,399
Total current assets	\$ 867,733,598	\$ (1,301,403)	\$ 866,432,195
Noncurrent assets			
Capital assets, net	\$ 2,565,668,083	\$ 12,754,952	\$ 2,578,423,035
Total noncurrent assets	\$ 4,345,475,636	\$ 12,754,952	\$ 4,358,230,588
Total assets	\$ 5,213,209,234	\$ 11,453,549	\$ 5,224,662,783
Current liabilities			
Accounts payable and accrued liabilities	\$ 163,086,282	\$ 7,035,117	\$ 170,121,399
Total current liabilities	\$ 555,692,217	\$ 7,035,117	\$ 562,727,334
Noncurrent liabilities			
Other liabilities	\$ 7,021,265	\$ 4,556,066	\$ 11,577,331
Total noncurrent liabilities	\$ 1,899,260,247	\$ 4,556,066	\$ 1,903,816,313
Total liabilities	\$ 2,454,952,464	\$ 11,591,183	\$ 2,466,543,647
Net Position			
Net position - net investment in capital assets	\$ 1,460,621,877	\$ (137,634)	\$ 1,460,484,243
Total net position	\$ 2,725,195,848	\$ (137,634)	\$ 2,725,058,214

	As Previously Reported	Effect of Adoption of GASB 96	As Restated
Business-type activities			
Statements of Revenues, Expenses and Changes in Net Position			
Operating expenses			
Supplies and services	\$ 299,875,325	\$ (4,629,411)	\$ 295,245,914
Depreciation	\$ 91,059,806	\$ 4,512,146	\$ 95,571,952
Total operating expenses	\$ 1,149,247,495	\$ (117,265)	\$ 1,149,130,230
Operating loss	\$ (202,919,835)	\$ 117,265	\$ (202,802,570)
Nonoperating revenues (expenses)			
Interest expense	\$ (34,270,601)	\$ (254,899)	\$ (34,525,500)
Net nonoperating expenses	\$ (49,460,579)	\$ (254,899)	\$ (49,715,478)
Loss before other changes in net position	\$ (252,380,414)	\$ (137,634)	\$ (252,518,048)
Decrease in net position	\$ (138,317,626)	\$ (137,634)	\$ (138,455,260)
Statements of Cash Flows			
Cash flows from operating activities			
Payments to suppliers	\$ (306,133,831)	\$ 5,930,814	\$ (300,203,017)
Net cash used in operating activities	\$ (129,031,408)	\$ 5,930,814	\$ (123,100,594)
Cash flows from capital and related financing activities			
Principal and interest paid on lease and SBITA obligations	\$ (2,450,794)	\$ (5,930,814)	\$ (8,381,608)
Net cash used in capital and related financing activities	\$ (204,623,092)	\$ (5,930,814)	\$ (210,553,906)
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (202,919,835)	\$ 117,265	\$ (202,802,570)
Depreciation expense	\$ 91,059,806	\$ 4,512,146	\$ 95,571,952
Inventories and other assets	\$ (5,148,770)	\$ 1,301,403	\$ (3,847,367)
Net cash used in operating activities	\$ (129,031,408)	\$ 5,930,814	\$ (123,100,594)

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 acquisition 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.

Depreciation of buildings and building improvements (25-50 years), infrastructure (20 years), land improvements (20 years), library collections (10 years), and inventoried equipment (5-15 years) is computed on a straight-line basis.

Right-of-use assets include leased real estate and equipment and SBITA assets. Lease and SBITA assets are recorded at the present value of payments expected to be made during the related term using discount rates which are based upon the University's incremental borrowing rates, and are amortized over the shorter of the related term or the expected useful life of the underlying asset.

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 \$4.9 million at September 30, 2023 and \$4.7 million at September 30, 2022. 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 \$2.6 million at September 30, 2023 and \$3.2 million at September 30, 2022.

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. 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 also subject 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, 2023 and 2022, there was no payable to the Department of Education for its portion of the excess cash available at June 30, 2023 and 2022.

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 and are included in accounts payable and accrued liabilities.

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, net difference between projected and actual earnings on pension plan investments, 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.

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.

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, 2023 and 2022 is included in the University's financial statements and presented on the following pages.

The Crimson Tide Foundation
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 6,379,771	\$ 231,173
Short-term investments	76,625,722	105,839,513
Current portion of pledges receivable, net	22,140,390	13,060,857
Other current assets	206,375	363,113
Other receivables	2,567,161	4,790,760
Total current assets	<u>107,919,419</u>	<u>124,285,416</u>
Noncurrent assets		
Restricted cash and cash equivalents	16,378	103,870
Endowment investments	70,928,232	66,115,586
Pledges receivable, net	74,596,215	33,338,775
Other long-term investments	115,731,783	74,768,819
Capital assets, net	6,917,147	7,569,414
Total noncurrent assets	<u>268,189,755</u>	<u>181,896,464</u>
Total assets	<u><u>\$ 376,109,174</u></u>	<u><u>\$ 306,181,880</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 1,815,156	\$ 1,376,121
Unearned revenue, current portion	45,033,539	36,884,934
Note payable, current portion	848,950	827,565
Other current liabilities	8,321,076	6,504,622
Total current liabilities	<u>56,018,721</u>	<u>45,593,242</u>
Noncurrent liabilities		
Note payable, noncurrent portion	2,372,665	3,221,615
Other liabilities	4,868,875	—
Total noncurrent liabilities	<u>7,241,540</u>	<u>3,221,615</u>
Total liabilities	<u>63,260,261</u>	<u>48,814,857</u>
Net position		
Net investment in capital assets	3,695,532	3,520,235
Restricted		
Nonexpendable	61,283,440	58,304,050
Expendable	187,950,358	117,061,166
Unrestricted	59,919,583	78,481,572
Total net position	<u>312,848,913</u>	<u>257,367,023</u>
Total liabilities and net position	<u><u>\$ 376,109,174</u></u>	<u><u>\$ 306,181,880</u></u>

The Crimson Tide Foundation
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues		
Private gifts	\$ 78,045,736	\$ 19,308,484
Other operating revenues	66,015,332	63,487,248
Grant revenues	400,000	400,000
Total operating revenues	<u>144,461,068</u>	<u>83,195,732</u>
Operating expenses		
Benefits	1,116,350	1,164,282
Scholarships	4,025,101	2,292,325
Legal and professional fees	7,604,721	2,711,088
Travel	2,249,798	1,980,565
Supplies	2,888,713	2,290,580
Conference and entertainment	842,385	1,366,059
Rentals	129,664	128,645
Repairs and maintenance	112,896	100,484
Depreciation	652,267	652,267
Other	1,086,160	1,800,586
Total operating expenses	<u>20,708,055</u>	<u>14,486,881</u>
Operating income	<u>123,753,013</u>	<u>68,708,851</u>
Nonoperating revenues (expenses)		
Investment income (loss), net	18,389,008	(32,243,067)
Interest expense	(93,773)	(164,487)
Net nonoperating revenues (expenses)	<u>18,295,235</u>	<u>(32,407,554)</u>
Income before other changes in net position	<u>142,048,248</u>	<u>36,301,297</u>
Other changes in net position		
Additions to permanent endowments	2,782,296	2,283,385
Intergovernmental transfers	(89,348,654)	(57,574,298)
Increase (decrease) in net position	<u>55,481,890</u>	<u>(18,989,616)</u>
Net position, beginning of year	<u>257,367,023</u>	<u>276,356,639</u>
Net position, end of year	<u><u>\$ 312,848,913</u></u>	<u><u>\$ 257,367,023</u></u>

The Crimson Tide Foundation
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Private gifts	\$ 25,854,364	\$ 29,365,806
Other operating revenues	74,874,859	56,518,836
Grant revenues	400,000	400,000
Transfers to the University of Alabama	(87,532,200)	(51,707,806)
Payments to suppliers	(11,163,538)	(10,590,749)
Net cash provided by operating activities	2,433,485	23,986,087
Cash flows from noncapital financing activities		
Additions to permanent endowments	2,782,296	2,283,385
Principal payments on line of credit	—	(3,000,000)
Proceeds from line of credit	—	355,249
Interest payments on line of credit	—	(49,867)
Net cash provided by (used in) noncapital financing activities	2,782,296	(411,233)
Cash flows from capital and related financing activities		
Principal payments on note payable	(827,565)	(806,718)
Interest payments on note payable	(93,773)	(114,620)
Net cash used in capital and related financing activities	(921,338)	(921,338)
Cash flows from investing activities		
Purchases of investments	(66,297,890)	(50,148,700)
Proceeds from the sales and maturities of investments	61,850,000	21,666,814
Interest and dividends on investments	6,214,553	5,782,064
Net cash provided by (used in) investing activities	1,766,663	(22,699,822)
Net increase (decrease) in cash and cash equivalents	6,061,106	(46,306)
Cash and cash equivalents, beginning of year	335,043	381,349
Cash and cash equivalents, end of year	\$ 6,396,149	\$ 335,043

The Crimson Tide Foundation
Statements of Cash Flows, Continued
For the Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 6,379,771	\$ 231,173
Restricted cash and cash equivalents in noncurrent assets	16,378	103,870
Total cash and cash equivalents	\$ 6,396,149	\$ 335,043
Reconciliation of operating income to net cash provided by operating activities		
Net operating income	\$ 123,753,013	\$ 68,708,851
Intergovernmental transfers	(89,348,654)	(57,574,298)
Adjustments to reconcile operating income net of intergovernmental transfers to net cash provided by operating activities		
Depreciation expense	652,267	652,267
Provision for uncollectible pledges	6,440,353	(83,704)
Changes in assets and liabilities		
Pledges receivable	(56,777,326)	8,286,627
Other receivables	2,284,125	(4,101,434)
Other current assets	156,738	(345,686)
Accounts payable	439,035	600,865
Other current liabilities	1,816,454	5,866,492
Unearned revenue	8,148,605	1,976,107
Other liabilities	4,868,875	—
Net cash provided by operating activities	\$ 2,433,485	\$ 23,986,087
Supplemental noncash activities information		
Dealer cars provided by Athletics	\$ 704,982	\$ 751,578
Supplies provided by contractual agreement	2,350,000	1,850,000
Complimentary club memberships provided to Athletics	196,620	207,108
Complimentary housing provided to Athletics staff	180,000	180,000
LCRPF withdrawal to pay on line of credit	—	19,183,038

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-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, 2023 and 2022, the receivable totaled \$9.7 million and \$9.2 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
2023

	National Alumni Association June 30, 2023	Law School Foundation June 30, 2023	Donor Advised Fund June 30, 2023
Current assets			
Cash and cash equivalents	\$ 357,766	\$ 193,050	\$ —
Restricted cash and cash equivalents	—	—	—
Short-term investments	—	—	548,332
Accounts receivable, net	845,447	514,824	3,555
Current portion of notes receivable, net	—	—	—
Current portion of pledges receivable, net	—	784,758	—
Inventories	—	—	—
Prepaid expenses and unearned scholarships	53,515	—	—
Other current assets	42,857	6,478	—
Due from The University of Alabama	26,765	—	—
Total current assets	1,326,350	1,499,110	551,887
Noncurrent assets			
Restricted cash and cash equivalents	—	—	—
Endowment investments	70,318,274	49,788,827	—
Other long-term investments	12,846,182	2,657,230	5,943,694
Pledges receivable, net	—	1,566,105	—
Capital assets, net	—	—	—
Other noncurrent assets	—	—	—
Total noncurrent assets	83,164,456	54,012,162	5,943,694
Total assets	84,490,806	55,511,272	6,495,581
Deferred outflows of resources	—	—	—
Total assets and deferred outflows of resources	\$ 84,490,806	\$ 55,511,272	\$ 6,495,581
Current liabilities			
Accounts payable and accrued liabilities	\$ 152,252	\$ 9,045	\$ —
Unearned revenue	—	—	—
Current portion of long-term debt	—	—	—
Due to The University of Alabama	—	108,178	—
Total current liabilities	152,252	117,223	—
Noncurrent liabilities			
Other liabilities	—	—	—
Long-term debt, net	—	—	—
Due to The University of Alabama	—	—	—
Total noncurrent liabilities	—	—	—
Total liabilities	152,252	117,223	—
Net position			
Net investment in capital assets	—	—	—
Restricted			
Nonexpendable	37,582,985	39,517,443	—
Expendable	13,057,764	13,174,713	6,475,769
Unrestricted	33,697,805	2,701,893	19,812
Total net position	84,338,554	55,394,049	6,495,581
Total liabilities and net position	\$ 84,490,806	\$ 55,511,272	\$ 6,495,581

The University of Alabama
Discretely Presented Component Units
Statements of Net Position, Continued
2023

	Capstone Foundation Sept. 30, 2023	1831 Foundation Sept. 30, 2023	Capstone Health Services Foundation Sept. 30, 2023
Current assets			
Cash and cash equivalents	\$ 323,226	\$ 281,381	\$ 9,929,925
Restricted cash and cash equivalents	—	43,824,744	—
Short-term investments	—	1,740,805	10,426,226
Accounts receivable, net	144,567	—	5,861,671
Current portion of notes receivable, net	—	—	2,641,838
Current portion of pledges receivable, net	136,163	—	—
Inventories	84,350	—	618,448
Prepaid expenses and unearned scholarships	196,940	—	28,718
Other current assets	—	—	—
Due from The University of Alabama	—	—	276,203
Total current assets	885,246	45,846,930	29,783,029
Noncurrent assets			
Restricted cash and cash equivalents	—	6,230,169	—
Endowment investments	12,180,844	—	—
Other long-term investments	17,800,956	9,287,250	—
Pledges receivable, net	23,396	—	—
Capital assets, net	106,311	61,229,315	10,264,460
Other noncurrent assets	96,400	—	—
Total noncurrent assets	30,207,907	76,746,734	10,264,460
Total assets	31,093,153	122,593,664	40,047,489
Deferred outflows of resources	—	6,621,093	—
Total assets and deferred outflows of resources	\$ 31,093,153	\$ 129,214,757	\$ 40,047,489
Current liabilities			
Accounts payable and accrued liabilities	\$ 211,285	\$ 634,449	\$ 2,364,804
Unearned revenue	—	4,783,535	—
Current portion of long-term debt	—	4,053,366	—
Due to The University of Alabama	697,629	406,841	1,022,810
Total current liabilities	908,914	9,878,191	3,387,614
Noncurrent liabilities			
Other liabilities	2,793,886	—	6,664,139
Long-term debt, net	—	70,786,147	—
Due to The University of Alabama	9,734,523	—	—
Total noncurrent liabilities	12,528,409	70,786,147	6,664,139
Total liabilities	13,437,323	80,664,338	10,051,753
Net position			
Net investment in capital assets	—	1,879,291	3,063,553
Restricted			
Nonexpendable	18,278	—	—
Expendable	15,295,735	14,083,544	—
Unrestricted	2,341,817	32,587,584	26,932,183
Total net position	17,655,830	48,550,419	29,995,736
Total liabilities and net position	\$ 31,093,153	\$ 129,214,757	\$ 40,047,489

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	—
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 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
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 and net position	\$ 29,373,366	\$ 118,973,365	\$ 31,622,404

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position
Years Ended 2023

	National Alumni Association June 30, 2023	Law School Foundation June 30, 2023	Donor Advised Fund June 30, 2023
Operating revenues			
Gifts	\$ 2,651,233	\$ 810,880	\$ 550,000
Other operating revenues	808,938	76,784	—
Total operating revenues	<u>3,460,171</u>	<u>887,664</u>	<u>550,000</u>
Operating expenses			
Salaries, wages and benefits	—	—	—
Supplies and services	1,768,982	498,927	305,882
Depreciation	—	—	—
Scholarships and fellowships	1,570,683	1,323,656	—
Contributed services from affiliate	1,366,776	1,116,234	—
Total operating expenses	<u>4,706,441</u>	<u>2,938,817</u>	<u>305,882</u>
Operating (loss) income	<u>(1,246,270)</u>	<u>(2,051,153)</u>	<u>244,118</u>
Nonoperating revenues (expenses)			
Investment income, net	6,029,995	3,441,793	573,689
Interest expense	—	—	—
Contributions to The University of Alabama	(1,073,384)	(404,977)	(231,756)
Change in value of split-interest agreements	—	—	—
Contributed services from affiliate	1,366,776	1,116,234	—
Other nonoperating expense	—	—	—
Net nonoperating revenues	<u>6,323,387</u>	<u>4,153,050</u>	<u>341,933</u>
Income before other changes in net position	<u>5,077,117</u>	<u>2,101,897</u>	<u>586,051</u>
Other changes in net position			
Additions to permanent endowments	1,697,999	4,711,673	—
Increase in net position	<u>6,775,116</u>	<u>6,813,570</u>	<u>586,051</u>
Net position, beginning of year	<u>77,563,438</u>	<u>48,580,479</u>	<u>5,909,530</u>
Net position, end of year	<u>\$ 84,338,554</u>	<u>\$ 55,394,049</u>	<u>\$ 6,495,581</u>

The University of Alabama
Discretely Presented Component Units
Statements of Revenues, Expenses and Changes in Net Position, Continued
Years Ended 2023

	Capstone Foundation Sept. 30, 2023	1831 Foundation Sept. 30, 2023	Capstone Health Services Foundation Sept. 30, 2023
Operating revenues			
Gifts	\$ 3,627,145	\$ 6,217,064	\$ —
Other operating revenues	790,855	15,348,204	39,172,994
Total operating revenues	<u>4,418,000</u>	<u>21,565,268</u>	<u>39,172,994</u>
Operating expenses			
Salaries, wages and benefits	—	—	23,512,840
Supplies and services	2,890,977	4,204,741	12,615,064
Depreciation	3,600	2,346,537	690,210
Scholarships and fellowships	437,495	—	—
Contributed services from affiliate	227,360	—	—
Total operating expenses	<u>3,559,432</u>	<u>6,551,278</u>	<u>36,818,114</u>
Operating income	<u>858,568</u>	<u>15,013,990</u>	<u>2,354,880</u>
Nonoperating revenues (expenses)			
Investment income, net	2,377,721	1,939,882	965,798
Interest expense	—	(3,015,553)	(196,838)
Contributions to The University of Alabama	(1,856,173)	(226,532)	(338,300)
Change in value of split-interest agreements	(83,569)	—	—
Contributed services from affiliate	227,360	—	—
Other nonoperating expense	—	(4,825)	—
Net nonoperating revenues (expenses)	<u>665,339</u>	<u>(1,307,028)</u>	<u>430,660</u>
Income before other changes in net position	<u>1,523,907</u>	<u>13,706,962</u>	<u>2,785,540</u>
Other changes in net position			
Additions to permanent endowments	—	—	—
Increase in net position	<u>1,523,907</u>	<u>13,706,962</u>	<u>2,785,540</u>
Net position, beginning of year	<u>16,131,923</u>	<u>34,843,457</u>	<u>27,210,196</u>
Net position, end of year	<u>\$ 17,655,830</u>	<u>\$ 48,550,419</u>	<u>\$ 29,995,736</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>

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 ("QPD") 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 QPD. Under the mandatory SAFE program, each 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 27,000 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 \$35.3 million and \$33.3 million at September 30, 2023 and 2022, 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 is \$21.3 million and \$22.2 million as of September 30, 2023 and 2022, 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, 2023. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. University management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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

	2023			
	Level 1	Level 2	Level 3	Total
Cash & Receivables:				
Regions Cash Trust	\$ 7,296,931	\$ —	\$ —	\$ 7,296,931
Fidelity Government Portfolio	249,754	—	—	249,754
Equities:				
Common Stock	8,615,869	—	—	8,615,869
Fixed Income Securities:				
U.S. Government Obligations	137,569	33,244	—	170,813
Commingled Funds:				
U.S. Equity Funds	2,326,849	106,880	—	2,433,729
Non-U.S. Equity Funds	557,986	—	—	557,986
U.S. Bond Funds	1,563,555	104,664	—	1,668,219
Non-U.S. Bond Funds	10,449	—	—	10,449
Private Equity Funds	—	—	2,343	2,343
Real Estate	—	—	90,196,197	90,196,197
	<u>\$ 20,758,962</u>	<u>\$ 244,788</u>	<u>\$ 90,198,540</u>	<u>\$ 111,202,290</u>

UA Portion of System Pool Investments:

Pooled Endowment Fund 1,144,677,343

Liquidity and Capital Reserve Pool Fund 1,026,542,662

Total Reported Value with System Pooled Investments \$ 2,282,422,295

	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

At September 30, 2023 and 2022, 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					
	2023				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Receivables:					
Accrued Income Receivables	\$ —	\$ —	\$ —	\$ —	\$ 1,004,822
Total Receivables	—	—	—	—	1,004,822
Cash Equivalents:					
Money Market Funds	82,092,112	—	—	—	82,092,112
Total Cash Equivalents	82,092,112	—	—	—	82,092,112
Equities:					
U.S. Common Stock	196,255,358	—	—	—	196,255,358
Foreign Stock	47,800,297	—	—	—	47,800,297
Total Equities	244,055,655	—	—	—	244,055,655
Fixed Income Securities:					
U.S. Government Obligations	—	12,068,968	—	—	12,068,968
Mortgage Backed Securities	—	13,998,021	—	—	13,998,021
Corporate Bonds	—	20,296,131	—	—	20,296,131
Non-U.S. Bonds	—	3,892,771	—	—	3,892,771
Total Fixed Income Securities	—	50,255,891	—	—	50,255,891
Commingled Funds:					
U.S. Equity Funds	—	65,208,495	—	—	65,208,495
Non-U.S. Equity Funds	—	165,312,862	—	—	165,312,862
Hedge Funds	—	—	—	716,526,857	716,526,857
Private Equity Funds	—	—	1,882,658	485,799,946	487,682,604
Real Asset Funds	—	—	3,095,306	332,524,313	335,619,619
Total Commingled Funds	—	230,521,357	4,977,964	1,534,851,116	1,770,350,437
Total Fund Investments	326,147,767	280,777,248	4,977,964	1,534,851,116	2,146,754,095
Total Fund Assets	<u>\$ 326,147,767</u>	<u>\$ 280,777,248</u>	<u>\$ 4,977,964</u>	<u>\$ 1,534,851,116</u>	<u>\$ 2,147,758,917</u>
Total Fund Liabilities					(724,160)
Affiliated Entity Investments in Funds					(307,072,586)
Total Net Asset Value					<u><u>\$1,839,962,171</u></u>

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

Liquidity and Capital Reserve Pool

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

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

2023 - 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	\$ 716,526,857	\$ 14,251,160	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Private equity - private credit, buyouts, venture, secondary	485,799,946	268,537,638	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
Real assets - public real estate, natural resources, and infrastructure	41,700,197	—	No limit	Monthly and quarterly	None
Real assets - private real estate, natural resources, and infrastructure	290,824,116	88,090,197	1 - 15 years	Partnerships ineligible for redemption	Not redeemable
	<u>\$1,534,851,116</u>	<u>\$ 370,878,995</u>			
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>			
2023 - 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	\$1,152,378,614	\$ 26,720,926	No limit	Monthly, quarterly, and annually	Lock-up provisions ranging from none to 2 years
Real assets - public real estate, natural resources, and infrastructure	223,207,527	—	No limit	Monthly and quarterly	None
	<u>\$1,375,586,141</u>	<u>\$ 26,720,926</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>			

Investment Risk Factors

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

Credit Risk

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

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

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

		2023	
		Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Fixed or Variable Income Securities			
U.S. Government Obligations	\$	12,068,968	\$ 289,033,443
Other U.S. Denominated:			
AAA		1,444,806	35,779,230
AA		763,308	38,107,146
A		7,561,794	148,052,814
BBB		10,993,260	129,358,721
BB		3,993,984	6,707,732
B		495,051	8,090,491
C and < C		—	3,635,591
Unrated		12,934,720	177,180,955
Commingled Funds:			
U.S. Bond Funds: Unrated		—	451,679,478
Money Market Funds: Unrated		82,092,112	40,904,062
Total	\$	132,348,003	\$ 1,328,529,663
		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

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, 2023 and 2022 is as follows:

	2023	2022
Fixed or Variable Income Securities		
U.S. Government Guaranteed	\$ 137,569	\$ 149,148
Other U.S. Dollar, Money Market Funds, and Commingled Bonds		
AAA	680,782	1,115,428
AA	244,471	37,165
A	145,854	138,686
BBB	292,530	261,055
BB	149,151	71,214
B	93,805	37,463
Below B	77,465	44,094
Unrated	17,406	35,879
Total	<u>\$ 1,839,033</u>	<u>\$ 1,890,132</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, 2023 and 2022, 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, 2023 and 2022 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	
	2023	2022	2023	2022
U.S. Government Obligations	8.3	10.2	3.8	3.8
Corporate Bonds	4.7	5.0	2.2	2.4
Non-U.S. Bonds	4.7	5.0	2.2	2.4
Commingled Bond Funds	—	—	3.4	2.8
Other Fixed Income	—	—	(0.1)	—

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

	2023	2022
U.S. Government Obligations	9.4	9.9
Commingled Bond Funds	6.0	6.4

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, 2023 and 2022, the fair market value of these investments, for the System Pools, are as follows:

	2023	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	\$ 13,998,021	\$ 220,244,106
Collateralized Mortgage Obligations	—	16,737,264
Total Fixed	<u>\$ 13,998,021</u>	<u>\$ 236,981,370</u>

	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>

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, 2023 and 2022, the effective durations for these securities held in the System Pools are listed below. At September 30, 2023 and 2022, the University did not hold any investments in these security types outside of the System Pools.

	2023	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	6.7	3.2
Collateralized Mortgage Obligations	—	3.8
	2022	
	Pooled Endowment Fund	Liquidity and Capital Reserve Pool Fund
Mortgage Backed Securities	6.6	3.3
Collateralized Mortgage Obligations	—	4.3

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, 2023 and 2022, 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, 2023 and 2022, the University did not hold any foreign securities in its separately held investment portfolio.

Securities Lending

The System permits security lending as a mechanism to augment income. Loans of the securities are required to be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral must equal at least 102% of the current market value of the loaned securities. Securities lending contracts must state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and acceptable investment of the collateral. At September 30, 2023 and 2022, 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, 2023 and 2022 is summarized below:

	2023	2022
Student accounts	\$ 34,257,952	\$ 35,158,153
Sponsoring agencies	43,387,441	30,848,929
Accrued interest receivable	11,610,060	10,027,270
Other	15,684,236	16,252,853
Total accounts receivable	104,939,689	92,287,205
Less allowance for doubtful accounts	(1,603,811)	(1,743,450)
Accounts receivable, net	<u>\$ 103,335,878</u>	<u>\$ 90,543,755</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 receivable 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, 2023 and 2022 is summarized as follows:

	2023	2022
Notes receivable from student organizations	\$ 204,956,887	\$ 213,866,918
Less current portion	(5,657,526)	(5,666,252)
Notes receivable, noncurrent	<u>\$ 199,299,361</u>	<u>\$ 208,200,666</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, 2023 and 2022, is summarized as follows:

	2023	2022
Federal loan program	\$ 7,214,888	\$ 8,298,793
University loan funds	3,058,202	2,806,027
Less allowance for doubtful loans	(3,687,199)	(3,696,717)
Total student loans outstanding, net	6,585,891	7,408,103
Less current portion	(1,539,115)	(1,675,165)
Total student loans outstanding, noncurrent	<u>\$ 5,046,776</u>	<u>\$ 5,732,938</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, 2023 and 2022, is summarized as follows:

	2023	2022
Operations	\$ 69,454,815	\$ 37,680,685
Capital	69,543,165	52,636,347
Less allowance for doubtful pledges	(8,505,554)	(4,907,320)
Total pledges, net	130,492,426	85,409,712
Less current portion	(31,508,019)	(23,661,105)
Total pledges, noncurrent	<u>\$ 98,984,407</u>	<u>\$ 61,748,607</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, 2023 are summarized as follows:

	Balance October 1, 2022	Additions	Retirements/ Transfers	Balance September 30, 2023
Nondepreciable capital assets:				
Land	\$ 94,028,783	\$ 662,684	\$ —	\$ 94,691,467
Collections	29,617,076	2,917,309	(270)	32,534,115
Intangible assets	58,746,214	6,554,000	—	65,300,214
Construction in progress	91,697,132	207,935,273	(119,546,050)	180,086,355
Total nondepreciable capital assets	274,089,205	218,069,266	(119,546,320)	372,612,151
Depreciable capital assets:				
Land improvements	95,581,072	9,945,390	—	105,526,462
Infrastructure	195,041,734	38,345,064	—	233,386,798
Buildings and fixed equipment	2,703,728,588	90,450,490	—	2,794,179,078
Equipment	253,853,017	27,928,841	(13,163,618)	268,618,240
Library materials	129,509,169	539,224	—	130,048,393
Intangible assets	58,017,603	—	—	58,017,603
Right-of-use assets - leased real estate & equipment	7,253,167	1,302,730	(398,974)	8,156,923
Right-of-use assets - software subscriptions	17,267,098	9,420,592	(1,357,972)	25,329,718
Total depreciable capital assets	3,460,251,448	177,932,331	(14,920,564)	3,623,263,215
Less accumulated depreciation:				
Land improvements	43,609,015	4,756,601	—	48,365,616
Infrastructure	59,308,348	9,396,691	—	68,705,039
Buildings and fixed equipment	709,984,394	58,844,435	—	768,828,829
Equipment	158,507,147	18,532,751	(11,129,635)	165,910,263
Library materials	119,524,701	2,827,183	—	122,351,884
Intangible assets	57,499,986	426,107	—	57,926,093
Right-of-use assets - leased real estate & equipment	2,971,881	2,136,941	(398,974)	4,709,848
Right-of-use assets - software subscriptions	4,512,146	7,033,513	(1,357,972)	10,187,687
Total accumulated depreciation	1,155,917,618	103,954,222	(12,886,581)	1,246,985,259
Total depreciable capital assets, net	2,304,333,830	73,978,109	(2,033,983)	2,376,277,956
Total capital assets, net	<u>\$ 2,578,423,035</u>	<u>\$ 292,047,375</u>	<u>\$ (121,580,303)</u>	<u>\$ 2,748,890,107</u>

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 - leased real estate & equipment	4,719,080	3,010,076	(475,989)	7,253,167
Right-of-use assets - software subscriptions	7,652,994	9,614,104	—	17,267,098
Total depreciable capital assets	3,248,990,163	237,611,731	(26,350,446)	3,460,251,448
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 - leased real estate & equipment	1,279,723	2,168,147	(475,989)	2,971,881
Right-of-use assets - software subscriptions	—	4,512,146	—	4,512,146
Total accumulated depreciation	1,081,305,033	95,571,952	(20,959,367)	1,155,917,618
Total depreciable capital assets, net	2,167,685,130	142,039,779	(5,391,079)	2,304,333,830
Total capital assets, net	<u>\$ 2,487,768,426</u>	<u>\$ 272,830,636</u>	<u>\$ (182,176,027)</u>	<u>\$ 2,578,423,035</u>

Note 7 – Long-Term Debt

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

	Balance October 1, 2022	New Debt	Principal Repayment	Balance September 30, 2023
Type/Supported by				
Notes payable				
Crimson Tide Foundation airplane	\$ 4,049,180	\$ —	\$ (827,565)	\$ 3,221,615
Bryce/Partlow property	11,132,600	—	(5,566,300)	5,566,300
Bonds				
General Revenue	1,070,545,000	—	(39,505,000)	1,031,040,000
	<u>\$ 1,085,726,780</u>	<u>\$ —</u>	<u>\$ (45,898,865)</u>	<u>\$ 1,039,827,915</u>
Plus net unamortized bond premium/discount	65,970,690			59,479,396
Less current portion	<u>(45,898,865)</u>			<u>(47,775,250)</u>
	<u><u>\$ 1,105,798,605</u></u>			<u><u>\$ 1,051,532,061</u></u>

	Balance October 1, 2021	New Debt	Principal Repayment	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>\$ 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>

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, 2023, 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
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	—	50,555,000	50,555,000	—	28,118,015	28,118,015	78,673,015
2029-2033	—	281,445,000	281,445,000	—	111,724,782	111,724,782	393,169,782
2034-2038	—	237,685,000	237,685,000	—	65,738,293	65,738,293	303,423,293
2039-2043	—	170,100,000	170,100,000	—	31,174,950	31,174,950	201,274,950
2044-2048	—	95,930,000	95,930,000	—	10,246,360	10,246,360	106,176,360
2049	—	13,305,000	13,305,000	—	399,150	399,150	13,704,150
	<u>\$ 8,787,915</u>	<u>\$1,031,040,000</u>	<u>\$1,039,827,915</u>	<u>\$ 156,625</u>	<u>\$379,156,106</u>	<u>\$379,312,731</u>	<u>\$ 1,419,140,646</u>

Pledged revenues for the years ended September 30, 2023 and 2022 as defined by outstanding bond covenants are as follows:

	2023	2022
Tuition and fees	\$ 785,087,861	\$ 765,508,001
Sales and services of educational activities	17,564,235	16,934,239
Auxiliary sales and services	234,925,552	234,003,286
Investment income	47,601,872	43,494,375
Other operating revenues	95,574,270	92,211,504
Total pledged revenues	<u>\$ 1,180,753,790</u>	<u>\$ 1,152,151,405</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 2023 of \$1.2 billion, the projected maximum annual debt service requirement of \$84.4 million in 2024 is covered approximately 14.0 times by pledged revenues. The University is in compliance with all financial covenants as of September 30, 2023.

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, 2023 and September 30, 2022 is \$0.0 million and \$189.3 million, respectively.

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, 2023:

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	11,310,000
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	208,310,000
General Fee Revenue Bond Series 2014B	8/28/2014	7/1/2024	3.0-5.0	212,105,000	9,220,000
General Fee Revenue Bond Series 2017A	8/30/2017	7/1/2024	4.0-5.0	15,855,000	4,810,000
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	—
General Fee Revenue Bond Series 2019A	9/19/2019	7/1/2049	3.0-5.0	375,515,000	346,230,000
General Fee Revenue Bond Series 2019B	9/19/2019	7/1/2024	2.0-4.0	14,095,000	3,735,000
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	201,685,000
Total bonds payable				1,373,975,000	1,031,040,000
Notes payable:					
Department of Mental Health (Partlow I)	11/14/2014	11/14/2023	0.0	32,000,000	3,200,000
Department of Mental Health (Partlow II)	2/27/2015	2/27/2024	0.0	23,663,000	2,366,300
PNC Aviation Finance (CTF airplane CESSNA)	1/31/2020	2/1/2027	2.55	5,900,000	3,221,615
Total notes payable				61,563,000	8,787,915
Total bonds and notes payable				<u>\$ 1,435,538,000</u>	<u>\$ 1,039,827,915</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. None of the line of credit was drawn at June 30, 2023 or 2022. For the years ending June 30, 2023 and 2022, CTF incurred \$0 and \$50,000, respectively, 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, 2023 and 2022 was \$25.0 million. The line of credit agreement expires on September 30, 2041.

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 for general liability at both September 30, 2023 and 2022.

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, 2023 and 2022 are summarized as follows:

	2023	2022
Balance, beginning of year	\$ 4,374,000	\$ 4,205,000
Claims paid	(58,496,109)	(53,108,484)
Contributions and adjustments	58,923,109	53,277,484
Balance, end of year	<u>\$ 4,801,000</u>	<u>\$ 4,374,000</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 TRS, 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.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan ("PLOP") in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the

TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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 5.0% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6.0% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation. Effective October 1, 2021, the covered Tier 2 members' contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective 10/1/2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% 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 contractually required contribution rate for the year ended September 30, 2023 was 12.59% of annual pay for Tier 1 members and 11.44% of annual pay for Tier 2 members. The University's contractually required contribution rate for the year ended September 30, 2022 was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members. 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 2023, 2022, and 2021 is as follows:

	2023	2022	2021
Employer Contributions	\$ 57,853,286	\$ 54,098,003	\$ 51,757,744
Employee Contributions	32,888,983	31,063,549	29,590,369
Total Contributions	<u>\$ 90,742,269</u>	<u>\$ 85,161,552</u>	<u>\$ 81,348,113</u>

Pensionable salaries and wages for covered employees participating in TRS were approximately \$482.8 million and \$452.6 million during fiscal years 2023 and 2022, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2023, the financial statements of the University reflected a liability of \$894.5 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, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021. 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, 2022, the University's proportion was 5.76%, which was a decrease of 0.12% from its proportion measured as of September 30, 2021. The University's proportionate share of the collective net pension liability at September 30, 2022 was \$553.9 million.

For the years ended September 30, 2023 and 2022, the University recognized pension expense of \$110.3 million and \$46.3 million, respectively. At September 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,663,000	\$ 21,706,000
Changes of assumptions	40,588,000	—
Net difference between projected and actual earnings on pension plan investments	179,489,000	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	6,572,000	19,882,000
Employer contributions subsequent to the measurement date	57,853,286	—
Total	<u>\$ 304,165,286</u>	<u>\$ 41,588,000</u>

	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>

The \$57.9 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2024	\$	59,341,000
2025	\$	46,694,000
2026	\$	29,697,000
2027	\$	68,992,000
2028	\$	—
Thereafter	\$	—

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

Inflation	2.50 %
Projected salary increases, 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, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.00 %	2.80 %
U.S. large stocks	32.00 %	8.00 %
U.S. mid stocks	9.00 %	10.00 %
U.S. small stocks	4.00 %	11.00 %
International developed market stocks	12.00 %	9.50 %
International emerging market stocks	3.00 %	11.00 %
Alternatives	10.00 %	9.00 %
Real estate	10.00 %	6.50 %
Cash equivalents	5.00 %	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 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following table 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	\$ 1,157,390,000	\$ 894,458,000	\$ 672,986,000

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, 2022. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2022. The auditor's report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Defined Contribution Plans

As previously noted, some employees participate in a voluntary 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 2023 and 2022, excluding amounts not eligible for matching, was \$28.0 million and \$26.3 million, respectively. This includes employee contributions eligible for matching of \$14.0 million in 2023 and \$13.1 million in 2022, and University contributions of \$14.0 million in 2023 and \$13.1 million 2022. Salaries and wages for covered employees participating in the 403(b) plan were \$342.9 million and \$320.9 million, respectively, during fiscal years 2023 and 2022.

Compensated Absences

Certain University employees accrue annual 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 annual leave 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 \$34.8 million and \$34.0 million at September 30, 2023 and 2022, respectively, primarily for accrued annual 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 (the "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 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 Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan (Group 14000), VIVA Health Plan (offered through PEEHIP), Marketplace (Exchange) Plans, State Employees Insurance Board (SEIB), Local Government Board (LGB), Medicare, Medicaid, ALL Kids, Tricare, or Champus as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2020, Medicare eligible members and Medicare eligible dependents covered on a retiree contract were enrolled in the Humana Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract. The MAPDP plan is fully insured by UHC and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

Contributions. The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section, 16-25A-8.1* provide the 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, 2023, the financial statements of the University of Alabama reflected a liability of \$57.4 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, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The University's proportion of the net OPEB liability was based on the University's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2022, the University's proportion was 3.30%, which was a decrease of 0.97% from its proportion measured as of September 30, 2021. The University's proportionate share of the net OPEB liability at September 30, 2022 was \$220.2 million.

For the years ended September 30, 2023 and 2022, the University recognized OPEB expense of \$(23.1) million and \$5.3 million, respectively, with no special funding situations. At September 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred Outflows	Deferred Inflows
	of Resources	of Resources
Differences between expected and actual experience	\$ 2,634,097	\$ 116,124,383
Changes of assumptions	46,585,837	83,596,882
Net difference between projected and actual earnings on OPEB plan investments	7,222,719	—
Changes in proportion and differences between Employer contributions and proportionate share of contributions	60,923,179	73,656,638
Employer contributions subsequent to the measurement date	6,927,103	—
Total	<u>\$ 124,292,935</u>	<u>\$ 273,377,903</u>

	2022	
	Deferred Outflows	Deferred Inflows
	of Resources	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>

The \$6.9 million reported as deferred outflows of resources related to OPEB resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:

2024	\$(35,208,719)
2025	\$(35,776,093)
2026	\$(10,351,383)
2027	\$(17,177,349)
2028	\$(34,492,203)
Thereafter	\$(23,006,324)

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

Inflation	2.50%
Projected salary increases*	3.25% - 5.00%
Long-term investment rate of return**	7.00%
Municipal bond index rate at the measurement date	4.40%
Municipal bond index rate at the prior measurement date	2.29%
Projected year for fiduciary net position (FNP) to be depleted	N/A
Single equivalent interest rate at the measurement date	7.00%
Single equivalent interest rate at the prior measurement date	3.97%
Healthcare cost trend rate	
Initial trend rate	
Pre-medicare eligible	6.50%
Medicare eligible	***
Ultimate trend rate	
Pre-medicare eligible	4.50% in 2031
Medicare eligible	4.50% in 2027
Optional Plans Trend Rate	2.00%

*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 2025.

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

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67, Phasing down 63-67 Female: 112% ages < 69, 98% ages > 74, Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher 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, 2021 valuation.

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

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

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

Asset Class	Target Allocation	Long-Term Expected 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, 2022 was 7.00%. The discount rate used to measure the total OPEB liability at the prior measurement date was 3.97%. 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 active member for participating employers. Approximately, 15.257% of the employer contributions were used to assist in funding retiree benefit payments in 2022 and it is assumed that the 15.257% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the \$800 rate will increase with inflation at 2.50% starting in 2027. Retiree benefit payments for University members are paid by the Universities and are not included in the cash flow projections. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Projected future benefit payments for all current plan members are projected through 2120.

Sensitivity of the University's proportionate share of the net OPEB liability to changes in the healthcare cost trend 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	\$ 43,551,400	\$ 57,432,788	\$ 74,457,004

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 7.00%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the collective net OPEB liability	\$ 71,007,161	\$ 57,432,788	\$ 46,037,507

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB 74 Report for PEEHIP prepared as of September 30, 2022. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 11 – Federal Direct Student Loan Program

The Federal Direct Student Loan Program ("FDSLP") was established under the Higher Education Act of 1965, as amended in the Student Loan Reform Act of 1993. The FDSLP enables an eligible student or parent to obtain a loan to pay for the student's cost of attendance directly through the University rather than through private lenders. The University began participation in the FDSLP on July 1, 1995. As a university qualified to originate loans, the University is responsible for handling the complete loan process, including funds management as well as promissory note functions. The University is not responsible for collection of these loans. During the years ended September 30, 2023 and 2022, respectively, the University disbursed approximately \$192.3 million and \$189.2 million, respectively, under the FDSLP.

Note 12 – Grants and Contracts

At September 30, 2023, the University had been awarded approximately \$77.9 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, 2023.

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. Operating expenses by functional classification for the years ended September 30, 2023 and 2022 are summarized as follows:

2023 Operating Expenses (by functional classification)

	Salaries, wages and benefits	Supplies and services	Depreciation	Scholarships and fellowships	Total
Instruction	\$ 261,282,637	\$ 39,249,888	\$ 21,239,483	\$ —	\$ 321,772,008
Research	110,572,162	65,468,928	8,460,952	—	184,502,042
Public service	47,074,287	24,839,652	2,807,142	—	74,721,081
Academic support	73,328,365	11,109,203	17,837,540	—	102,275,108
Student services	42,495,254	24,318,798	6,350,836	—	73,164,888
Institutional support	91,527,378	9,544,270	13,519,604	—	114,591,252
Operations and maintenance	79,225,313	36,693,502	2,459,440	—	118,378,255
Scholarships and fellowships	—	—	—	36,077,362	36,077,362
Auxiliary enterprises	100,752,052	129,398,600	31,279,225	1,060,173	262,490,050
Total operating expenses	<u>\$ 806,257,448</u>	<u>\$ 340,622,841</u>	<u>\$ 103,954,222</u>	<u>\$ 37,137,535</u>	<u>\$1,287,972,046</u>

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	8,531,058	16,548,140	—	92,306,218
Student services	37,953,418	23,787,833	5,891,792	—	67,633,043
Institutional support	78,809,102	15,349,774	10,682,654	—	104,841,530
Operations and maintenance	69,502,571	28,543,735	743,242	—	98,789,548
Scholarships and fellowships	—	—	—	28,305,453	28,305,453
Auxiliary enterprises	92,229,920	110,432,588	32,131,796	5,528,785	240,323,089
Total operating expenses	<u>\$ 724,478,126</u>	<u>\$ 295,245,914</u>	<u>\$ 95,571,952</u>	<u>\$ 33,834,238</u>	<u>\$1,149,130,230</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, 2023 and 2022, the estimated remaining cost to complete the construction and renovation of these facilities was approximately \$109.8 million and \$157.9 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 was no material impact from its adoption of GASB Statement No. 91.

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

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

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 Statement No. 99 which were effective immediately and for fiscal years beginning after June 15, 2022, 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, 2023.

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. As GASB Statement No. 100 is based on an unknown possible future event, materiality 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 GASB issued Statement No. 102, *Certain Risk Disclosures*, in January 2024. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The University is evaluating whether there will be any material impact from its adoption of GASB 102.

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	5.76%	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	\$ 894,458,000	\$ 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	\$ 452,622,667	\$ 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	197.62%	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	62.21%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 57,853,286	\$ 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	\$ 57,853,286	\$ 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	\$ 482,765,357	\$ 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	11.98%	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 2023, the measurement period is October 1, 2021 - September 30, 2022.

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

	2023	2022	2021	2020	2019	2018
Employer's proportion of the collective net OPEB liability	3.30%	4.26%	4.27%	2.89%	3.25%	3.47%
Employer's proportionate share of the collective net OPEB liability	\$ 57,432,788	\$ 220,215,581	\$ 276,972,007	\$ 108,975,155	\$ 267,378,182	\$ 257,683,278
Employer's covered payroll during the measurement period	\$ 452,622,667	\$ 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	12.69%	50.75%	64.15%	25.78%	65.91%	66.78%
Plan fiduciary net position as a percentage of the total collective net OPEB liability	48.39%	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

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 6,927,103	\$ 6,299,730	\$ 7,359,091	\$ 8,450,780	\$ 8,214,794	\$ 7,988,277
Contributions in relation to the contractually required contribution	\$ 6,927,103	\$ 6,299,730	\$ 7,359,091	\$ 8,450,780	\$ 8,214,794	\$ 7,988,277
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 482,765,357	\$ 452,622,667	\$ 433,960,597	\$ 431,766,760	\$ 422,693,087	\$ 405,665,755
Contributions as a percentage of covered payroll	1.43%	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 2023, the measurement period is October 1, 2021 - September 30, 2022.

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

As of September 30, 2023

The Honorable Kay Ivey

Governor of Alabama

President Ex-Officio

Elected Trustees:

Scott M. Phelps, President Pro Tempore

Fourth Congressional District

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

Vanessa Leonard

Sixth Congressional District

W. Davis Malone III

Second Congressional District

Evelyn VanSant Mauldin

Fourth Congressional District

Harris V. Morrisette

First Congressional District

Kenneth O. Simon

Seventh Congressional District

W. Stancil Starnes

Sixth Congressional District

Marietta M. Urquhart

First Congressional District

Kenneth L. Vandervoort, M.D.

Third Congressional District

Vacant

Third Congressional District

Trustees Emeriti:

Paul W. Bryant, Jr.

Angus R. Cooper II

John H. England, Jr.

Joseph C. Espy III

Joseph L. Fine

Sandra Hullett, M.D.

Andria Scott Hurst

John D. Johns

Peter L. Lowe

John J. McMahon, Jr.

Joe H. Ritch

Finis E. St. John IV

William Britt Sexton

Cleophus Thomas, Jr.

John Russell Thomas

The University of Alabama
Executive Officers (Unaudited)
As of September 30, 2023

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.

Vice President of Student Life

Allen S. Parrish, Ph.D.

Interim 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